

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

**DIRECTORS' REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2020**

Registration No. 201701021661 (1235827-D)

MI TECHNOVATION BERHAD

(Incorporated in Malaysia)

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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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 2020.

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

	Group RM	Company RM
Profit for the financial year	<u>53,712,813</u>	<u>19,863,588</u>
Attributable to:		
Owners of the parent	54,007,730	19,863,588
Non-controlling interests	<u>(294,917)</u>	<u>0</u>
	<u>53,712,813</u>	<u>19,863,588</u>

DIVIDENDS

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

	RM
In respect of financial year ended 31 December 2019:	
Second single tier interim dividend of RM0.03 per ordinary share, paid on 20 March 2020	22,380,000
In respect of financial year ended 31 December 2020:	
First single tier interim dividend of RM0.03 per ordinary share, paid on 23 November 2020	<u>22,380,000</u>
	<u>44,760,000</u>

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DIVIDENDS (continued)

No final dividend has been recommended by the Directors for the financial year ended 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 Company did not issue any new shares or 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.

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

Tan Boon Hoe

Lee Boon Leng

Lim Shin Lid

(Appointed on 1 July 2020)

Koay Huck Khim

(Resigned on 1 July 2020)

Foo Hee Chaik

(Resigned on 1 July 2020)

Subsidiaries of Mi Technovation Berhad

Oh Kuang Eng

Yong Shiao Voon

Teo Chee Kheong

Park Jae Shin

(Appointed as Director of Mi Equipment Korea Co., Ltd
on 9 January 2020)

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 2020 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:

	[----- Number of ordinary shares -----]			Balance as at 31.12.2020
	Balance as at 1.1.2020	Bought	Sold	
Shares in the Company				
<u>Direct interests</u>				
Oh Kuang Eng	513,200,000	300,000	(12,500,000)	501,000,000
Tan Boon Hoe	280,000	0	(80,000)	200,000
Lee Boon Leng	97,500	0	0	97,500
<u>Indirect interests</u>				
Yong Shiao Voon*	513,200,000	300,000	(12,500,000)	501,000,000

* 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 those benefits 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 29 to the financial statements.

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 2020 and 31 December 2019 are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Directors of the Company:				
Fees	144,000	144,000	144,000	144,000
Salaries and bonuses	1,162,832	1,155,597	40,000	414,548
Contributions to defined contribution plans	120,683	123,787	5,955	52,512
Social security contributions	11,569	1,801	296	1,539
Other benefits	85,494	77,591	73,952	76,500
	<u>1,524,578</u>	<u>1,502,776</u>	<u>264,203</u>	<u>689,099</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 2020 were RM18,000,000 and RM27,295 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:
- 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

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

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

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps (continued):
 - (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.
- (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

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 (continued):

- (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 DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 33 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

Significant events subsequent to the end of reporting period are disclosed in Note 34 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 2020 are disclosed in Note 25 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:

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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 16 to 105 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 2020 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:

STATUTORY DECLARATION

I, Wong Ming Nee (I/C No.: 750107-07-5022) (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 16 to 105 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

Wong Ming Nee

Before me,

Commissioner for Oaths

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MI TECHNOVATION BERHAD**
(Registration No. 201701021661 (1235827-D))
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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 2020 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 16 to 105.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('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)**
(Registration No. 201701021661 (1235827-D))
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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 2020, the carrying amount of trade receivables of the Group amounted to RM98,587,763, which were net of impairment losses of RM320,933. 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 to assess expected credit losses.

Audit response

Our audit procedures included the following:

- (i) Recomputed the probability of default using historical data and forward-looking information adjustment, incorporating the impact of the COVID-19 pandemic, 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
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Key Audit Matters (continued)

(b) Valuation of inventories

As at 31 December 2020, the Group had inventories amounted to RM70,265,291. The details of inventories have been disclosed in the Note 11 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 the reliability of the ageing report of inventories provided by management on sampling basis; and
- (iii) Tested samples of inventories items to ensure they were held at the lower of cost and net realisable value by testing the selling prices of inventories sold from sales invoices subsequent to the end of the reporting period.

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
MI TECHNOVATION BERHAD (continued)**
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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
MI TECHNOVATION BERHAD (continued)**
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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, actions taken to eliminate threats or safeguards applied.

**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
02141/04/2023 J
Chartered Accountant

Penang
Dated:

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020	2019	2020	2019
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	119,080,710	90,872,976	18,229	121,267
Right-of-use assets	5	27,035,483	24,069,817	502,200	649,185
Intangible assets	6	8,503,861	2,884,713	1,952,952	2,084,611
Investments in subsidiaries	7	0	0	191,004,629	145,761,551
Deferred tax assets	8	341,335	50,075	0	0
Other receivable	9	0	0	5,541,055	0
Lease receivable	10	2,123,307	0	0	0
		<u>157,084,696</u>	<u>117,877,581</u>	<u>199,019,065</u>	<u>148,616,614</u>
Current assets					
Inventories	11	70,265,291	48,661,010	0	0
Trade and other receivables	9	103,804,109	100,559,488	16,379,728	20,389,724
Lease receivable	10	546,381	0	0	0
Current tax assets		8,068	66,404	0	0
Derivative	12	6,427	0	0	0
Short term funds	13	52,870,834	92,981,286	32,679,082	92,981,286
Cash and bank balances	14	56,026,305	69,977,383	2,788,674	15,594,866
		<u>283,527,415</u>	<u>312,245,571</u>	<u>51,847,484</u>	<u>128,965,876</u>
TOTAL ASSETS		<u><u>440,612,111</u></u>	<u><u>430,123,152</u></u>	<u><u>250,866,549</u></u>	<u><u>277,582,490</u></u>

MI TECHNOVATION BERHAD
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STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (continued)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	15	252,615,378	252,615,378	252,615,378	252,615,378
Treasury shares	15(b)	(5,246,963)	(5,246,963)	(5,246,963)	(5,246,963)
Reserves	16	140,958,918	132,398,831	2,040,720	26,937,132
		388,327,333	379,767,246	249,409,135	274,305,547
Non-controlling interests	7	(50,691)	0	0	0
TOTAL EQUITY		388,276,642	379,767,246	249,409,135	274,305,547
LIABILITIES					
Non-current liabilities					
Borrowing	17	2,615,805	1,584,670	0	0
Provisions	18	626,308	522,998	0	0
Other payable	19	0	227,903	0	0
Lease liabilities	5	1,876,838	123,758	378,994	521,501
Deferred tax liabilities	8	1,810,600	0	0	0
		6,929,551	2,459,329	378,994	521,501

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STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (continued)

		Group		Company	
	Note	2020	2019	2020	2019
		RM	RM	RM	RM
LIABILITIES (continued)					
Current liabilities					
Trade and other payables	19	39,610,204	43,184,664	935,912	2,620,650
Contract liabilities	20	7,519	0	0	0
Borrowing	17	2,481,141	2,492,989	0	0
Provisions	18	1,552,963	1,785,254	0	0
Lease liabilities	5	1,659,894	202,398	142,508	134,792
Current tax liabilities		94,197	231,272	0	0
		<u>45,405,918</u>	<u>47,896,577</u>	<u>1,078,420</u>	<u>2,755,442</u>
TOTAL LIABILITIES		<u>52,335,469</u>	<u>50,355,906</u>	<u>1,457,414</u>	<u>3,276,943</u>
TOTAL EQUITY AND LIABILITIES		<u>440,612,111</u>	<u>430,123,152</u>	<u>250,866,549</u>	<u>277,582,490</u>

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

MI TECHNOVATION BERHAD

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**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	22	229,004,086	191,134,590	23,945,000	30,897,000
Cost of sales		(129,268,636)	(98,209,800)	0	0
Gross profit		99,735,450	92,924,790	23,945,000	30,897,000
Other operating income		5,190,169	5,309,781	3,506,691	3,426,910
Sales and marketing expenses		(11,264,293)	(7,289,978)	0	0
General and administrative expenses		(37,569,031)	(31,177,217)	(7,554,894)	(5,955,563)
Profit from operations		56,092,295	59,767,376	19,896,797	28,368,347
Finance costs	23	(376,453)	(236,853)	(33,209)	(19,367)
Profit before tax	25	55,715,842	59,530,523	19,863,588	28,348,980
Tax expense	26	(2,003,029)	(364,175)	0	0
Profit for the financial year		53,712,813	59,166,348	19,863,588	28,348,980
Profit for the financial year attributable to:					
Owners of the parent		54,007,730	59,166,348	19,863,588	28,348,980
Non-controlling interests	7	(294,917)	0	0	0
		53,712,813	59,166,348	19,863,588	28,348,980

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**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)**

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Profit for the financial year		53,712,813	59,166,348	19,863,588	28,348,980
Other comprehensive loss, net of tax:					
Item that may be subsequently reclassified to profit or loss					
Foreign currency translations, net of tax	26(d)	(680,708)	(21,299)	0	0
Total comprehensive income for the financial year		<u>53,032,105</u>	<u>59,145,049</u>	<u>19,863,588</u>	<u>28,348,980</u>
Total comprehensive income attributable to:					
Owners of the parent		53,320,087	59,145,049	19,863,588	28,348,980
Non-controlling interests	7	(287,982)	0	0	0
		<u>53,032,105</u>	<u>59,145,049</u>	<u>19,863,588</u>	<u>28,348,980</u>
Earnings per share attributable to owners of the parent:					
Basic and diluted (sen)	27	<u>7.24</u>	<u>7.91</u>		

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 2020**

Group	Note	Share capital RM	Treasury shares RM	Legal reserve RM	Exchange translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM	Total equity 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
Transactions with owners:								
Purchase of treasury shares	15(b)	0	(5,246,963)	0	0	0	0	(5,246,963)
Dividend paid	28	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

MI TECHNOVATION BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)**

Group	Note	Share capital RM	Treasury shares RM	Legal reserve RM	Exchange translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2020		252,615,378	(5,246,963)	41,896	202,867	(63,557,909)	195,711,977	379,767,246	0	379,767,246
Profit for the financial year		0	0	0	0	0	54,007,730	54,007,730	(294,917)	53,712,813
Other comprehensive loss, net of tax		0	0	0	(687,643)	0	0	(687,643)	6,935	(680,708)
Total comprehensive income		0	0	0	(687,643)	0	54,007,730	53,320,087	(287,982)	53,032,105
Transfer to legal reserve		0	0	106,062	0	0	(106,062)	0	0	0
Transactions with owners:										
Incorporation of a subsidiary		0	0	0	0	0	0	0	237,291	237,291
Dividend paid	28	0	0	0	0	0	(44,760,000)	(44,760,000)	0	(44,760,000)
Total transactions with owners		0	0	0	0	0	(44,760,000)	(44,760,000)	237,291	(44,522,709)
Balance as at 31 December 2020		252,615,378	(5,246,963)	147,958	(484,776)	(63,557,909)	204,853,645	388,327,333	(50,691)	388,276,642

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 2020**

Company	Note	Share capital RM	Treasury shares RM	Retained earnings RM	Total equity RM
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
Transactions with owners:					
Purchase of treasury shares	15(b)	0	(5,246,963)	0	(5,246,963)
Dividends paid	28	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		<u>252,615,378</u>	<u>(5,246,963)</u>	<u>26,937,132</u>	<u>274,305,547</u>
Balance as at 1 January 2020		252,615,378	(5,246,963)	26,937,132	274,305,547
Profit for the financial year		0	0	19,863,588	19,863,588
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	19,863,588	19,863,588
Transaction with owners:					
Dividend paid	28	0	0	(44,760,000)	(44,760,000)
Total transaction with owners		0	0	(44,760,000)	(44,760,000)
Balance as at 31 December 2020		<u>252,615,378</u>	<u>(5,246,963)</u>	<u>2,040,720</u>	<u>249,409,135</u>

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 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		55,715,842	59,530,523	19,863,588	28,348,980
Adjustments for:					
Amortisation of intangible assets	6	216,404	12,744	131,659	0
Depreciation of property, plant and equipment	4	5,998,019	3,570,661	36,606	27,273
Depreciation of right-of-use assets	5	1,267,063	668,855	146,985	85,741
Dividend income		0	0	(23,000,000)	(30,000,000)
Finance costs	23	376,453	236,853	33,209	19,367
Gain on fair value changes on bond funds		(680,194)	(35,065)	(680,194)	(35,065)
Gain on fair value changes on derivative		(6,427)	0	0	0
Loss/(Gain) on disposal of property, plant and equipment		224,105	(119,844)	685	0
Lease concession	5	(6,461)	0	0	0
Impairment loss on investment in a subsidiary	7	0	0	1,467,906	0
Impairment loss on trade receivables	9(f)	320,933	141,900	0	0
Interest income		(3,552,324)	(4,258,432)	(2,843,117)	(3,293,040)
Inventories written down	11(c)	359,277	248,086	0	0
Inventories written off	11(c)	697,607	1,034,387	0	0
Property, plant and equipment written off	4	73,820	7,907	0	0
Provision for warranty replacement costs	18(a)	2,059,928	2,424,583	0	0
Reversal of impairment loss on trade receivables	9(f)	(141,900)	(150,106)	0	0
Balance carried forward		62,922,145	63,313,052	(4,842,673)	(4,846,744)

MI TECHNOVATION BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2020 (continued)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES (continued)					
Balance brought forward		62,922,145	63,313,052	(4,842,673)	(4,846,744)
Reversal of inventories written down	11(c)	(668,188)	0	0	0
Reversal of provision for warranty replacement costs	18(a)	(512,707)	(5,358,583)	0	0
Reversal of provision for technical support services	18(b)	(460,952)	0	0	0
Unrealised loss on foreign exchange		583,315	2,158,880	486,079	223,589
Operating profit/(loss) before changes in working capital		61,863,613	60,113,349	(4,356,594)	(4,623,155)
Increase in inventories		(21,992,977)	(6,589,231)	0	0
Increase in trade and other receivables		(5,230,719)	(28,201,684)	(3,927,139)	(42,161,401)
Decrease in lease receivable		243,405	0	0	0
(Decrease)/Increase in trade and other payables		(3,004,378)	7,307,741	(1,685,320)	2,053,143
Increase in contract liabilities		7,519	0	0	0
Warranty paid	18(a)	(1,071,329)	(290,462)	0	0
Technical support related expenses paid	18(b)	(143,921)	0	0	0
Cash generated from/(used in) operations		30,671,213	32,339,713	(9,969,053)	(44,731,413)
Taxes paid		(560,728)	(175,340)	0	0
Net cash from/(used in) operating activities		30,110,485	32,164,373	(9,969,053)	(44,731,413)

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2020 (continued)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Incorporation of a subsidiary	7(c)	0	0	(587,509)	0
Additional investment in subsidiaries		0	0	(49,123,475)	(6,783,398)
Proceeds from redemption of redeemable preference shares by a subsidiary	7(e)	0	0	3,000,000	0
Dividend received		0	0	25,000,000	29,000,000
Interest received		3,509,965	4,258,432	2,843,117	3,293,040
Net proceeds of shares from non-controlling interest		237,291	0	0	0
Proceeds from disposal of property, plant and equipment		2,339,905	308,131	80,211	3,006
Proceeds from redemption of bond funds		31,906,980	0	31,906,980	0
Purchase of:					
- intangible assets	6	(5,819,228)	(2,435,879)	0	(2,084,611)
- property, plant and equipment	4	(39,618,368)	(60,140,628)	(14,464)	(120,994)
- right-of-use assets	5	0	(1,104,975)	0	0
- bond funds		(45,216,792)	(11,500,000)	(45,216,792)	(11,500,000)
Net cash (used in)/from investing activities		(52,660,247)	(70,614,919)	(32,111,932)	11,807,043
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	28	(44,760,000)	(4,980,000)	(44,760,000)	(4,980,000)
Interest paid		(332,735)	(222,501)	0	0
Balance carried forward		(45,092,735)	(5,202,501)	(44,760,000)	(4,980,000)

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2020 (continued)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM FINANCING ACTIVITIES (continued)					
Balance brought forward		(45,092,735)	(5,202,501)	(44,760,000)	(4,980,000)
Purchase of treasury shares	15(b)	0	(5,246,963)	0	(5,246,963)
Drawdown of term loan		3,926,243	0	0	0
Repayment of term loan		(2,708,796)	(2,662,222)	0	0
Payments of lease liabilities	5	(1,050,914)	(229,205)	(168,000)	(98,000)
Placement of deposits pledged to a licensed bank		(6,730)	(12,814)	0	0
Net cash used in financing activities		<u>(44,932,932)</u>	<u>(13,353,705)</u>	<u>(44,928,000)</u>	<u>(10,324,963)</u>
Net decrease in cash and cash equivalents		(67,482,694)	(51,804,251)	(87,008,985)	(43,249,333)
Effect on foreign exchange rates changes		(536,403)	(167,956)	(89,417)	(220,380)
Cash and cash equivalents at beginning of financial year		149,330,705	201,302,912	97,041,087	140,510,800
Cash and cash equivalents at end of financial year	14(b)	<u>81,311,608</u>	<u>149,330,705</u>	<u>9,942,685</u>	<u>97,041,087</u>

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2020 (continued)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Lease liabilities (Note 5)		Term loan (Note 17)	
	2020	2019	2020	2019
	RM	RM	RM	RM
At 1 January	326,156	0	4,077,659	6,752,681
Effect of adoption of MFRS 16	0	296,443	0	0
Cash flows	(1,050,914)	(229,205)	1,217,447	(2,662,222)
Non-cash flows:				
- additions	4,088,594	243,443	0	0
- unwinding of interest	43,718	14,352	0	0
- lease modification to lease term	101,265			
- lease concession	(6,461)	0	0	0
- effect of foreign exchange	34,374	1,123	(198,160)	(12,800)
At 31 December	<u>3,536,732</u>	<u>326,156</u>	<u>5,096,946</u>	<u>4,077,659</u>

Company	Lease liability (Note 5)	
	2020	2019
	RM	RM
At 1 January	656,293	0
Cash flows	(168,000)	(98,000)
Non-cash flows:		
- additions	0	734,926
- unwinding of interest	33,209	19,367
At 31 December	<u>521,502</u>	<u>656,293</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 2020

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 2020 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

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 2020

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 35(a) to the financial statements.

The Group has also early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions* in the current financial year and elected to apply the practical expedient to all rent concessions relating to leases with similar characteristics and similar circumstances.

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 2020**

4. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2020 RM	Additions RM	Written off RM	Disposals RM	Depreciation charge for the financial year RM	Reclassification RM	Currency translation differences RM	Balance as at 31.12.2020 RM
Carrying amount								
Buildings	71,825,444	19,620,136	0	0	(1,912,115)	6,908,110	3,360	96,444,935
Plant and machinery	271,803	4,224,999	0	(3,051,716)	(193,771)	0	14,169	1,265,484
Motor vehicles	622,401	759,151	0	0	(294,891)	0	4,737	1,091,398
Office equipment	4,646,602	2,807,151	(5,487)	(330,855)	(2,046,060)	0	15,599	5,086,950
Production equipment	2,620,365	402,354	(3,020)	(2,032,335)	(281,596)	0	0	705,768
Clean room	58,838	0	(1)	0	(17,809)	0	0	41,028
Furniture and fittings	1,917,979	660,677	(65,311)	0	(573,607)	0	4,829	1,944,567
Sports equipment	158,002	0	(1)	0	(38,924)	0	0	119,077
Laboratory equipment	1,304,790	744,487	0	(19,838)	(429,363)	0	23,475	1,623,551
Renovation	264,782	2,313,187	0	0	(103,320)	0	6,970	2,481,619
Cafeteria and kitchen equipment	272,950	312,230	0	0	(106,563)	910	0	479,527
Capital work-in-progress	6,909,020	7,773,996	0	0	0	(6,909,020)	22,810	7,796,806
	<u>90,872,976</u>	<u>39,618,368</u>	<u>(73,820)</u>	<u>(5,434,744)</u>	<u>(5,998,019)</u>	<u>0</u>	<u>95,949</u>	<u>119,080,710</u>

Group	As at 31.12.2020		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Buildings	99,320,070	(2,875,135)	96,444,935
Plant and machinery	1,744,318	(478,834)	1,265,484
Motor vehicles	2,176,695	(1,085,297)	1,091,398
Office equipment	9,185,964	(4,099,014)	5,086,950
Production equipment	1,505,313	(799,545)	705,768
Clean room	89,046	(48,018)	41,028
Furniture and fittings	2,893,114	(948,547)	1,944,567
Sports equipment	204,673	(85,596)	119,077
Laboratory equipment	2,520,068	(896,517)	1,623,551
Renovation	2,728,578	(246,959)	2,481,619
Cafeteria and kitchen equipment	622,140	(142,613)	479,527
Capital work-in-progress	7,796,806	0	7,796,806
	<u>130,786,785</u>	<u>(11,706,075)</u>	<u>119,080,710</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Additions RM	Written off RM	Disposals RM	Depreciation charge for the financial year RM	Reclassification RM	Currency translation differences RM	Balance as at 31.12.2019 RM
Carrying amount									
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>

Group	As at 31.12.2019		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
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 2020

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Balance as at 1.1.2020 RM	Additions RM	Disposals RM	Depreciation charge for the financial year RM	Balance as at 31.12.2020 RM
Company					
Carrying amount					
Office equipment	121,267	14,464	(80,896)	(36,606)	18,229
			[----- As at 31.12.2020 -----]		
			Cost RM	Accumulated depreciation RM	Carrying amount RM
Office equipment			35,294	(17,065)	18,229
	Balance as at 1.1.2019 RM	Additions RM	Disposals RM	Depreciation charge for the financial year RM	Balance as at 31.12.2019 RM
Company					
Carrying amount					
Office equipment	30,552	120,994	(3,006)	(27,273)	121,267
			[----- As at 31.12.2019 -----]		
			Cost RM	Accumulated depreciation RM	Carrying amount RM
Office equipment			150,216	(28,949)	121,267

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

4. PROPERTY, PLANT AND EQUIPMENT (continued)

- (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.

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	44 to 57 years
Plant and machinery	10% to 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	5% to 20%
Cafeteria and kitchen equipment	20%

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

- (b) Included in property, plant and equipment of the Company, certain building with a carrying amount of RM61,071,486 (2019: 61,959,621) is charged to a local bank as securities for bank facilities granted to the Company as disclosed in Note 17(c) to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

5. LEASES

The Group as lessee

Right-of-use assets

	Balance as at 1.1.2020 RM	Additions RM	Modification to lease term RM	Depreciation charge for the financial year RM	Currency translation differences RM	Balance as at 31.12.2020 RM
Carrying amount						
Land	23,726,857	0	0	(489,389)	0	23,237,468
Offices	252,814	4,088,594	1,166	(678,961)	42,846	3,706,459
Hostel	90,146	0	100,099	(98,713)	24	91,556
	<u>24,069,817</u>	<u>4,088,594</u>	<u>101,265</u>	<u>(1,267,063)</u>	<u>42,870</u>	<u>27,035,483</u>
	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Additions (Note 5(c)) RM	Depreciation charge for the financial year RM	Currency translation differences RM	Balance as at 31.12.2019 RM
Carrying amount						
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>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

5. LEASES (continued)

The Group as lessee (continued)

Lease liabilities

	Balance as at 1.1.2020 RM	Additions RM	Modification to lease term RM	Lease payments RM	Lease concessions RM	Interest expense RM	Currency translation differences RM	Balance as at 31.12.2020 RM
Carrying amount								
Offices	234,150	4,088,594	1,166	(948,561)	(6,461)	41,783	34,347	3,445,018
Hostel	92,006	0	100,099	(102,353)	0	1,935	27	91,714
	<u>326,156</u>	<u>4,088,594</u>	<u>101,265</u>	<u>(1,050,914)</u>	<u>(6,461)</u>	<u>43,718</u>	<u>34,374</u>	<u>3,536,732</u>

Lease liabilities

	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Additions RM	Lease payments RM	Interest expense RM	Currency translation differences RM	Balance as at 31.12.2019 RM
Carrying amount							
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>

	2020 RM	2019 RM
Represented by:		
Current liabilities	1,659,894	202,398
Non-current liabilities	1,876,838	123,758
	<u>3,536,732</u>	<u>326,156</u>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

5. LEASES (continued)

The Company as lessee

Right-of-use asset

	Balance as at 1.1.2020 RM	Depreciation charge for the financial year RM	Balance as at 31.12.2020 RM
Carrying amount			
Office	649,185	(146,985)	502,200

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

Lease liability

	Balance as at 1.1.2020 RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2020 RM
Carrying amount				
Office	656,293	(168,000)	33,209	521,502

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

5. LEASES (continued)

The Company as lessee (continued)

	2020	2019
	RM	RM
Represented by:		
Current liabilities	142,508	134,792
Non-current liabilities	378,994	521,501
	<u>521,502</u>	<u>656,293</u>

- (a) The Group and the Company leases a number of properties based on business requirements. In some properties leases the periodic rent is increase each year by inflation or and in others to be reset periodically to market rental rates. In some property leases the periodic rent is fixed over the lease term.
- (b) 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.

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	44 to 60 years
Offices	2 to 3 years
Hostel	2 years

- (c) Included in right-of-use assets of the Group, certain land with a carrying amount of RM12,420,748 (2019: RM12,715,894) is charged to a local bank as securities for bank facilities granted to the Group as disclosed in Note 17(c) to the financial statements.
- (d) In the previous 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

5. LEASES (continued)

The Company as lessee (continued)

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

(f) The following are the amounts recognised in profit or loss:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Depreciation charge of right-of-use assets				
- included in cost of sales	198,613	110,964	0	0
- included in general and administrative expenses	1,068,450	557,891	146,985	85,741
Interest expense on lease liabilities				
- included in finance costs	43,718	14,352	33,209	19,367
Expense relating to short-term leases				
- included in general and administrative expenses	967,925	1,649,256	0	0
Expense relating to leases of low-value assets				
- included in general and administrative expenses	36,670	30,016	0	0
Variable lease payments (included in cost of sales):				
- arising from COVID-19 related rent concessions	(6,461)	0	0	0
	<u>2,308,915</u>	<u>2,362,479</u>	<u>180,194</u>	<u>105,108</u>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

5. LEASES (continued)

The Company as lessee (continued)

(g) Lease liabilities of the Group and of the Company are owing to non-financial institutions.

(h) 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:

Group	Within five (5) years RM	Total RM
2020		
Extension options expected not to be exercised	<u>0</u>	<u>0</u>
2019		
Extension options expected not to be exercised	<u>133,810</u>	<u>133,810</u>

(i) Information on financial risks of lease liabilities is disclosed in Note 32 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

6. INTANGIBLE ASSETS

Group	Balance as at 1.1.2020 RM	Additions RM	Amortisation charge for the financial year RM	Currency translation differences RM	Balance as at 31.12.2020 RM
Carrying amount					
Intellectual property	2,084,611	0	(131,659)	0	1,952,952
Club membership	800,102	0	(38,346)	319	762,075
Development of prototypes	0	5,596,539	(46,399)	16,005	5,566,145
Development of intelligence software solution	0	222,689	0	0	222,689
	<u>2,884,713</u>	<u>5,819,228</u>	<u>(216,404)</u>	<u>16,324</u>	<u>8,503,861</u>

Group	[----- As at 31.12.2020 -----]		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
Intellectual property	2,084,611	(131,659)	1,952,952
Club membership	813,092	(51,017)	762,075
Development of prototypes	5,612,544	(46,399)	5,566,145
Development of intelligence software solution	222,689	0	222,689
	<u>8,732,936</u>	<u>(229,075)</u>	<u>8,503,861</u>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

6. INTANGIBLE ASSETS (continued)

Group	Balance as at 1.1.2019 RM	Additions RM	Amortisation charge for the financial year RM	Currency translation differences RM	Balance as at 31.12.2019 RM
Carrying amount					
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>

Group	As at 31.12.2019		
	Cost RM	Accumulated amortisation RM	Carrying amount RM
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 2020**

6. INTANGIBLE ASSETS (continued)

Company	Balance as at 1.1.2020 RM	Amortisation charge for the financial year RM	Balance as at 31.12.2020 RM
Carrying amount			
Intellectual property	2,084,611	(131,659)	1,952,952

[----- As at 31.12.2020 -----]

Company	Cost RM	Accumulated amortisation RM	Carrying amount RM
Intellectual property	2,084,611	(131,659)	1,952,952

Company	Balance as at 1.1.2019 RM	Additions RM	Amortisation charge for the financial year RM	Balance as at 31.12.2019 RM
Carrying amount				
Intellectual property	0	2,084,611	0	2,084,611

[----- As at 31.12.2019 -----]

Company	Cost RM	Accumulated amortisation RM	Carrying amount RM
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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

6. INTANGIBLE ASSETS (continued)

- (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) Development cost represents a development of in-house brand of Wafer Level Chip Scale Package ('WLCSP') sorting machines, laser bonding machines and development of advanced automation and robotic solutions with artificial intelligence. Development of prototypes are amortised on a straight line basis over a period of three (3) years commencing from the date they are available for use.
- (e) Development of intelligence software solution represents software, which is not integral to hardware of the Group and can be separately identified.
- (f) The Group and the Company made the following cash payments to acquire intangible assets:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Purchase of intangible assets	5,819,228	2,891,685	0	2,084,611
Payable within next two (2) year	0	(455,806)	0	0
Cash payments on purchase of intangible assets	<u>5,819,228</u>	<u>2,435,879</u>	<u>0</u>	<u>2,084,611</u>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020	2019
	RM	RM
Unquoted shares, at cost		
- ordinary shares	153,297,335	103,586,351
- redeemable preference shares ('RPS')	<u>39,175,200</u>	<u>42,175,200</u>
	192,472,535	145,761,551
Less: Impairment losses	<u>(1,467,906)</u>	<u>0</u>
	<u>191,004,629</u>	<u>145,761,551</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.

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2020 %	2019 %	
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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

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
		2020 %	2019 %	
Mi International Pte. Ltd. ⁽¹⁾	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.	Malaysia	100	100	Manufacturing and sales of modules and component parts. During the financial year, Mi Components Sdn. Bhd. has become dormant.
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.
Mi Equipment Korea Co., Ltd. ⁽¹⁾	Republic of South Korea	70	0	Research, development and manufacturing of semiconductor equipment and related components.
Suzhou Mi Equipment Co., Ltd. ⁽²⁾	People's Republic of China	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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

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
		2020 %	2019 %	
Mi Equipment (Taiwan) Co., Ltd. ⁽²⁾	Taiwan (Republic of China)	94	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.
Subsidiaries of Mi International Pte. Ltd.				
Mi Sales & Services (M) 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. During the financial year, Mi Sales & Services (M) Sdn. Bhd. has become dormant.
Mi Equipment USA Inc. ⁽³⁾	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.
Suzhou Mi Equipment Co., Ltd. ⁽²⁾	People's Republic of China	0	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 2020

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
		2020 %	2019 %	
Subsidiaries of Mi International Pte. Ltd. (continued)				
Mi Equipment (Taiwan) Co., Ltd. ⁽²⁾	Taiwan (Republic of China)	- ⁽⁴⁾	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. ⁽³⁾	Singapore	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. Currently, Mi Sales & Services (S) Pte. Ltd. has not commenced operations.

(1) Subsidiary audited by BDO member firm.

(2) Subsidiaries not audited by BDO Malaysia and BDO member firms.

(3) Subsidiaries not required to be audited in the respective countries of incorporation.

(4) Following the placement of 14,959,875 new ordinary shares by Mi Equipment (Taiwan) Co., Ltd. ('MiETW') to the Company, the equity interest of Mi International Pte. Ltd. ('Mi International') in MiETW diluted from 100% to 6%. There are no changes to the percentage of shareholding of the Group in MiETW arising from the additional investment.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

7. INVESTMENTS IN SUBSIDIARIES (continued)

- (c) On 9 January 2020, the Company incorporated a new private limited company in the Republic of South Korea namely Mi Equipment Korea Co., Ltd ('MEKR') with a capital injection of USD139,903 (equivalent to RM587,509), which represents 70% of the equity interest in MiEKR.
- (d) On 13 October 2020, the Company completed the acquisition of entire equity interest in Suzhou Mi Equipment Co., Ltd. ('MiESZ') for a total cash consideration of USD600,000 (equivalent to RM2,526,600). In the meanwhile, the Company increased its equity investment in MiESZ, by way of cash at USD3,500,000 (equivalent to RM14,770,000).

- (e) Additional investments in subsidiaries during the financial year

(i) MiETW

In November 2020, the Company increased its equity investment in MiETW, by way of cash at USD5,250,000 (equivalent to RM21,826,875).

(ii) Mi Components Sdn. Bhd. ('MiCSB')

In June 2020, MiCSB has fully redeemed 3,000,000 RPS at a redemption price of RM1 per RPS held out of capital of MiCSB.

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

In September and November 2020, the Company acquired additional 8,000,000 and 2,000,000 ordinary shares at RM1 each in MiASB, for a total cash consideration of RM8,000,000 and RM2,000,000 respectively.

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

- (f) During the financial year, impairment loss of RM1,467,906 has been recognised in respect of a subsidiary due to declining business operations. The recoverable amounts of the cost of investment in the subsidiary is based on its fair value less cost to sell, which is categorised as Level 3 in the fair value hierarchy.
- (g) In the previous financial year, a subsidiary of the Group, 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 2020

7. INVESTMENTS IN SUBSIDIARIES (continued)

(h) Additional investments in subsidiaries in previous 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 RPS at RM1 each in MiESB, by way of capitalisation of advances amounting to RM28,000,000 and RM25,000,000 respectively.

(ii) 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) 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) MiASB

In April 2019, the Company acquired additional 999,998 ordinary shares at RM1 each 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 2020

7. INVESTMENTS IN SUBSIDIARIES (continued)

(h) Additional investments in subsidiaries in previous financial year (continued)

(v) 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) 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).

(i) The subsidiary of the Group that has non-controlling interests ('NCI') is as follows:

	MiEKR 2020
NCI percentage of ownership interest and voting interest	30%
Carrying amount of NCI (RM)	<u>(50,691)</u>
Loss allocated to NCI (RM)	<u>(294,917)</u>
Total comprehensive loss allocated to NCI (RM)	<u>(287,982)</u>

The summarised financial information before intra-group elimination of the subsidiary are not disclosed as they are not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

8. DEFERRED TAX

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

	Group	
	2020	2019
	RM	RM
Balance as at 1 January	(50,075)	(3,838)
Recognised in profit or loss (Note 26)		
- relating to origination and reversal of temporary differences	491,587	(47,116)
- underprovision in prior year	1,029,453	0
Exchange differences	(1,700)	879
Balance as at 31 December	<u>1,469,265</u>	<u>(50,075)</u>
Presented after appropriate offsetting:		
Deferred tax assets, net	(341,335)	(50,075)
Deferred tax liabilities, net	1,810,600	0
	<u>1,469,265</u>	<u>(50,075)</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

	Property, plant and equipment RM	Off-setting RM	Total RM
Balance as at 1 January 2020	0	0	0
Recognised in profit or loss	2,768,100	(957,500)	1,810,600
Exchange differences	0	0	0
Balance as at 31 December 2020	<u>2,768,100</u>	<u>(957,500)</u>	<u>1,810,600</u>
Balance as at 1 January 2019	0	0	0
Recognised in profit or loss	0	0	0
Exchange differences	0	0	0
Balance as at 31 December 2019	<u>0</u>	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

8. DEFERRED TAX (continued)

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

Deferred tax assets of the Group

	Unused tax losses RM	Provisions RM	Off-setting RM	Total RM
Balance as at 1 January 2020	(50,075)	0	0	(50,075)
Recognised in profit or loss	(289,560)	(957,500)	957,500	(289,560)
Exchange differences	(1,700)	0	0	(1,700)
Balance as at 31 December 2020	<u>(341,335)</u>	<u>(957,500)</u>	<u>957,500</u>	<u>(341,335)</u>
Balance as at 1 January 2019	(3,838)	0	0	(3,838)
Recognised in profit or loss	(47,116)	0	0	(47,116)
Exchange differences	879	0	0	879
Balance as at 31 December 2019	<u>(50,075)</u>	<u>0</u>	<u>0</u>	<u>(50,075)</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

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:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Unused tax losses				
- no expiry date	2,759,534	3,463,507	0	0
- expires by 31 December 2025	189,006	189,006	0	0
- expires by 31 December 2026	4,110,040	4,110,040	1,555,029	1,555,029
- expires by 31 December 2027	2,120,716	0	66,189	0
Unabsorbed capital allowances	792,027	463,650	42,957	36,214
	<u>9,971,323</u>	<u>8,226,203</u>	<u>1,664,175</u>	<u>1,591,243</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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<u>Non-current assets</u>				
Other receivable				
Subsidiary	0	0	5,541,055	0

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

9. TRADE AND OTHER RECEIVABLES (continued)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<u>Current assets</u>				
Trade receivables				
Third parties	98,908,696	96,268,449	0	0
Dividend receivable from a subsidiary	0	0	13,000,000	15,000,000
Subsidiaries	0	0	322,000	897,000
	<u>98,908,696</u>	<u>96,268,449</u>	<u>13,322,000</u>	<u>15,897,000</u>
Less: Impairment losses	(320,933)	(141,900)	0	0
Total trade receivables	<u>98,587,763</u>	<u>96,126,549</u>	<u>13,322,000</u>	<u>15,897,000</u>
Other receivables				
Third parties	2,350,493	1,982,598	0	350
Subsidiaries	0	0	3,017,708	3,845,536
Deposits	1,017,308	225,905	4,500	0
Total other receivables	<u>3,367,801</u>	<u>2,208,503</u>	<u>3,022,208</u>	<u>3,845,886</u>
Total current receivables	101,955,564	98,335,052	16,344,208	19,742,886
Prepayments	1,848,545	2,224,436	35,520	646,838
	<u>103,804,109</u>	<u>100,559,488</u>	<u>16,379,728</u>	<u>20,389,724</u>
Total trade and other receivables	<u>103,804,109</u>	<u>100,559,488</u>	<u>21,920,783</u>	<u>20,389,724</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 30 to 180 days (2019: 15 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 the next one (1) year in cash and cash equivalents, except for an amount of RM5,541,055 as at 31 December 2020 which were not payable within the next one (1) year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

9. TRADE AND OTHER RECEIVABLES (continued)

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Ringgit Malaysia	1,340,499	5,346,482	15,631,524	19,469,884
United States Dollar	97,287,301	91,637,039	6,253,739	273,002
Taiwan Dollar	726,672	371,274	0	0
Singapore Dollar	127,176	61,349	0	0
Chinese Yuan	2,187,917	262,539	0	0
Korea Won	281,283	0	0	0
Others	4,716	656,369	0	0
	<u>101,955,564</u>	<u>98,335,052</u>	<u>21,885,263</u>	<u>19,742,886</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 considers credit loss experience and observable data such as current changes and future forecasts in economic conditions by geographical segment of the Group to estimate the amount of expected impairment loss. The methodology (roll rate method) and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information (gross domestic product (GDP), inflation rate, consumer price index and United State Dollar foreign exchange rate) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying amount of the asset would be written off against the associated impairment.

The Group defined significant increase in credit risk based on operating performance of the receivables, changes in contractual terms, payment trends and past due information. The Group considers trade receivables to be in default when there is no reasonable expectation of recovery.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

9. TRADE AND OTHER RECEIVABLES (continued)

(e) (continued)

Credit impaired refers to individually determined receivables who is in significant financial difficulties and has defaulted on payments to be impaired as at the end of the reporting period.

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

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

		1 - 90 days past due	91 - 180 days past due	More than 180 days past due	Total
31 December 2020	Current				
Expected loss rate	0.12%	0.18%	0.79%	41.24%	
Gross carrying amount (RM)	90,388,544	7,453,295	593,448	473,409	98,908,696
Impairment (RM)	107,921	13,087	4,677	195,248	320,933
31 December 2019					
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

The Group did not renegotiate the terms of any trade receivables for the financial years ended 31 December 2020 and 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

9. TRADE AND OTHER RECEIVABLES (continued)

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

	Group	
	2020	2019
	RM	RM
As at 1 January	141,900	150,106
Reversal of impairment loss	(141,900)	(150,106)
Charge for the financial year	320,933	141,900
As at 31 December	<u>320,933</u>	<u>141,900</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 32 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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10. LEASE RECEIVABLE

	Group 2020 RM
Future minimum lease receivable:	
- not later than one (1) year	619,000
- one (1) to two (2) years	619,000
- two (2) to three (3) years	619,000
- three (3) to four (4) years	619,000
- four (4) to five (5) years	375,595
Total future minimum lease receivables	<u>2,851,595</u>
Less: Unearned finance lease receivables	<u>(181,907)</u>
Present value of finance lease receivables	<u><u>2,669,688</u></u>
Analysis of present value of finance lease receivables:	
Non-current	2,123,307
Current	546,381
	<u><u>2,669,688</u></u>

- (a) Lease receivable is classified as financial assets measured at amortised cost.
- (b) The Group has a contract for leasing of production machines. This contract is classified as finance lease as the arrangement transfers substantially all the risks and rewards incident to ownership of the production machines to the lessee.
- (c) Lease receivable is denominated in Ringgit Malaysia.
- (d) Movement in lease receivable is as follows:

	2020 RM
Balance as at 1 January	0
Additions	2,870,734
Interest income	42,359
Lease payments received	<u>(243,405)</u>
Balance as at 31 December	<u><u>2,669,688</u></u>

- (e) No expected credit loss is recognised arising from lease receivable as it is negligible.
- (f) Information on financial risks of lease receivable is disclosed in Note 32 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

11. INVENTORIES

	Group	
	2020	2019
	RM	RM
At cost		
Raw materials	10,362,433	6,585,524
Work-in-progress	43,678,566	22,730,299
Finished goods	15,882,601	17,019,159
Trading goods	30,621	57,308
Goods-in-transit	0	1,276,422
	69,954,221	47,668,712
At net realisable value		
Raw materials	311,070	992,298
Total	70,265,291	48,661,010

- (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 RM107,008,627 (2019: RM82,071,095).
- (c) During the financial year, the Group had written off obsolete inventories, which amounted to RM697,607 (2019: RM1,034,387) which was recognised as cost of sales.

During the financial year, the Group had written down inventories amounted to RM359,277 (2019: RM248,086) which was recognised as cost of sales and reversed inventories written down of RM668,188 in previous financial year upon usage of such inventories.

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
31 DECEMBER 2020

12. DERIVATIVE

	Group 2020	
	Contract amount RM	Assets RM
Non-hedging derivative		
Forward foreign currency exchange contract	<u>164,811</u>	<u>6,427</u>

- (a) Derivative assets are classified as financial assets at fair value through profit or loss.
- (b) Derivative is denominated in United States Dollar.
- (c) The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the receivables of the Group denominated in United States Dollar for which firm commitments existed as at 31 December 2020.

- (d) The fair value changes are attributable to changes in foreign exchange spot and forward rates. Derivative asset of the Group are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

13. SHORT TERM FUNDS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Financial assets at fair value through profit or loss				
Money market funds	27,345,763	81,446,221	7,154,011	81,446,221
Bond funds	25,525,071	11,535,065	25,525,071	11,535,065
	<u>52,870,834</u>	<u>92,981,286</u>	<u>32,679,082</u>	<u>92,981,286</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

13. SHORT TERM FUNDS (continued)

- (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:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Ringgit Malaysia	36,871,805	92,981,286	26,856,053	92,981,286
United States Dollar	15,999,029	0	5,823,029	0
	<u>52,870,834</u>	<u>92,981,286</u>	<u>32,679,082</u>	<u>92,981,286</u>

- (d) Short term funds of the Group and of the Company are measured at Level 1 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.
- (e) Information on financial risks of short term funds is disclosed in Note 32 to the financial statements.

14. CASH AND BANK BALANCES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash and bank balances	35,267,133	67,884,484	2,788,674	15,594,866
Deposits with licensed banks	20,759,172	2,092,899	0	0
	<u>56,026,305</u>	<u>69,977,383</u>	<u>2,788,674</u>	<u>15,594,866</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

14. CASH AND BANK BALANCES (continued)

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	10,304,520	8,380,968	1,382,399	1,118,163
United States Dollar	33,084,736	57,771,129	1,406,275	14,476,703
Taiwan Dollar	11,205,513	959,770	0	0
Singapore Dollar	232,382	1,980,660	0	0
Chinese Yuan	199,296	33,790	0	0
Korea Won	993,351	0	0	0
Euro	4,824	849,410	0	0
Others	1,683	1,656	0	0
	<u>56,026,305</u>	<u>69,977,383</u>	<u>2,788,674</u>	<u>15,594,866</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:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	35,267,133	67,884,484	2,788,674	15,594,866
Deposits with licensed banks	20,759,172	2,092,899	0	0
Money market funds (Note 13)	27,345,763	81,446,221	7,154,011	81,446,221
	<u>83,372,068</u>	<u>151,423,604</u>	<u>9,942,685</u>	<u>97,041,087</u>
Less:				
Deposit pledged to a licensed bank	(2,060,460)	(2,092,899)	0	0
	<u>81,311,608</u>	<u>149,330,705</u>	<u>9,942,685</u>	<u>97,041,087</u>

(c) Deposits pledged to a licensed bank are for term loan granted to the Group as disclosed in Note 17(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

14. CASH AND BANK BALANCES (continued)

- (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.
- (e) Information on financial risks of cash and bank balances is disclosed in Note 32 to the financial statements.

15. SHARE CAPITAL

	Group and Company			
	2020			2019
	Number of ordinary shares	Amount RM	Number of ordinary shares	Amount RM
Issued and fully paid-up				
Balance as at 1 January	750,000,000	252,615,378	500,000,000	252,615,378
Bonus issue	0	0	250,000,000	0
Balance as at 31 December	<u>750,000,000</u>	<u>252,615,378</u>	<u>750,000,000</u>	<u>252,615,378</u>

(a) Share capital

- (i) In the previous 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) 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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15. 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.

	Group and Company			
	2020		2019	
	Number of ordinary shares	RM	Number of ordinary shares	RM
Balance as at 1 January	(4,000,000)	(5,246,963)	0	0
Purchase of treasury shares	0	0	(3,000,000)	(5,246,963)
Bonus issue	0	0	(1,000,000)	0
Balance as at 31 December	<u>(4,000,000)</u>	<u>(5,246,963)</u>	<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 2020

15. SHARE CAPITAL (continued)

(b) Treasury shares (continued)

- (ii) In the previous 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.

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.

- (iii) 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.

16. RESERVES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Non-distributable:				
Legal reserve	147,958	41,896	0	0
Exchange translation reserve	(484,776)	202,867	0	0
Reorganisation debit reserve	(63,557,909)	(63,557,909)	0	0
Distributable:				
Retained earnings	204,853,645	195,711,977	2,040,720	26,937,132
	<u>140,958,918</u>	<u>132,398,831</u>	<u>2,040,720</u>	<u>26,937,132</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 2020

16. 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 in foreign operations of the Group, 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.

17. BORROWING

	Group	
	2020	2019
	RM	RM
<i>Term loan</i>		
Non-current	2,615,805	1,584,670
Current	2,481,141	2,492,989
	<u>5,096,946</u>	<u>4,077,659</u>

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

(b) Borrowing is denominated in United States Dollar.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

17. BORROWING (continued)

- (c) The term loan is secured by the following:
- (i) deposits with a licensed bank as disclosed in Note 14(c) to the financial statements;
 - (ii) legal charge over certain land and building of the Group as disclosed in Notes 4(b) and 5(c) to the financial statements; and
 - (iii) corporate guarantee by the Company.
- (d) Information on financial risks of borrowing is disclosed in Note 32 to the financial statements.

18. PROVISIONS

	Group	
	2020	2019
	RM	RM
Non-current		
Provision for warranty replacement costs	626,308	522,998
Current		
Provision for warranty replacement costs	1,552,963	1,180,381
Provision for technical support services	0	604,873
	1,552,963	1,785,254
Total provisions		
Provision for warranty replacement costs	2,179,271	1,703,379
Provision for technical support services	0	604,873
	2,179,271	2,308,252

- (a) Provision for warranty replacement costs

The Group provides a two (2)-year (2019: two (2)-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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

18. PROVISIONS (continued)

(a) Provision for warranty replacement costs (continued)

In the previous 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 financial year 2019. In view of the revision in estimates, the reversals of provision for warranty replacement costs in the financial years ended/ending 31 December 2020, 2021 and 2022 are expected to decrease by RM1,763,010, RM970,974 and RM306,657 respectively.

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:

	Group	
	2020	2019
	RM	RM
Balance as at 1 January	1,703,379	4,927,841
Provision made during the financial year	2,059,928	2,424,583
Amount used during the financial year	(1,071,329)	(290,462)
Provision reversed during the financial year	(512,707)	(5,358,583)
Balance as at 31 December	<u>2,179,271</u>	<u>1,703,379</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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

18. PROVISIONS (continued)

(b) Provision for technical support services (continued)

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:

	Group	
	2020	2019
	RM	RM
Balance as at 1 January	604,873	604,873
Amount used during the financial year	(143,921)	0
Provision reversed during the financial year	(460,952)	0
Balance as at 31 December	0	604,873

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<u>Non-current liability</u>				
Other payable	0	227,903	0	0
<u>Current liabilities</u>				
Trade payables				
Third parties	25,436,748	25,781,784	0	0
Other payables				
Third parties	4,032,605	1,759,930	69,302	151,606
Subsidiaries	0	0	101,954	159,031
Accrued liabilities	10,140,851	15,642,950	764,656	2,310,013
Total other payables	14,173,456	17,402,880	935,912	2,620,650
Total current payables	39,610,204	43,184,664	935,912	2,620,650
Total trade and other payables	39,610,204	43,412,567	935,912	2,620,650

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

19. TRADE AND OTHER PAYABLES (continued)

- (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 (2019: 30 to 90 days).
- (c) Non-trade portion of amounts owing to subsidiaries represents advances which were unsecured, interest-free and payable within one (1) year in cash and cash equivalents.
- (d) In the previous financial year, 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.
- (e) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Ringgit Malaysia	25,836,784	33,447,133	926,718	2,515,511
United States Dollar	5,295,418	4,210,260	9,194	105,139
Singapore Dollar	1,292,270	1,999,935	0	0
Taiwan Dollar	1,459,621	1,575,903	0	0
Swiss Franc	405,706	0	0	0
Euro	4,106,295	1,684,171	0	0
Chinese Yuan	783,799	495,165	0	0
Korea Won	430,311	0	0	0
	<u>39,610,204</u>	<u>43,412,567</u>	<u>935,912</u>	<u>2,620,650</u>

- (f) Information on financial risks of trade and other payables is disclosed in Note 32 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

20. CONTRACT LIABILITIES

	Group 2020 RM
Advances received from customers	7,500
Deferred income	19
	<u>7,519</u>

(a) Contract liabilities include advances received from customers and deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers. The contract liabilities will be recognised as revenue when the performance obligation are satisfied. These performance obligations are part of contracts that have original expected duration of one (1) year or less.

(b) Movement in contract liabilities are as follows:

	Group 2020 RM
Balance as at 1 January	0
Advances received during the financial year	7,522
Revenue recognised during the financial year	(3)
Balance as at 31 December	<u>7,519</u>

(c) Contract liabilities are denominated in Ringgit Malaysia.

21. CAPITAL COMMITMENTS

	Group	
	2020	2019
	RM	RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Approved but not contracted for	4,202,401	8,668,417
Contracted but not provided for	16,317,672	14,652,609
	<u>20,520,073</u>	<u>23,321,026</u>

NOTES TO THE FINANCIAL STATEMENTS
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22. REVENUE

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<i>Revenue from contracts with customers:</i>				
- sale of goods	228,431,286	190,882,910	0	0
- services rendered	572,800	251,680	0	0
- management fee	0	0	945,000	897,000
<i>Other revenue:</i>				
- dividend income	0	0	23,000,000	30,000,000
	<u>229,004,086</u>	<u>191,134,590</u>	<u>23,945,000</u>	<u>30,897,000</u>

(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 fee

Management fee is 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.

NOTES TO THE FINANCIAL STATEMENTS
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22. REVENUE (continued)

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated in the table below by primary geographical market.

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
By countries:				
Taiwan	86,543,698	118,348,721	0	0
China	66,082,786	29,163,430	0	0
Korea	31,067,930	9,224,549	0	0
Malaysia	14,607,174	17,334,739	23,945,000	30,897,000
United States of America	10,629,066	3,513,455	0	0
Other countries	20,073,432	13,549,696	0	0
	<u>229,004,086</u>	<u>191,134,590</u>	<u>23,945,000</u>	<u>30,897,000</u>

23. FINANCE COSTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Interest expense on:				
- term loan	130,313	222,501	0	0
- revolving credit	202,422	0	0	0
- lease liabilities	43,718	14,352	33,209	19,367
	<u>376,453</u>	<u>236,853</u>	<u>33,209</u>	<u>19,367</u>

NOTES TO THE FINANCIAL STATEMENTS
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24. EMPLOYEE BENEFITS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Wages, salaries and bonuses	31,597,770	28,864,181	2,157,402	2,734,916
Contributions to defined contribution plans	2,335,416	1,890,844	254,603	273,217
Social security contributions	816,447	795,813	26,273	21,409
Other benefits	1,190,554	798,180	311,814	204,470
	<u>35,940,187</u>	<u>32,349,018</u>	<u>2,750,092</u>	<u>3,234,012</u>

Included in the employee benefits of the Group and the Company are Directors' remuneration amounting to RM1,524,578 (2019: RM1,502,776) and RM264,203 (2019: RM689,099) respectively.

25. PROFIT BEFORE TAX

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Profit before tax is arrived at after charging:				
Amortisation of intangible assets	216,404	12,744	131,659	0
Auditors' remuneration:				
- statutory audit	202,750	165,171	32,000	32,000
- other services	24,456	13,618	16,500	3,000
Depreciation of:				
- property, plant and equipment	5,998,019	3,570,661	36,606	27,273
- right-of-use assets	1,267,063	668,855	146,985	85,741
Directors' remuneration:				
- fees	144,000	144,000	144,000	144,000
- other emoluments	1,380,578	1,358,776	120,203	545,099

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Profit before tax is arrived at after charging (continued):				
Foreign exchange losses:				
- realised	588,697	0	284,054	12,681
- unrealised	583,315	2,158,880	486,079	223,589
Impairment loss on investment in a subsidiary	0	0	1,467,906	0
Impairment loss on trade receivables	320,933	141,900	0	0
Inventories written down	359,277	248,086	0	0
Inventories written off	697,607	1,034,387	0	0
Losses on:				
- disposal of property, plant and equipment	224,105	0	685	0
- fair value changes on money market funds	211	0	16,621	0
- redemption of money market funds	0	0	0	22,682
Property, plant and equipment written off	73,820	7,907	0	0
Provision for warranty replacement costs	2,059,928	2,424,583	0	0
Rental expense	1,004,595	1,679,272	0	0
and crediting:				
Foreign exchange gains:				
- realised	0	443,953	0	0

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
and crediting (continued):				
Gains on:				
- fair value change on derivative	6,427	0	0	0
- disposal of property, plant and equipment	0	119,844	0	0
- fair value changes on money market funds	0	98,806	0	98,806
- fair value changes on bond fund	680,194	35,065	680,194	35,065
- redemption of money market funds	11,892	291,901	0	0
Government grant	345,110	16,368	0	0
Interest income				
- deposits with licensed banks	417,179	1,019,186	57,368	53,794
- bond funds	2,256,752	0	2,256,752	0
- money market funds	836,034	3,239,246	495,138	3,239,246
- advances to subsidiaries	0	0	33,859	0
- lease receivable	42,359	0	0	0
Rent concession granted	6,461	0	0	0
Reversals of:				
- impairment loss on trade receivables	141,900	150,106	0	0
- inventories written down	668,188	0	0	0
- provision for technical support services	460,952	0	0	0
- provision for warranty replacement costs	512,707	5,358,583	0	0

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

NOTES TO THE FINANCIAL STATEMENTS
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26. TAX EXPENSE

	Group	
	2020	2019
	RM	RM
Current tax expense based on profit for the financial year	405,982	304,402
Underprovision of tax expense in prior years	23,653	58,275
	<u>429,635</u>	<u>362,677</u>
Deferred tax (Note 8):		
Relating to origination and reversal of temporary differences	491,587	(47,116)
Underprovision in prior year	1,029,453	0
	<u>1,521,040</u>	<u>(47,116)</u>
Withholding tax expenses	52,354	48,614
	<u>2,003,029</u>	<u>364,175</u>

- (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:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Profit before tax	<u>55,715,842</u>	<u>59,530,523</u>	<u>19,863,588</u>	<u>28,348,980</u>

NOTES TO THE FINANCIAL STATEMENTS
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26. TAX EXPENSE (continued)

- (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 (continued):

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	13,371,802	14,287,326	4,767,261	6,803,755
Tax effects in respect of:				
Non-allowable expenses	2,645,392	760,518	894,493	454,186
Non-taxable income	(229,516)	(1,534,641)	(5,679,258)	(7,232,129)
Tax incentives and allowances	(15,272,634)	(13,879,789)	0	0
Different tax rates in foreign jurisdictions	(26,599)	(87,756)	0	0
Deferred tax assets not recognised	695,919	743,421	17,504	0
Utilisation of deferred tax assets not recognised in prior year	(286,795)	(31,793)	0	(25,812)
Withholding tax expenses	52,354	48,614	0	0
Underprovision of tax expense in prior years	23,653	58,275	0	0
Underprovision of deferred tax in prior year	1,029,453	0	0	0
	<u>2,003,029</u>	<u>364,175</u>	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

26. 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:

	Before tax	Group	After tax
	RM	Tax effect	RM
2020		RM	
Item that may be subsequently reclassified to profit or loss			
Foreign currency translations	<u>(680,708)</u>	<u>0</u>	<u>(680,708)</u>
2019			
Item that may be subsequently reclassified to profit or loss			
Foreign currency translations	<u>(21,299)</u>	<u>0</u>	<u>(21,299)</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

27. 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.

	Group	
	2020	2019
Profit for the financial year attributable to owners of the parent (RM)	<u>54,007,730</u>	<u>59,166,348</u>
Weighted average number of ordinary shares in issue (unit)	<u>746,000,000</u>	<u>748,068,108</u>
Basic earnings per share (sen)	<u>7.24</u>	<u>7.91</u>

(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.

28. DIVIDENDS

	Group and Company	
	Dividend per share RM	Amount of dividend RM
2020		
In respect of financial year ended 31 December 2019:		
Second single tier interim dividend	0.03	22,380,000
In respect of financial year ended 31 December 2020:		
First single tier interim dividend	0.03	22,380,000
		<u>44,760,000</u>

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

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

29. 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:

	Company	
	2020	2019
	RM	RM
Subsidiaries:		
Dividend income	23,000,000	30,000,000
Management fee	945,000	897,000
Transfer of property, plant and equipment from	2,394	0
Transfer of property, plant and equipment to	<u>80,212</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

29. RELATED PARTY DISCLOSURES (continued)

(b) (continued)

Balances with subsidiaries at the end of the financial year are disclosed in Notes 9 and 19 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:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Short term employee benefits	3,099,586	4,273,944	501,507	1,081,922
Post-employment benefits - contribution to defined contribution plans	326,798	393,916	35,111	105,567
	<u>3,426,384</u>	<u>4,667,860</u>	<u>536,618</u>	<u>1,187,489</u>

Included in the total remuneration of key management personnel are:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Directors' remuneration	<u>1,524,578</u>	<u>1,502,776</u>	<u>264,203</u>	<u>689,099</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

30. OPERATING SEGMENTS

The Group has two reportable segments as described below, which made up by its principal activities. These business units are involved in different industry segments and separately managed by General Managers who report directly to the Group Chief Executive Officer.

The reportable segments of the Group are as follows:

(a) Semiconductor equipment business unit

Involved in manufacturing and sales of wafer level chip scale packaging ('WLCSP') sorting machines with inspection and testing capabilities for the semiconductor industry, together with the provision of maintenance services and technical support for these machines, as well as the sale of related spare parts and components.

Involved in manufacturing and sales of advanced packaging inspection machines for the semiconductor industry, together with the provision of maintenance services and technical support for these machines, as well as the sale of related spare parts and components.

(b) Automation and robotics business unit

Involved in manufacturing and sales of factory automation systems, robotics systems and related modules in relation to Industry 4.0 with artificial intelligence contents.

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 tax assets, derivative, short term funds and cash and bank balances. 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 2020

30. OPERATING SEGMENTS (continued)

	Semiconductor equipment RM	Automation and robotics RM	Eliminations RM	Consolidated RM
2020				
Revenue from external customers	221,411,994	7,592,092	0	229,004,086
Inter-segment revenue	36,544,041	5,438,942	(41,982,983)	0
Total revenue	<u>257,956,035</u>	<u>13,031,034</u>	<u>(41,982,983)</u>	<u>229,004,086</u>
Interest income	3,534,013	18,311	0	3,552,324
Finance costs	(376,453)	0	0	(376,453)
Net finance income	<u>3,157,560</u>	<u>18,311</u>	<u>0</u>	<u>3,175,871</u>
Segment profit/(loss) before tax	57,183,462	(1,467,620)	0	55,715,842
Tax expense				(2,003,029)
Other material non-cash items:				
- depreciation of property, plant and equipment	(5,634,402)	(363,617)	0	(5,998,019)
- depreciation of right-of-use assets	(1,267,063)	0	0	(1,267,063)
- amortisation of intangible assets	(202,001)	(14,403)	0	(216,404)
- provision for warranty replacement costs	(1,990,672)	(69,256)	0	(2,059,928)
- reversal of provision for warranty replacement costs	501,150	11,557	0	512,707
	<u>501,150</u>	<u>11,557</u>	<u>0</u>	<u>512,707</u>

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

	Semiconductor equipment RM	Automation and robotics RM	Eliminations RM	Consolidated RM
2020 (continued)				
Additions to non-current assets other than financial instruments	47,227,224	2,298,966	0	49,526,190
Assets				
Segment assets	325,829,435	5,529,707	0	331,359,142
Deferred tax assets				341,335
Current tax assets				8,068
Derivative				6,427
Short term funds				52,870,834
Cash and bank balances				56,026,305
				<u>440,612,111</u>
Liabilities				
Segment liabilities	48,541,085	1,889,587	0	50,430,672
Deferred tax liabilities				1,810,600
Current tax liabilities				94,197
				<u>52,335,469</u>

NOTES TO THE FINANCIAL STATEMENTS
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30. OPERATING SEGMENTS (continued)

	Semiconductor equipment RM	Automation and robotics RM	Eliminations RM	Consolidated RM
2019				
Revenue from external customers	190,914,340	220,250	0	191,134,590
Inter-segment revenue	33,945,169	0	(33,945,169)	0
Total revenue	<u>224,859,509</u>	<u>220,250</u>	<u>(33,945,169)</u>	<u>191,134,590</u>
Interest income	4,256,875	1,557	0	4,258,432
Finance costs	(236,853)	0	0	(236,853)
Net finance income	<u>4,020,022</u>	<u>1,557</u>	<u>0</u>	<u>4,021,579</u>
Segment profit/(loss) before tax	62,178,458	(2,647,935)	0	59,530,523
Tax expense				(364,175)
Other material non-cash items:				
- depreciation of property, plant and equipment	(3,467,704)	(102,957)	0	(3,570,661)
- depreciation of right-of-use assets	(668,855)	0	0	(668,855)
- amortisation of intangible assets	(12,744)	0	0	(12,744)
- provision for warranty replacement costs	(2,422,381)	(2,202)	0	(2,424,583)
- reversal of provision for warranty replacement costs	<u>5,358,491</u>	<u>92</u>	<u>0</u>	<u>5,358,583</u>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

30. OPERATING SEGMENTS (continued)

	Semiconductor equipment RM	Automation and robotics RM	Eliminations RM	Consolidated RM
2019 (continued)				
Additions to non-current assets other than financial instruments	63,436,053	944,678	0	64,380,731
Assets				
Segment assets	265,817,069	1,230,935	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>
Liabilities				
Segment liabilities	49,355,738	768,896	0	50,124,634
Current tax liabilities				231,272
				<u>50,355,906</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

30. 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.

	Group	
	2020	2019
	RM	RM
Revenue from external customers		
Southeast Asia	28,156,836	26,340,177
Northeast Asia	183,694,414	156,736,700
North Atlantic	17,152,836	8,057,713
	<u>229,004,086</u>	<u>191,134,590</u>
Non-current assets		
Southeast Asia	139,169,483	116,594,200
Northeast Asia	17,876,201	1,237,831
North Atlantic	39,012	45,550
	<u>157,084,696</u>	<u>117,877,581</u>

(b) Major customers

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

	Group	
	2020	2019
	RM	RM
Customer A	32,922,725	37,244,974
Customer B	31,065,990	0
Customer C	26,421,956	0
Customer D	0	50,129,375
	<u>90,410,671</u>	<u>87,374,349</u>

NOTES TO THE FINANCIAL STATEMENTS
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31. 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 2020 and 31 December 2019.

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.

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Provisions	2,179,271	2,308,252	0	0
Borrowing	5,096,946	4,077,659	0	0
Lease liabilities	3,536,732	326,156	521,502	656,293
Trade and other payables	39,610,204	43,412,567	935,912	2,620,650
Total liabilities	50,423,153	50,124,634	1,457,414	3,276,943
Less:				
Short term funds	(52,870,834)	(92,981,286)	(32,679,082)	(92,981,286)
Cash and bank balances	(56,026,305)	(69,977,383)	(2,788,674)	(15,594,866)
Net cash	<u>(58,473,986)</u>	<u>(112,834,035)</u>	<u>(34,010,342)</u>	<u>(105,299,209)</u>
Total capital	388,276,642	379,767,246	249,409,135	274,305,547
Net cash	<u>(58,473,986)</u>	<u>(112,834,035)</u>	<u>(34,010,342)</u>	<u>(105,299,209)</u>
	<u>329,802,656</u>	<u>266,933,211</u>	<u>215,398,793</u>	<u>169,006,338</u>
Gearing ratio	*	*	*	*

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

31. FINANCIAL INSTRUMENTS (continued)

(a) Capital management (continued)

* 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 2020.

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

(b) Categories of financial instruments

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Financial assets				
Amortised cost				
Trade and other receivables (excluding prepayments)	101,955,564	98,335,052	21,885,263	19,742,886
Lease receivable	2,669,688	0	0	0
Cash and bank balances	56,026,305	69,977,383	2,788,674	15,594,866
	<u>160,651,557</u>	<u>168,312,435</u>	<u>24,673,937</u>	<u>35,337,752</u>
Fair value through profit or loss				
Derivative asset	6,427	0	0	0
Short term funds	52,870,834	92,981,286	32,679,082	92,981,286
	<u>52,877,261</u>	<u>92,981,286</u>	<u>32,679,082</u>	<u>92,981,286</u>
	<u>213,528,818</u>	<u>261,293,721</u>	<u>57,353,019</u>	<u>128,319,038</u>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

31. FINANCIAL INSTRUMENTS (continued)

(b) Categories of financial instruments (continued)

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Financial liabilities				
Amortised cost				
Trade and other payables	39,610,204	43,412,567	935,912	2,620,650
Borrowing	5,096,946	4,077,659	0	0
	<u>44,707,150</u>	<u>47,490,226</u>	<u>935,912</u>	<u>2,620,650</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) Derivative

The fair value of a forward foreign exchange contract is the amount that would be receivables upon termination of the outstanding position arising and is determined by reference to the difference between the spot rate and market rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

32. 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
31 DECEMBER 2020

32. 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:

Group	2020		2019	
	RM	% of total	RM	% of total
By geographical location				
Southeast Asia	20,483,797	20%	8,781,639	9%
Northeast Asia	73,528,521	75%	86,974,107	90%
North America	4,575,445	5%	370,803	1%
	<u>98,587,763</u>	<u>100%</u>	<u>96,126,549</u>	<u>100%</u>

At the end of each reporting period, approximately 49% (2019: 65%) of the trade receivables of the Group were due from six (6) (2019: four (4)) 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 2020

32. 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.

	On demand or within one (1) year RM	One (1) to five (5) years RM	Total RM
Group			
As at 31 December 2020			
Financial liabilities			
Trade and other payables	39,610,204	0	39,610,204
Borrowing	2,556,451	2,643,698	5,200,149
Lease liabilities	1,994,084	1,932,106	3,926,190
Total undiscounted financial liabilities	<u>44,160,739</u>	<u>4,575,804</u>	<u>48,736,543</u>
As at 31 December 2019			
Financial liabilities			
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>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

32. 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).

	On demand or within one (1) year RM	One (1) to five (5) years RM	Total RM
Company			
As at 31 December 2020			
Financial liabilities			
Trade and other payables	935,912	0	935,912
Lease liability	168,000	406,000	574,000
Total undiscounted financial liabilities	<u>1,103,912</u>	<u>406,000</u>	<u>1,509,912</u>
As at 31 December 2019			
Financial liabilities			
Trade and other payables	2,620,650	0	2,620,650
Lease liability	168,000	574,000	742,000
Total undiscounted financial liability	<u>2,788,650</u>	<u>574,000</u>	<u>3,362,650</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'), Taiwan Dollar ('TWD') and Euro ('EURO').

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

32. 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, TWD and EURO exchange rates against the functional currency of the Group and of the Company, with all other variables held constant:

		Effect on profit after tax	
		Increase/(Decrease)	
		2020	2019
		RM	RM
Group			
USD/RM	- strengthen by 10% (2019: 10%)	10,334,870	10,725,139
	- weaken by 10% (2019: 10%)	<u>(10,334,870)</u>	<u>(10,725,139)</u>
TWD/RM	- strengthen by 10% (2019: 10%)	795,915	(18,609)
	- weaken by 10% (2019: 10%)	<u>(795,915)</u>	<u>18,609</u>
EURO/RM	- strengthen by 10% (2019: 10%)	(311,541)	(63,442)
	- weaken by 10% (2019: 10%)	<u>311,541</u>	<u>63,442</u>
Company			
USD/RM	- strengthen by 10% (2019: 10%)	1,024,013	1,112,987
	- weaken by 10% (2019: 10%)	<u>(1,024,013)</u>	<u>(1,112,987)</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 2020

32. 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 ('WAEIR') or incremental borrowing rate ('IBR') 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:

	Note	WAEIR/ IBR* per annum %	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to five (5) years RM	Total RM
Group						
2020						
Fixed rates						
Lease receivable	10	3.00	546,381	563,000	1,560,307	2,669,688
Deposits with licensed banks	14	0.37	20,759,172	0	0	20,759,172
Lease liabilities	5	1.09 - 4.75	<u>(1,659,894)</u>	<u>(875,972)</u>	<u>(1,000,866)</u>	<u>(3,536,732)</u>
Floating rates						
Short term funds	13	1.27	52,870,834	0	0	52,870,834
Borrowing	17	1.90	<u>(2,481,141)</u>	<u>(2,528,696)</u>	<u>(87,109)</u>	<u>(5,096,946)</u>
2019						
Fixed rates						
Deposits with licensed banks	14	0.60	2,092,899	0	0	2,092,899
Lease liabilities	5	4.13 - 6.00	<u>(202,398)</u>	<u>(72,937)</u>	<u>(50,821)</u>	<u>(326,156)</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

32. 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 ('WAEIR') or incremental borrowing rate ('IBR') 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	WAEIR/ IBR* per annum %	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to five (5) years RM	Total RM
Group						
2019						
Floating rates						
Short term funds	13	3.19	92,981,286	0	0	92,981,286
Borrowing	17	3.80	<u>(2,492,989)</u>	<u>(1,584,670)</u>	<u>0</u>	<u>(4,077,659)</u>
Company						
2020						
Fixed rate						
Lease liabilities	5	5.58	<u>(142,508)</u>	<u>(150,667)</u>	<u>(228,327)</u>	<u>(521,502)</u>
Floating rate						
Short term funds	13	1.12	<u>32,679,082</u>	<u>0</u>	<u>0</u>	<u>32,679,082</u>
2019						
Fixed rate						
Lease liabilities	5	5.58	<u>(134,792)</u>	<u>(293,175)</u>	<u>(228,326)</u>	<u>(656,293)</u>
Floating rate						
Short term funds	13	3.19	<u>92,981,286</u>	<u>0</u>	<u>0</u>	<u>92,981,286</u>

* IBR applicable to lease liabilities only.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

32. 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:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Profit after tax				
- increase by 1%	193,991	87,666	193,991	87,666
- decrease by 1%	(193,991)	(87,666)	(193,991)	(87,666)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ('MCO') on 18 March 2020 and has subsequently entered into various phases of the MCO until 28 April 2021.

The Group was able to continue its operations during the various phase of MCO imposed as the semiconductor industry is considered as essential sector. During the MCO period, the Group managed to demonstrate resilience and adaptability though growth in revenue. Furthermore, the revenue growth is supported by demand from customers in the North East Asia region, particularly in China and Taiwan, which remained robust due to recovery in global semiconductor demand amid the pandemic. The Group remained optimistic on the long term prospect of the semiconductor industry, which is the core profit contribution to the Group.

Based on the assessment and information available at the date of authorisation, of the financial statement, the Group and the Company have sufficient cash flows and undrawn facilities to meet its liquidity needs in the next twelve (12) months after the end of the reporting periods. The Group and the Company does not anticipate significantly supply and disruptions and would continuing monitor its fund and operational needs.

- (b) On 8 July 2020, the Company entered into a shares sale agreement with its subsidiary, Mi International Pte. Ltd. to purchase its investment in subsidiary, Mi Equipment (Taiwan) Co., Ltd. at a cash consideration TWD10,000,000 (equivalent to RM1,429,940). The acquisition was completed on 8 February 2021.
- (c) On 8 October 2020, the Company has entered into a Memorandum Of Understanding ('MOU') with Accurus Scientific Co. Ltd. ('Accurus'), a private limited company incorporated in Taiwan (Republic of China), with the intention to acquire all or part of the equity interests in Accurus.

On 18 December 2020, the Company entered into a share exchange agreement with Accurus for the acquisition of 21,983,000 common shares in Accurus representing approximately 99% equity interest for a total purchase consideration of approximately TWD1,878,157,550 (equivalent to RM271,012,500).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(c) (continued)

The listing application in relation to the Proposed Acquisition has been submitted to Bursa Securities on 23 December 2020. Bursa Securities had vide its letter dated 14 January 2021, resolved to approve the listing of and quotation for 74,250,000 Consideration Shares to be issued pursuant to the Proposed Acquisition. The Company has on 2 February 2021 held an Extraordinary General Meeting to seek shareholder's approval for the proposed acquisition in which resolution was duly passed by way of poll.

On 5 February 2021, application for cross-border share exchange transaction had been filed with Investment Commission, Ministry of Economic Affairs ('MOEA'), Taiwan. The Investment Commission, MOEA has approved the said application, vide its letter dated 30 March 2021.

On 19 April 2021, 74,250,000 Consideration Shares at issue price of RM3.65 each had been allotted to the shareholders of Accurus.

(d) During the financial year, Mi Equipment (Taiwan) Co., Ltd. ('MiETW'), a subsidiary of the Company has acquired a parcel of land and building with Winsome Development Co., Ltd. ('WDCL') at the purchase price of TWD161,342,000 (equivalent RM25,145,026).

On 21 December 2020, MiETW had paid deposit of TWD48,402,600 (equivalent RM6,921,281) to WDCL.

The acquisition of land and building were completed on 19 January 2021.

34. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

(a) On 1 February 2021, the Company entered into a shares sale agreement with its subsidiary, Mi International Pte. Ltd. to purchase its investment in subsidiary, Mi Equipment USA Inc. at a cash consideration USD200,000 (equivalent to RM809,200). The acquisition was completed on 1 February 2021.

(b) On 19 April 2021, the issued and fully paid-up ordinary share capital of the Company has been increased from 750,000,000 to 824,250,000 by way of issuance of 74,250,000 new ordinary shares of RM3.65 each pursuant to the acquisition of Accurus Scientific Co. Ltd..

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

35. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

(a) New MFRSs adopted during the financial year

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

Title	Effective Date
<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>Amendments to MFRS 16 COVID-19-Related Rent Concessions</i>	1 June 2020 (early adopt)
<i>Amendments to MFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

35. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021

Title	Effective Date
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 <i>Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
<i>Covid-19 Related Rent Concessions beyond 30 June 2021</i> (Amendment to MFRS 16 <i>Leases</i>)	1 April 2021
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contract - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2023
<i>Disclosure of Accounting Estimates</i> (Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>)	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group 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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020**

36. FINANCIAL REPORTING UPDATES

IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group and the Company have implemented the requirements of this final agenda decision during the financial year ended 31 December 2020.