

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

**DIRECTORS' REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2021**

Registration No. 201701021661 (1235827-D)

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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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 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and details of the subsidiaries are set out in Note 8 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the financial year	<u>60,135,443</u>	<u>31,209,566</u>
Attributable to:		
Owners of the parent	61,845,495	31,209,566
Non-controlling interests	<u>(1,710,052)</u>	<u>0</u>
	<u>60,135,443</u>	<u>31,209,566</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 2021:	
First single tier interim dividend of RM0.03 per ordinary share, paid on 30 November 2021	<u>26,880,000</u>

On 21 February 2022, the Directors declared a second interim dividend of RM0.02 per ordinary share amounting to RM17,920,000 in respect of the financial year ended 31 December 2021, which is payable on 22 March 2022. The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for as an appropriation of retained earnings for the financial year ending 31 December 2022.

DIVIDENDS (continued)

The Directors do not recommend any payment of final dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the statements of changes in equity, Note 14, Note 20 and Note 23 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 750,000,000 ordinary shares to 900,000,000 ordinary shares by way of issuance of 150,000,000 new ordinary shares as disclosed in Note 19(a) to the financial statements.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any 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.

SHARE GRANT SCHEME ('SGS')

The establishment of employees' SGS was approved by the shareholders at an Extraordinary General Meeting held on 20 November 2019. The SGS was implemented on 2 December 2019 and will continue to be in force for a period of five (5) years from the date of implementation.

The salient features of the SGS are disclosed in Note 32 to the financial statements.

During the financial year, the Company granted 1,400,000 ordinary share under SGS to eligible employees/Executive Directors of the Group. The outstanding SGS shares granted will be vested at the respective vesting dates provided that the vesting conditions as disclosed in Note 32 to the financial statements are met.

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
Lee Boon Leng
Tan Boon Hoe
Lim Shin Lid
Phoon Yee Min (Appointed on 21 February 2022)

Subsidiaries of Mi Technovation Berhad

Oh Kuang Eng
Yong Shiao Voon
Mong Weng Khoon (Appointed as Director of Mi Equipment (M) Sdn. Bhd. on 8 June 2021)
Teo Chee Kheong
Park Jae Shin
Wang Chung Chen
Lin, Yu-Ting
Heng Kok Lin
Koh Ching Soon

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 2021 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

Shares in the Company	[----- Number of ordinary shares -----]			
	Balance as at 1.1.2021	Bought	Sold	Balance as at 31.12.2021
<u>Direct interests</u>				
Oh Kuang Eng	501,000,000	0	(101,000,000)	400,000,000
Yong Shiao Voon	0	101,000,000	0	101,000,000
Tan Boon Hoe	200,000	0	0	200,000
Lee Boon Leng	97,500	0	0	97,500

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.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

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 35 to the financial statements.

DIRECTORS' BENEFITS (continued)

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

DIRECTORS' REMUNERATION

Benefits of the Directors who held office during the financial years ended 31 December 2021 and 31 December 2020 are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Fees	305,000	144,000	305,000	144,000
Salaries and bonuses	3,582,184	1,162,832	0	40,000
Contributions to defined contribution plans	193,659	120,683	0	5,955
Social security contributions	82,090	11,569	0	296
Other benefits	114,675	85,494	66,000	73,952
	<u>4,277,608</u>	<u>1,524,578</u>	<u>371,000</u>	<u>264,203</u>

INDEMNITY AND INSURANCE FOR OFFICERS, DIRECTORS 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 2021 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:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

- (c) The Directors are not aware of any circumstances:
- (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (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 39 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 40 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.

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2021 amounted to RM65,000 and RM466,254 respectively.

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

Oh Kuang Eng
Director

Yong Shiao Voon
Director

Penang
20 April 2022

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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 18 to 125 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 2021 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
20 April 2022

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 18 to 125 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 20 April 2022

Wong Ming Nee

Before me,

Commissioner for Oaths

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

(Registration No. 201701021661 (1235827-D))

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mi Technovation Berhad, which comprise the statements of financial position as at 31 December 2021 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 18 to 125.

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 2021, 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) Determination of fair value of identifiable assets acquired and liabilities assumed on the acquisition of Accurus Scientific Co., Ltd. ("MiMTW")

As disclosed in Note 8 to the financial statements, the Group acquired MiMTW in April 2021 for a purchase consideration of RM311,850,000. As part of the purchase price allocation performed by management, this amount has been allocated to the fair value of identifiable assets acquired and liabilities assumed, resulting in the recognition of total goodwill amounting to RM118,699,242.

We determined the fair value of the identifiable assets acquired and liabilities assumed, including the intangible assets identified, on the business combination to be a key audit matter as the purchase price allocation requires significant judgement, estimations and assumptions applied by management. Changes in these assumptions may have a material impact on the fair values.

Audit response

Our audit procedures included the following:

- (i) Assessed the methodology and the appropriateness of the key assumptions applied by management on the goodwill recognised as disclosed in Note 10 to the financial statements;
- (ii) Considered whether the relevant disclosures were appropriate in the financial statements; and
- (iii) Verified the calculation of the purchase price allocation and goodwill on consolidation arising from the acquisition, being the difference between the total net consideration paid and the fair value of the net assets acquired.

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

(b) Impairment of trade receivables

As at 31 December 2021, the carrying amount of trade receivables of the Group amounted to RM144,554,606, which were net of impairment losses of RM967,304. The details of trade receivables have been disclosed in Note 12 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 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.

(c) Valuation of inventories

As at 31 December 2021, the Group had inventories amounted to RM110,413,156. The details of inventories have been disclosed in the Note 15 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.

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

(c) Valuation of inventories (continued)

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.

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.

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

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.

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.

**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:

- (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.
- (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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MI TECHNOVATION BERHAD (continued)**
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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):

- (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.

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 8 to the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
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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

Goh Chee Beng
03535/11/2022 J
Chartered Accountant

Penang
20 April 2022

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		Group		Company	
	Note	2021	2020	2021	2020
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	234,090,267	119,080,710	53,969	18,229
Right-of-use assets	5	17,604,169	27,035,483	355,215	502,200
Investment properties	6	35,609,299	0	0	0
Intangible assets	7	90,062,793	8,503,861	1,821,292	1,952,952
Investments in subsidiaries	8	0	0	507,898,941	191,004,629
Investment in an associate	9	28,613,843	0	0	0
Goodwill on consolidation	10	118,699,242	0	0	0
Deferred tax assets	11	5,057,446	341,335	0	0
Other receivable	12	0	0	28,169,136	5,541,055
Lease receivable	13	4,054,115	2,123,307	0	0
Net defined benefit asset	14	1,747,779	0	0	0
		<u>535,538,953</u>	<u>157,084,696</u>	<u>538,298,553</u>	<u>199,019,065</u>
Current assets					
Inventories	15	110,413,156	70,265,291	0	0
Trade and other receivables	12	155,379,381	103,804,109	31,517,509	16,379,728
Lease receivable	13	1,402,906	546,381	0	0
Current tax assets		129,364	8,068	0	0
Derivative	16	0	6,427	0	0
Short term funds	17	289,479,818	52,870,834	271,579,262	32,679,082
Cash and bank balances	18	120,695,885	56,026,305	18,508,831	2,788,674
		<u>677,500,510</u>	<u>283,527,415</u>	<u>321,605,602</u>	<u>51,847,484</u>
TOTAL ASSETS		<u>1,213,039,463</u>	<u>440,612,111</u>	<u>859,904,155</u>	<u>250,866,549</u>

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (continued)

		Group		Company	
	Note	2021	2020	2021	2020
		RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	19	855,459,003	252,615,378	855,459,003	252,615,378
Treasury shares	19(b)	(5,246,963)	(5,246,963)	(5,246,963)	(5,246,963)
Reserves	20	179,892,707	140,958,918	6,730,286	2,040,720
		1,030,104,747	388,327,333	856,942,326	249,409,135
Non-controlling interests	8(g)	(1,745,875)	(50,691)	0	0
TOTAL EQUITY		1,028,358,872	388,276,642	856,942,326	249,409,135
LIABILITIES					
Non-current liabilities					
Borrowing	21	48,063,967	2,615,805	0	0
Government grants	22	4,015,622	0	0	0
Provisions	23	1,412,367	626,308	0	0
Lease liabilities	5	1,149,878	1,876,838	228,327	378,994
Deferred tax liabilities	11	18,003,582	1,810,600	0	0
Net defined benefit liability	14	166,034	0	0	0
		72,811,450	6,929,551	228,327	378,994

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STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (continued)

		Group		Company	
	Note	2021	2020	2021	2020
		RM	RM	RM	RM
LIABILITIES					
(continued)					
Current liabilities					
Trade and other payables	24	39,049,171	39,610,204	2,582,835	935,912
Contract liabilities	25	0	7,519	0	0
Borrowing	21	60,299,968	2,481,141	0	0
Government grants	22	211,349	0	0	0
Provisions	23	2,470,434	1,552,963	0	0
Lease liabilities	5	1,364,763	1,659,894	150,667	142,508
Current tax liabilities		8,473,456	94,197	0	0
		<u>111,869,141</u>	<u>45,405,918</u>	<u>2,733,502</u>	<u>1,078,420</u>
TOTAL LIABILITIES		<u>184,680,591</u>	<u>52,335,469</u>	<u>2,961,829</u>	<u>1,457,414</u>
TOTAL EQUITY AND LIABILITIES		<u>1,213,039,463</u>	<u>440,612,111</u>	<u>859,904,155</u>	<u>250,866,549</u>

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

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Revenue	28	375,479,257	229,004,086	45,000,000	23,945,000
Other operating income		6,543,011	5,190,169	3,722,239	3,506,691
Change in inventories of finished goods and work-in-progress		(2,177,996)	18,508,600	0	0
Raw material and consumable used		(176,374,904)	(122,160,022)	0	0
Employee benefits expense	29	(70,121,669)	(35,940,187)	(1,601,446)	(2,750,092)
Depreciation and amortisation expenses		(16,954,139)	(7,481,486)	(302,819)	(315,250)
Impairment on trade and other receivables, net		(646,371)	(179,033)	0	0
Share of results of an associate, net of tax	9(e)	(854,194)	0	0	0
Other operating expenses		(50,562,806)	(30,849,832)	(15,562,574)	(4,489,552)
Profit from operations		64,330,189	56,092,295	31,255,400	19,896,797
Finance costs	30	(824,987)	(376,453)	(45,834)	(33,209)
Profit before tax		63,505,202	55,715,842	31,209,566	19,863,588
Tax expense	31	(3,369,759)	(2,003,029)	0	0
Profit for the financial year		60,135,443	53,712,813	31,209,566	19,863,588
Profit for the financial year attributable to:					
Owners of the parent		61,845,495	54,007,730	31,209,566	19,863,588
Non-controlling interests	8(g)	(1,710,052)	(294,917)	0	0
		60,135,443	53,712,813	31,209,566	19,863,588

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)**

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Profit for the financial year		60,135,443	53,712,813	31,209,566	19,863,588
Other comprehensive income/(loss), net of tax:					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translations, net of tax	31(d)	4,633,140	(680,708)	0	0
Item that will not be reclassified subsequently to profit or loss					
Re-measurements of defined benefit obligations	31(d)	(120,962)	0	0	0
Total comprehensive income for the financial year		<u>64,647,621</u>	<u>53,032,105</u>	<u>31,209,566</u>	<u>19,863,588</u>
Total comprehensive income attributable to:					
Owners of the parent		66,332,490	53,320,087	31,209,566	19,863,588
Non-controlling interests	8(g)	(1,684,869)	(287,982)	0	0
		<u>64,647,621</u>	<u>53,032,105</u>	<u>31,209,566</u>	<u>19,863,588</u>
Earnings per share attributable to owners of the parent:					
Basic (sen)	33(a)	<u>7.50</u>	<u>7.24</u>		
Diluted (sen)	33(b)	<u>7.48</u>	<u>7.24</u>		

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

Registration No. 201701021661 (1235827-D)

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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	34	0	0	0	0	0	0	0	237,291	237,291
Dividends paid		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

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)**

Group	Note	Share capital RM	Treasury shares RM	Share grant reserve 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 2021		252,615,378	(5,246,963)	0	147,958	(484,776)	(63,557,909)	204,853,645	388,327,333	(50,691)	388,276,642
Profit for the financial year		0	0	0	0	0	0	61,845,495	61,845,495	(1,710,052)	60,135,443
Other comprehensive income, net of tax		0	0	0	0	4,607,957	0	(120,962)	4,486,995	25,183	4,512,178
Total comprehensive income		0	0	0	0	4,607,957	0	61,724,533	66,332,490	(1,684,869)	64,647,621
Transfer to legal reserve		0	0	0	2,178,324	0	0	(2,178,324)	0	0	0
Transactions with owners:											
Acquisition of subsidiaries	8	0	0	0	0	0	0	0	0	1,956,066	1,956,066
Acquisition of shares from non-controlling interests	8	0	0	0	0	0	0	(878,701)	(878,701)	(1,966,381)	(2,845,082)
Issuance of ordinary shares	19	607,275,000	0	0	0	0	0	0	607,275,000	0	607,275,000
Share Grant Scheme ('SGS') expense	29	0	0	360,000	0	0	0	0	360,000	0	360,000
Shares issued expenses	19	(4,431,375)	0	0	0	0	0	0	(4,431,375)	0	(4,431,375)
Dividend paid	34	0	0	0	0	0	0	(26,880,000)	(26,880,000)	0	(26,880,000)
Total transactions with owners		602,843,625	0	360,000	0	0	0	(27,758,701)	575,444,924	(10,315)	575,434,609
Balance as at 31 December 2021		855,459,003	(5,246,963)	360,000	2,326,282	4,123,181	(63,557,909)	236,641,153	1,030,104,747	(1,745,875)	1,028,358,872

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MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)**

Company	Share capital RM	Treasury shares RM	Retained earnings RM	Total equity RM	Note
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:					
Dividends paid	0	0	(44,760,000)	(44,760,000)	34
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>	

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MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)**

Company	Note	Share capital RM	Treasury shares RM	Share grant reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2021		252,615,378	(5,246,963)	0	2,040,720	249,409,135
Profit for the financial year		0	0	0	31,209,566	31,209,566
Other comprehensive income, net of tax		0	0	0	0	0
Total comprehensive income		0	0	0	31,209,566	31,209,566
Transactions with owners:						
Issuance of ordinary shares	19	607,275,000	0	0	0	607,275,000
SGS expense	29	0	0	360,000	0	360,000
Shares issued expenses	19	(4,431,375)	0	0	0	(4,431,375)
Dividends paid	34	0	0	0	(26,880,000)	(26,880,000)
Total transactions with owners		602,843,625	0	360,000	(26,880,000)	576,323,625
Balance as at 31 December 2021		855,459,003	(5,246,963)	360,000	6,370,286	856,942,326

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 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		63,505,202	55,715,842	31,209,566	19,863,588
Adjustments for:					
Amortisation of intangible assets	7	4,091,379	216,404	131,660	131,659
Depreciation of property plant and equipment	4	10,760,141	5,998,019	24,174	36,606
Depreciation of right-of-use assets	5	1,888,678	1,267,063	146,985	146,985
Depreciation of investment properties	6	213,941	0	0	0
Dividend income	28	0	0	(45,000,000)	(23,000,000)
Interest expenses	30	824,987	376,453	45,834	33,209
Gain on lease modification	5(e)	(1,971)	0	0	0
Loss/(Gain) on fair value changes on bond funds		699,200	(680,194)	699,200	(680,194)
Loss/(Gain) on fair value changes on derivative		6,427	(6,427)	0	0
(Gain)/Loss on disposal of property, plant and equipment		(123,387)	224,105	0	685
Lease concession	5(e)	0	(6,461)	0	0
Impairment loss on investment in subsidiaries	8(f)	0	0	10,635,638	1,467,906
Impairment loss on trade receivables	12(f)	646,371	320,933	0	0
Intangible assets written off	7	1,593,925	0	0	0
Balance carried forward		84,104,893	63,425,737	(2,106,943)	(1,999,556)

MI TECHNOVATION BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2021 (continued)**

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES (continued)					
Balance brought forward		84,104,893	63,425,737	(2,106,943)	(1,999,556)
Defined benefit expenses	29	254,295	0	0	0
Interest income		(2,922,300)	(3,552,324)	(2,579,400)	(2,843,117)
Inventories written down	15(b)	1,704,859	359,277	0	0
Inventories written off	15(b)	1,184,491	697,607	0	0
Property, plant and equipment written off	4	135,899	73,820	0	0
Provision for warranty replacement costs	23(a)	3,580,918	2,059,928	0	0
Reversal of impairment loss on trade receivables	12(f)	0	(141,900)	0	0
Reversal of inventories written down	15(b)	(971,998)	(668,188)	0	0
Reversal of provision for warranty replacement costs	23(a)	(713,826)	(512,707)	0	0
Reversal of provision for technical support services	23(b)	0	(460,952)	0	0
Share grant expense	29	360,000	0	0	0
Share of results of an associate, net of tax	9(e)	854,194	0	0	0
Unrealised (gain)/loss on foreign exchange		(1,303,844)	583,315	259,869	486,079
Operating profit/(loss) before changes in working capital		86,267,581	61,863,613	(4,426,474)	(4,356,594)
Working capital changes:					
Inventories		(9,529,601)	(21,992,977)	0	0
Balance carried forward		76,737,980	39,870,636	(4,426,474)	(4,356,594)

MI TECHNOVATION BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2021 (continued)

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES (continued)					
Balance brought forward		76,737,980	39,870,636	(4,426,474)	(4,356,594)
Working capital changes (continued):					
Trade and other receivables		(8,331,926)	(5,230,719)	(5,941,471)	(3,927,139)
Trade and other payables		(19,932,555)	(3,004,378)	1,684,700	(1,685,320)
Contract liabilities		(7,519)	7,519	0	0
Cash generated from/ (used in) operations		48,465,980	31,643,058	(8,683,245)	(9,969,053)
Lease payments received	13(d)	796,722	243,405	0	0
Defined benefits paid	14	(368,108)	0	0	0
Government grant received	22	2,998,619	0	0	0
Warranty paid	23(a)	(1,163,562)	(1,071,329)	0	0
Technical support related expenses paid	23(b)	0	(143,921)	0	0
Taxes paid		(774,613)	(560,728)	0	0
Net cash from/(used in) operating activities		49,955,038	30,110,485	(8,683,245)	(9,969,053)
CASH FLOWS FROM INVESTING ACTIVITIES					
Incorporation of a subsidiary	8(c)	0	0	0	(587,509)
Acquisition of shares from non-controlling interests	8(d)	0	0	(2,845,082)	0
Acquisition of an associate	9(c)	(29,151,786)	0	0	0
Additional investment in subsidiaries	8(c)	0	0	(18,466,177)	(49,123,475)
Balance carried forward		(29,151,786)	0	(21,311,259)	(49,710,984)

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2021 (continued)

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
CASH FLOWS FROM INVESTING ACTIVITIES (continued)					
Balance brought forward		(29,151,786)	0	(21,311,259)	(49,710,984)
Proceeds from redemption of redeemable preference shares by subsidiaries	8(c)	0	0	5,043,800	3,000,000
Dividend received		0	0	14,000,000	25,000,000
Interest received		2,806,082	3,509,965	2,579,400	2,843,117
Net proceeds of shares from non-controlling interest		0	237,291	0	0
Net cash inflow on acquisition of subsidiaries	8(d)	32,954,244	0	0	0
Proceeds from disposal of property, plant and equipment		2,760,177	2,339,905	2,721	80,211
Proceeds from redemption of bond funds		9,894,738	31,906,980	9,894,738	31,906,980
Purchase of:					
- property, plant and equipment	4	(47,271,036)	(39,618,368)	(62,635)	(14,464)
- intangible assets	7	(2,516,258)	(5,819,228)	0	0
- bond funds		(616,672)	(45,216,792)	(616,672)	(45,216,792)
Net cash (used in)/from investing activities		<u>(31,140,511)</u>	<u>(52,660,247)</u>	<u>9,530,093</u>	<u>(32,111,932)</u>

MI TECHNOVATION BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2021 (continued)

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(26,880,000)	(44,760,000)	(26,880,000)	(44,760,000)
Proceeds from issuance of ordinary shares	19(a)	290,993,625	0	290,993,625	0
Interest paid		(696,011)	(332,735)	(20,342)	0
Drawdown of term loans		42,438,975	3,926,243	0	0
Repayment of term loans		(11,203,694)	(2,708,796)	0	0
Payments of lease liabilities	5	(1,551,298)	(1,050,914)	(168,000)	(168,000)
Placement of deposits pledged to a licensed bank		(87,626)	(6,730)	0	0
Withdrawn of deposit pledged to a licensed bank		2,060,460	0	0	0
Net cash from/(used in) financing activities		<u>295,074,431</u>	<u>(44,932,932)</u>	<u>263,925,283</u>	<u>(44,928,000)</u>
Net increase/(decrease) in cash and cash equivalents		313,888,958	(67,482,694)	264,772,131	(87,008,985)
Effect on foreign exchange rates changes		(660,294)	(536,403)	(174,528)	(89,417)
Cash and cash equivalents at beginning of financial year		81,311,608	149,330,705	9,942,685	97,041,087
Cash and cash equivalents at end of financial year	18(b)	<u>394,540,272</u>	<u>81,311,608</u>	<u>274,540,288</u>	<u>9,942,685</u>

MI TECHNOVATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2021 (continued)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Lease liabilities (Note 5)		Term loan (Note 21)	
	2021	2020	2021	2020
	RM	RM	RM	RM
At 1 January	3,536,732	326,156	5,096,946	4,077,659
Cash flows	(1,551,298)	(1,050,914)	31,235,281	1,217,447
Non-cash flows:				
- additions	905,854	4,088,594	0	0
- acquisition of subsidiaries (Note 8(d))	0	0	72,435,332	0
- unwinding of interest	128,976	43,718	0	0
- lease modification to lease term	(683,096)	101,265	0	0
- lease concession	0	(6,461)	0	0
- effect of foreign exchange	177,473	34,374	(403,624)	(198,160)
At 31 December	<u>2,514,641</u>	<u>3,536,732</u>	<u>108,363,935</u>	<u>5,096,946</u>

Company	Lease liability (Note 5)	
	2021	2020
	RM	RM
At 1 January	521,502	656,293
Cash flows	(168,000)	(168,000)
Non-cash flows:		
- unwinding of interest	25,492	33,209
At 31 December	<u>378,994</u>	<u>521,502</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 2021

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 2021 comprise the Company and its subsidiaries and the interests of the Group in an associate. 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 20 April 2022.

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 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

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 42(a) to the financial statements.

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 2021

4. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2021 RM	Additions RM	Written off RM	Disposals RM	Depreciation charge for the financial year RM	Transfer to investment properties (Note 6) RM	Transfer from/(to) inventories RM	Acquisition of subsidiaries (Note 8) RM	Reclassification RM	Currency translation differences RM	Balance as at 31.12.2021 RM
Carrying amount	0	11,000,006	0	0	0	0	0	35,898,568	0	367,944	47,266,518
Freehold land											
Buildings	96,444,935	14,145,020	0	0	(2,877,291)	(25,567,564)	0	5,177,035	52,934,560	1,407,605	141,664,300
Plant and machinery	1,265,484	1,338,237	0	0	(1,790,814)	0	(502,875)	5,046,033	14,325,125	384,884	20,066,074
Motor vehicles	1,091,398	457,992	0	(41,159)	(351,790)	0	0	0	0	26,484	1,182,925
Office equipment	5,086,950	3,571,874	(17)	(1,290,321)	(2,694,103)	0	423,292	208,846	462,186	32,356	5,801,063
Production equipment	705,768	1,267,514	(135,882)	(555,216)	(340,074)	0	0	0	0	(5,448)	936,662
Clean room	41,028	0	0	0	(13,777)	0	0	0	0	0	27,251
Furniture and fittings	1,944,567	284,090	0	(15,001)	(593,897)	0	0	0	125,315	(8,902)	1,736,172
Sports equipment	119,077	0	0	0	(38,924)	0	0	0	0	0	80,153
Laboratory equipment	1,623,551	5,406,431	0	(735,093)	(1,442,814)	0	(706,042)	35,917	1,439,059	26,294	5,647,303
Renovation	2,481,619	3,465,549	0	0	(491,388)	0	0	0	0	134,315	5,590,095
Cafeteria and kitchen equipment	479,527	3,881	0	0	(125,269)	0	0	0	0	0	358,139
Capital work-in-progress	7,796,806	6,330,442	0	0	0	0	0	57,970,361	(69,286,245)	922,248	3,733,612
	119,080,710	47,271,036	(135,899)	(2,636,790)	(10,760,141)	(25,567,564)	(785,625)	104,336,760	0	3,287,780	234,090,267
Group									As at 31.12.2021	Accumulated depreciation RM	Carrying amount RM
Freehold land										0	47,266,518
Buildings										(16,865,715)	141,664,300
Plant and machinery										(29,897,212)	20,066,074
Motor vehicles										(897,452)	1,182,925
Office equipment										(7,972,371)	5,801,063
Production equipment										(1,062,711)	936,662
Clean room										(61,795)	27,251
Furniture and fittings										(1,534,820)	1,736,172
Sports equipment										(124,520)	80,153
Laboratory equipment										(5,601,269)	5,647,303
Renovation										(762,429)	5,590,095
Cafeteria and kitchen equipment										(267,882)	358,139
Capital work-in-progress										0	3,733,612
										(65,048,176)	234,090,267

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at	Additions	Written off	Disposals	Depreciation charge for the financial year	Reclassification	Currency translation differences	Balance as at
	1.1.2020							31.12.2020
	RM	RM	RM	RM	RM	RM	RM	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
	90,872,976	39,618,368	(73,820)	(5,434,744)	(5,998,019)	0	95,949	119,080,710

Group	Cost	As at 31.12.2020		Carrying amount
		Accumulated depreciation	RM	
	RM	RM	RM	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
	130,786,785	(11,706,075)		119,080,710

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Balance as at 1.1.2021 RM	Additions RM	Disposals RM	Depreciation charge for the financial year RM	Balance as at 31.12.2021 RM
Company					
Carrying amount					
Office equipment	18,229	62,635	(2,721)	(24,174)	53,969
				[----- As at 31.12.2021 -----]	
			Cost RM	Accumulated depreciation RM	Carrying amount RM
Office equipment			92,761	(38,792)	53,969
	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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

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.

Freehold land has unlimited useful life and is not depreciated.

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 depreciation periods and annual rates are as follows:

Buildings	10 to 50 years
Plant and machinery	10% to 50%
Motor vehicles	20% to 33%
Office equipment	7% to 50%
Production equipment	10% to 33%
Clean room	20%
Furniture and fittings	20% to 33%
Sports equipment	20%
Laboratory equipment	7% to 33%
Renovation	5% to 33%
Cafeteria and kitchen equipment	20%

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

- (b) Included in property, plant and equipment of the Group, certain freehold land and buildings with a carrying amount of RM156,943,395 (2020: RM61,071,486 for building) are charged to a local bank as securities for bank facilities granted to the Group as disclosed in Note 21(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group as lessee

Right-of-use assets

	Balance as at 1.1.2021 RM	Additions RM	Modification to lease term RM	Transfer to investment properties (Note 6) RM	Depreciation charge for the financial year RM	Acquisition of subsidiaries (Note 8) RM	Currency translation differences RM	Balance as at 31.12.2021 RM
Carrying amount								
Land	23,237,468	0	0	(10,255,676)	(446,639)	2,272,002	47,332	14,854,487
Offices	3,706,459	854,461	(601,796)	0	(1,409,391)	0	167,000	2,716,733
Hostel	91,556	0	(79,329)	0	(13,536)	0	1,309	0
Motor vehicle	0	51,393	0	0	(19,112)	0	668	32,949
	27,035,483	905,854	(681,125)	(10,255,676)	(1,888,678)	2,272,002	216,309	17,604,169

	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
	24,069,817	4,088,594	101,265	(1,267,063)	42,870	27,035,483

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

Lease liabilities	Balance as at	Additions	Modification to lease term	Lease payments	Interest expense	Currency	Balance as at
	1.1.2021					translation differences	
	RM	RM	RM	RM	RM	RM	RM
Carrying amount							
Offices	3,445,018	854,461	(603,733)	(1,517,681)	127,767	175,602	2,481,434
Hostel	91,714	0	(79,363)	(14,504)	772	1,381	0
Motor vehicle	0	51,393	0	(19,113)	437	490	33,207
	<u>3,536,732</u>	<u>905,854</u>	<u>(683,096)</u>	<u>(1,551,298)</u>	<u>128,976</u>	<u>177,473</u>	<u>2,514,641</u>

Lease liabilities

Lease liabilities	Balance as at	Additions	Modification to lease term	Lease payments	Lease concessions	Interest expense	Currency	Balance as at
	1.1.2020						translation differences	
	RM	RM	RM	RM	RM	RM	RM	
Carrying amount								
Offices	234,150	4,088,594	1,166	(948,561)	(6,461)	41,783	3,445,018	
Hostel	92,006	0	100,099	(102,353)	0	1,935	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>3,536,732</u>	

Represented by:

Current liabilities	2021	2020
	RM	RM
Non-current liabilities		
	1,364,763	1,659,894
	1,149,878	1,876,838
	<u>2,514,641</u>	<u>3,536,732</u>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Company as lessee

Right-of-use asset

	Balance as at 1.1.2021 RM	Depreciation charge for the financial year RM	Balance as at 31.12.2021 RM
Carrying amount			
Office	502,200	(146,985)	355,215

	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

Lease liability

	Balance as at 1.1.2021 RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2021 RM
Carrying amount				
Office	521,502	(168,000)	25,492	378,994

	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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Company as lessee (continued)

	2021	2020
	RM	RM
Represented by:		
Current liabilities	150,667	142,508
Non-current liabilities	228,327	378,994
	<u>378,994</u>	<u>521,502</u>

- (a) The Group and the Company lease a number of properties based on business requirements. In some properties leases, the periodic rent is increased 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 comprises 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 50 years
Offices	2 to 5 years
Hostel	2 years
Motor vehicle	3 years

- (c) Included in right-of-use assets of the Group, certain land with a carrying amount of RM14,854,487 (2020: RM12,420,748) is charged to a local bank as securities for bank facilities granted to the Group as disclosed in Note 21(c) to the financial statements.
- (d) The Group has certain leases of building, hostel and office equipment with lease term of twelve (12) months or less and low value leases of building, hostel, office equipment, kitchen equipment and motor vehicles of RM20,000 and below. The Group applies the 'short-term lease' and 'lease of low-value assets' exemption for these leases.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

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

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Represented by:				
Depreciation charge of right-of-use assets				
- included in depreciation and amortisation expenses	1,888,678	1,267,063	146,985	146,985
Interest expense on lease liabilities				
- included in finance costs	128,976	43,718	25,492	33,209
Expense relating to short- term leases				
- included in other operating expenses	465,690	967,925	0	0
Expense relating to leases of low-value assets				
- included in other operating expenses	421,983	36,670	0	0
Gain on lease modification				
- included in other operating income	(1,971)	0	0	0
Variable lease payments				
- included in other operating expenses arising from COVID-19 related rent concessions	0	(6,461)	0	0
	<u>2,903,356</u>	<u>2,308,915</u>	<u>172,477</u>	<u>180,194</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

- (f) Lease liabilities of the Group and of the Company are owing to non-financial institutions.
- (g) At the end of the financial year, the Group and the Company had total cash outflow for leases of RM1,551,298 (2020: RM1,050,914) and RM168,000 (2020: RM168,000) respectively.
- (h) The following table sets out the carrying amounts and the incremental borrowing rate ('IBR') as at the end of the reporting period and the remaining maturities of the lease liabilities of the Group and of the Company:

	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					
31 December 2021	1.09 - 4.75	(1,364,763)	(1,149,878)	0	(2,514,641)
31 December 2020	1.09 - 4.75	<u>(1,659,894)</u>	<u>(875,972)</u>	<u>(1,000,866)</u>	<u>(3,536,732)</u>
Company					
31 December 2021	5.58	(150,667)	(159,293)	(69,034)	(378,994)
31 December 2020	5.58	<u>(142,508)</u>	<u>(150,667)</u>	<u>(228,327)</u>	<u>(521,502)</u>

- (i) Information on financial risks of lease liabilities is disclosed in Note 38 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

6. INVESTMENT PROPERTIES [2021 ONLY]

Group	Leasehold land RM	Building RM	Total RM
At cost			
Balance as at 1.1.2021	0	0	0
Transferred from property, plant and equipment (Note 4)	0	26,138,489	26,138,489
Transferred from right-of-use asset (Note 5)	11,029,835	0	11,029,835
Balance as at 31.12.2021	<u>11,029,835</u>	<u>26,138,489</u>	<u>37,168,324</u>
Accumulated depreciation			
Balance as at 1.1.2021	0	0	0
Transferred from property, plant and equipment (Note 4)	0	570,925	570,925
Transferred from right-of-use asset (Note 5)	774,159	0	774,159
Current charges	61,277	152,664	213,941
Balance as at 31.12.2021	<u>835,436</u>	<u>723,589</u>	<u>1,559,025</u>
Carrying amount			
Balance as at 31.12.2021	<u>10,194,399</u>	<u>25,414,900</u>	<u>35,609,299</u>

(a) Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Leasehold land represents right-of-use asset arising from lease arrangement that meet the definition of investment property.

(b) Depreciation is calculated to write down the cost of investment property to its residual value on a straight-line basis over its estimated useful life. The depreciation periods of investment properties are as follows:

Leasehold land	60 years
Building	57 years

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

6. INVESTMENT PROPERTIES [2021 ONLY] (continued)

- (c) Rental income generated from rental of investment properties of the Group during the financial year amounted to RM238,000.
- (d) Direct operating expenses from investment properties which generated rental income to the Group during the financial year amounted to RM93,262.
- (e) The fair value of the investment property for disclosure purposes, which are at Level 3 fair value are estimated at approximately RM49,461,537 based on Directors' estimation by reference to market evidence of transaction prices of similar properties and recent experience in the location and category of the property being valued. The significant unobservable input into this valuation method is the market value information from the estate agent. The estimated fair value would increase if the market value information from the estate agent is more favourable and vice versa.
- (f) The Group has entered into non-cancellable lease agreement on its investment properties for terms of three (3) years and renewable at the end of the lease period subject to an increase clause. The monthly rental consists of a fixed base rent.

The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	2021 RM
Less than one (1) year	2,856,000
One (1) to two (2) years	2,856,000
Two (2) to three (3) years	1,904,000
	<u>7,616,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

7. INTANGIBLE ASSETS

Group	Balance as at 1.1.2021	Additions	Written off	Amortisation charge for the financial year	Acquisition of subsidiaries (Note 8)	Currency translation differences	Balance as at 31.12.2021
	RM	RM	RM	RM	RM	RM	RM
Carrying amount							
Intellectual property	1,952,952	216,595	0	(182,024)	84,057	2,262	2,073,842
Club membership	762,075	0	0	(38,821)	0	11,442	734,696
Customer relationship	0	0	0	(2,821,704)	84,651,115	0	81,829,411
Development of prototypes	5,566,145	2,251,866	(1,323,439)	(1,048,830)	0	(20,898)	5,424,844
Development of intelligence software solution	222,689	47,797	(270,486)	0	0	0	0
	<u>8,503,861</u>	<u>2,516,258</u>	<u>(1,593,925)</u>	<u>(4,091,379)</u>	<u>84,735,172</u>	<u>(7,194)</u>	<u>90,062,793</u>
	[----- As at 31.12.2021 -----]						
Group					Cost	Accumulated	Carrying
					RM	amortisation	amount
Intellectual property					2,635,708	(561,866)	2,073,842
Club membership					825,318	(90,622)	734,696
Customer relationship					84,651,115	(2,821,704)	81,829,411
Development of prototypes					6,473,855	(1,049,011)	5,424,844
Development of intelligence software solution					0	0	0
					<u>94,585,996</u>	<u>(4,523,203)</u>	<u>90,062,793</u>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

7. INTANGIBLE ASSETS (continued)

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
	2,884,713	5,819,228	(216,404)	16,324	8,503,861

Group	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
	8,732,936	(229,075)	8,503,861

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

7. INTANGIBLE ASSETS (continued)

	Balance as at 1.1.2021	Amortisation charge for the financial year	Balance as at 31.12.2021
Company	RM	RM	RM
Carrying amount			
Intellectual property	<u>1,952,952</u>	<u>(131,660)</u>	<u>1,821,292</u>

[----- As at 31.12.2021 -----]

	Cost	Accumulated amortisation	Carrying amount
Company	RM	RM	RM
Intellectual property	<u>2,084,611</u>	<u>(263,319)</u>	<u>1,821,292</u>

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

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

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

(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, if any.

(b) Intellectual property represents patents and licenses for operational use.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

7. INTANGIBLE ASSETS (continued)

- (c) Club membership represents a corporate golf membership.
- (d) Customer relationship represent the relationship established with its customers through continuous contract which give rises to a contractual rights.
- (e) Development of prototypes represents an in-house brand development of Wafer Level Chip Scale Package ('WLCSP') sorting machines, laser bonding machines and development of advanced automation and robotic solutions with artificial intelligence.
- (f) Development of intelligence software solution represents software, which is not integral to hardware of the Group and can be separately identified.
- (g) Amortisation 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 amortisation periods are as follows:

Intellectual property	10 to 20 years
Club membership	21 years
Customer relationship	20 years
Development of prototypes	3 to 4 years

The residual values, useful lives and amortisation methods are reviewed at the end of each reporting period.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021	2020
	RM	RM
Unquoted shares, at cost		
- ordinary shares	485,871,085	153,297,335
- redeemable preference shares ('RPS')	34,131,400	39,175,200
	<u>520,002,485</u>	<u>192,472,535</u>
Less: Impairment losses	<u>(12,103,544)</u>	<u>(1,467,906)</u>
	<u>507,898,941</u>	<u>191,004,629</u>

- (a) Investment in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment loss.

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
		2021	2020	
		%	%	
Mi Equipment (M) Sdn. Bhd. ⁽¹⁾	Malaysia	100	100	Design, development, manufacturing, sale of wafer level chip scale packaging sorting machines and provision of maintenance services and technical support.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

8. 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
		2021 %	2020 %	
Accurus Scientific Co., Ltd. ⁽²⁾	Taiwan (Republic of China)	100	0	Manufacture and sale of solder balls and related materials and products.
Suzhou Mi Equipment Co., Ltd. ⁽²⁾	People's Republic of China	100	100	Design, development, manufacturing, sales of final test equipment and provision of maintenance services and technical support.
Mi Equipment (Taiwan) Co., Ltd. ⁽²⁾	Taiwan (Republic of China)	100	94	Design, development, manufacturing, sales of vision inspection machine and provision of maintenance services and technical support.
Mi Equipment Korea Co., Ltd. ⁽²⁾	Republic of South Korea	0	70	Design, development, manufacturing, sales of precision bonding machine and provision of maintenance services and technical support.
Mi International Pte. Ltd. ⁽²⁾	Singapore	100	100	Provision of maintenance services, technical support and management services.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

8. 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
		2021 %	2020 %	
Mi Autobotics Sdn. Bhd. ⁽¹⁾	Malaysia	100	100	Dormant.
Mi Components Sdn. Bhd. ⁽¹⁾	Malaysia	100	100	Dormant.
Subsidiaries of Mi Equipment (M) Sdn. Bhd.				
Mi Equipment Korea Co., Ltd ⁽²⁾	Republic of South Korea	70	0	Design, development, manufacturing, sales of precision bonding machine and provision of maintenance services and technical support.
Mi Equipment USA Inc. ⁽³⁾	United States of America	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.
Subsidiaries of Mi International Pte. Ltd.				
Mi Equipment (Taiwan) Co., Ltd. ⁽²⁾	Taiwan (Republic of China)	0	-(⁴)	Design, development, manufacturing, sales of vision inspection machine and provision of maintenance services and technical support.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

8. 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
		2021 %	2020 %	
Subsidiaries of Mi International Pte. Ltd. (continued)				
Mi Equipment USA Inc. ⁽³⁾	United States of America	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.
Mi Sales & Services (M) Sdn. Bhd. ⁽¹⁾	Malaysia	100	100	Dormant. Struck off on 15 February 2022.
Mi Sales & Services (S) Pte. Ltd. ⁽³⁾	Singapore	0	100	Struck off on 10 August 2021.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

8. 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
		2021 %	2020 %	
Subsidiaries of Accurus Scientific Co., Ltd.				
Accurus (Ningbo) Scientific Co., Ltd. ⁽¹⁾	People's Republic of China	100	0	Manufacture and sale of solder balls and related materials and products.
Accurus Scientific Pte. Ltd. ⁽²⁾	Singapore	100	0	Sales and marketing of solder spheres and other semiconductor-related materials.

(1) Subsidiary audited by BDO PLT or BDO member firm.

(2) Subsidiaries not audited by BDO PLT or BDO member firm.

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

(4) In the previous financial year, 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. ('MiINT') 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 2021

8. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Changes in investments in subsidiaries during the financial year are as follows:

(i) Mi International Pte. Ltd. ('MiINT')

In September 2021, MiINT redeemed 3,000,000 RPS at a redemption price of SGD1 per RPS held out of capital of MiINT, amounting to USD1,000,000 (equivalent to RM3,043,800).

In July 2021, the Group made an internal restructuring whereby, MiINT had transferred 100% of its equity interest in Mi Equipment USA Ltd. ('MiEUS') to Mi Equipment (M) Sdn. Bhd. ('MiEMY'), representing 100,000 ordinary shares and 100,000 preference shares at USD1 each respectively for a total consideration of USD200,000 (equivalent to RM838,860).

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

In October 2021, MiASB has fully redeemed 2,000,000 RPS at a redemption price of RM1 per RPS held out of capital of MiASB, amounting to RM2,000,000.

In the previous financial year, 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.

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

In the previous financial year, MiCSB has fully redeemed 3,000,000 RPS at a redemption price of RM1 per RPS held out of capital of MiCSB.

(iv) Mi Equipment Korea Co., Ltd. ('MiEKR')

In July 2021, the Group made an internal restructuring whereby, the Company had transferred its 70% equity interest in MiEKR to MiEMY for a total consideration of USD139,903 (equivalent to RM587,509).

In the previous financial year, the Company incorporated a new private limited company in the Republic of South Korea namely MiEKR with a capital injection of USD139,903 (equivalent to RM587,509), which represents 70% of the equity interest in MiEKR.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

8. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Changes in investments in subsidiaries during the financial year are as follows (continued):

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

In September 2021, the Company increased its equity investment in MiECN by way of cash amounted to USD4,000,000 (equivalent to RM17,128,400).

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

In February 2021, MiINT had transferred its 6% equity interest in MiETW to the Company by way of cash amounted to TWD9,598,750 (equivalent to RM1,337,777).

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

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

(d) Acquisition of subsidiaries

(i) On 19 April 2021, the Company had completed the acquisition of 21,983,000 ordinary shares in Accurus Scientific Co., Ltd. ('MiMTW'), representing approximately 99% equity interest in MiMTW for a purchase consideration of RM311,850,000 ('Acquisition') by way of issuance of 74,250,000 new ordinary shares of the Company at an issue price of RM3.65 per ordinary share. For the purpose of accounting, the fair value of RM4.20 per ordinary share as at the date of completion of the acquisition was recorded.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

8. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Acquisition of subsidiaries (continued)

(i) (continued)

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition were:

	Pre- acquisition carrying amount RM	Fair value adjustments RM	Recognised value on acquisition RM
Property, plant and equipment	78,213,881	26,122,879	104,336,760
Right-of-use assets	2,272,002	0	2,272,002
Intangible assets	84,057	84,651,115	84,735,172
Defined benefit plans	1,583,153	0	1,583,153
Inventories	31,749,991	0	31,749,991
Trade and other receivables	41,316,595	0	41,316,595
Cash and bank balances	32,954,244	0	32,954,244
Deferred tax assets/(liabilities)	1,939,519	(16,639,826)	(14,700,307)
Borrowings	(72,435,332)	0	(72,435,332)
Government grants	(1,233,526)	0	(1,233,526)
Trade and other payables	(12,896,055)	0	(12,896,055)
Current tax liabilities	(2,575,873)	0	(2,575,873)
Total identifiable net assets	<u>100,972,656</u>	<u>94,134,168</u>	<u>195,106,824</u>

RM

Purchase consideration settled by way of issuance of shares (Note 19(a))	311,850,000
Non-controlling interests	1,956,066
Fair value of identifiable net assets	<u>(195,106,824)</u>
Goodwill on consolidation (Note 10)	<u>118,699,242</u>
Purchase consideration settled in cash and cash equivalents	0
Cash and cash equivalents of subsidiaries acquired	<u>32,954,244</u>
Net cash inflow on acquisition	<u>32,954,244</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

8. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Acquisition of subsidiaries (continued)

(i) (continued)

On 31 May 2021, the Company had completed the acquisition of remaining 1% equity interest in MiMTW for a total consideration of RM2,845,082 by cash. Accordingly, MiMTW is now a wholly-owned subsidiary of the Company.

The effect of the above equity transactions with non-controlling interests was summarised below:

	RM
Consideration paid	2,845,082
Less: Net assets acquired from non-controlling interests	<u>(1,966,381)</u>
Net effect on changes in shareholdings in MiMTW	<u>878,701</u>

In the 8.5 months to 31 December 2021, MiMTW contributed revenue of RM125,588,739 and profit of RM19,170,421. If the acquisition had occurred on 1 January 2021, management estimated that Group consolidated revenue would have been RM418,154,872 and consolidated profit for the financial year ended 31 December 2021 would have been RM67,827,074.

- (e) On 10 August 2021, Mi Sales & Services (S) Pte. Ltd., a wholly-owned subsidiary of MiINT had been struck off and ceased to be a wholly-owned subsidiary of the Group. The financial results of the subsidiary being deregistered is insignificant to the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

8. INVESTMENTS IN SUBSIDIARIES (continued)

(f) During the financial year, impairment losses of RM10,635,638 (2020: RM1,467,906) have been recognised in respect of subsidiaries due to declining business operations. The recoverable amounts of the cost of investments in subsidiaries are based on their fair value less cost to sell, which are categorised as Level 3 in the fair value hierarchy.

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

	MIKRW	
	2021	2020
NCI percentage of ownership interest and voting interest (%)	30%	30%
Carrying amount of NCI (RM)	<u>(1,745,875)</u>	<u>(50,691)</u>
Loss allocated to NCI (RM)	(1,710,052)	(294,917)
Other comprehensive income allocated to NCI (RM)	<u>25,183</u>	<u>6,935</u>
Total comprehensive loss allocated to NCI (RM)	<u>(1,684,869)</u>	<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 2021

9. INVESTMENT IN AN ASSOCIATE [2021 ONLY]

	Group 2021 RM
Unquoted shares, at cost	29,151,786
Share of post acquisition reserve	(854,194)
	<u>28,297,592</u>
Exchange differences	316,251
	<u><u>28,613,843</u></u>

- (a) Investment in an associate is measured at cost less impairment losses, if any, and accounted for using the equity method in the consolidated financial statements.
- (b) The details of the associate are as follows:

Name of associate	Country of incorporation /Principal place of business	Effective ownership interest		Principal activities
		2021 %	2020 %	
Talentek Microelectronics (Hefei) Limited ('Talentek')	People's Republic of China	22.64	0	Research, development and manufacturing of electronic technology products, as well as provision of technical services and sale of related products.

- (c) During the financial year, a wholly owned subsidiary of the Company, MiECN acquired the equity interest in Talentek, representing approximately 22.64% equity interest in Talentek for a purchase consideration of CNY45,000,000 (equivalent to RM29,151,786). Accordingly, Talentek is now an associate to the Group.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

9. INVESTMENT IN AN ASSOCIATE [2021 ONLY] (continued)

(d) The summarised financial information of the associate is as follows:

	2021 RM
Assets and liabilities	
Non-current assets	22,895,972
Current assets	41,716,086
Current liabilities	<u>(9,452,802)</u>
Net assets	<u><u>55,159,256</u></u>
Results	
Revenue	5,294,393
Loss for the financial year	(3,773,551)
Total comprehensive loss	<u><u>(3,773,551)</u></u>
Cash flows from operating activities	1,267,689
Cash flows used in investing activities	(14,139,910)
Cash flows from financing activities	<u>39,714,762</u>
Net increase in cash and cash equivalents	<u><u>26,842,541</u></u>

(e) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate are as follows:

	RM
As at 31 December 2021	
Share of net assets of the Group	12,486,030
Goodwill	<u>16,127,813</u>
Carrying amount in the statements of financial position	<u><u>28,613,843</u></u>
Share of results of the Group for the financial year ended 31 December 2021	
Share of loss of the Group/Share of total comprehensive loss of the Group	<u><u>(854,194)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

10. GOODWILL ON CONSOLIDATION [2021 ONLY]

	2021
	RM
Balance as at 1 January	0
Acquisition through business combination (Note 8(d))	<u>118,699,242</u>
Balance as at 31 December	<u><u>118,699,242</u></u>

- (a) Goodwill is initially measured at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.
- (b) Goodwill and fair value adjustments arising on acquisition of foreign operation are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policies for foreign currencies.
- (c) Impairment tests for goodwill with indefinite useful live

For the purpose of impairment testing, goodwill has been allocated to the Groups' cash-generating unit ("CGU"), i.e. Semiconductor Material Business Unit which constitutes a separately reportable segment in Note 36 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

10. GOODWILL ON CONSOLIDATION [2021 ONLY] (continued)

(c) Impairment tests for goodwill with indefinite useful live (continued)

Goodwill is tested for impairment by comparing the carrying amounts with the recoverable amounts of the CGUs. The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections from the financial budgets and forecasts approved by management covering a period of five (5) years. Cash flows beyond the five (5)-year period are extrapolated assuming zero growth rates.

Key assumptions used in the value in use calculations are as follows:

- (i) the pre-tax discount rates which are the weighted average cost of capital adjusted for specific risks relating to relevant segments. The average discount rates used is 13%;
- (ii) the growth rate of the revenue are determined based on the industry trends and past performances of the CGU; and
- (iii) the exchange rate used to translate foreign currencies transactions into the other segment's functional currency is based on the exchange rates obtained immediately before the forecast year. Values assigned are consistent with external sources of information.

Based on the annual impairment testing undertaken by the Group, no impairment loss was required for the carrying amount of goodwill assessed as at 31 December 2021 as its recoverable amount was in excess of its carrying amount. Management believes that there is no reasonably possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount, which would cause the CGU's carrying amount to materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

11. DEFERRED TAX

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

	Group	
	2021	2020
	RM	RM
Balance as at 1 January	1,469,265	(50,075)
Acquisition of subsidiaries (Note 8(d))	14,700,307	0
Recognised in profit or loss (Note 31)		
- relating to origination and reversal of temporary differences	(3,419,469)	491,587
- underprovision in prior year	332,525	1,029,453
Exchange differences	(136,492)	(1,700)
Balance as at 31 December	<u>12,946,136</u>	<u>1,469,265</u>
Presented after appropriate offsetting:		
Deferred tax assets, net	(5,057,446)	(341,335)
Deferred tax liabilities, net	<u>18,003,582</u>	<u>1,810,600</u>
	<u>12,946,136</u>	<u>1,469,265</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 2021	2,768,100	(957,500)	1,810,600
Recognised in profit or loss	(451,963)	(285,278)	(737,241)
Acquisition of subsidiaries	17,226,279	(296,056)	16,930,223
Exchange differences	41,622	(41,622)	0
Balance as at 31 December 2021	<u>19,584,038</u>	<u>(1,580,456)</u>	<u>18,003,582</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

11. 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 liabilities of the Group (continued)

	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>

Deferred tax assets of the Group

	Unused tax losses RM	Provisions RM	Off-setting RM	Total RM
Balance as at 1 January 2021	(341,335)	(957,500)	957,500	(341,335)
Recognised in profit or loss	(2,097,887)	(537,094)	285,278	(2,349,703)
Acquisition of subsidiaries	(2,525,972)	0	296,056	(2,229,916)
Exchange differences	(180,657)	2,543	41,622	(136,492)
Balance as at 31 December 2021	<u>(5,145,851)</u>	<u>(1,492,051)</u>	<u>1,580,456</u>	<u>(5,057,446)</u>
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>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

11. 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	
	2021 RM	2020 RM	2021 RM	2020 RM
Unused tax losses				
- no expiry date	7,889,286	3,112,816	0	0
- expires by				
31 December 2028/ 2025	189,006	189,006	0	0
- expires by				
31 December 2029/ 2026	5,486,396	4,110,040	1,387,133	1,555,029
- expires by				
31 December 2030/ 2027	3,049,546	3,049,546	1,366,698	1,366,698
- expires by				
31 December 2031	1,568,969	0	0	0
Unabsorbed capital allowances	521,325	842,014	53,939	42,957
	<u>18,704,528</u>	<u>11,303,422</u>	<u>2,807,770</u>	<u>2,964,684</u>

In Malaysia, with effect from 1 January 2022, any unused tax losses shall be deductible for a maximum period of ten consecutive years of assessment immediately following that year of assessment. Any amount which is not deducted at the end of the period of ten years of assessment shall be disregarded.

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.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
<u>Non-current assets</u>				
Other receivable				
Subsidiaries	0	0	28,169,136	5,541,055
<u>Current assets</u>				
Trade receivables				
Third parties	144,223,542	98,908,696	0	0
Dividend receivable from a subsidiary	0	0	31,000,000	13,000,000
Subsidiaries	0	0	0	322,000
Associate	1,298,368	0	0	0
	145,521,910	98,908,696	31,000,000	13,322,000
Less: Impairment losses	(967,304)	(320,933)	0	0
Total trade receivables	144,554,606	98,587,763	31,000,000	13,322,000
Other receivables				
Third parties	5,498,185	2,350,493	0	0
Subsidiaries	0	0	486,985	3,017,708
Deposits	1,191,904	1,017,308	4,500	4,500
Total other receivables	6,690,089	3,367,801	491,485	3,022,208
Total current receivables	151,244,695	101,955,564	31,491,485	16,344,208
Prepayments	4,134,686	1,848,545	26,024	35,520
	155,379,381	103,804,109	31,517,509	16,379,728
Total trade and other receivables	155,379,381	103,804,109	59,686,645	21,920,783

- (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 (2020: 30 to 180 days). Nevertheless, the management of the Group may give longer credit terms by discretion. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

12. TRADE AND OTHER RECEIVABLES (continued)

- (c) Non-trade portion of amounts owing by subsidiaries represent advances which are unsecured, interest-bearing at a rate as disclosed in Note 38(d) to the financial statements and not payable within the next one (1) year in cash and cash equivalents, except for an amount of RM486,985 (2020: RM8,558,763) which are unsecured, interest-free and payable within the next one (1) year.
- (d) The currency exposure profile of trade and other receivables (excluding prepayments) are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	1,903,767	1,340,499	31,406,703	15,631,524
United States Dollar	117,379,582	97,287,301	28,253,918	6,253,739
Chinese Yuan	18,398,340	2,187,917	0	0
Taiwan Dollar	12,913,209	726,672	0	0
Korea Won	476,345	281,283	0	0
Singapore Dollar	149,569	127,176	0	0
Others	23,883	4,716	0	0
	<u>151,244,695</u>	<u>101,955,564</u>	<u>59,660,621</u>	<u>21,885,263</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.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the twelve (12) months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

12. TRADE AND OTHER RECEIVABLES (continued)

(e) (continued)

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 such as gross domestic product (GDP), inflation rate, consumer price index and United State Dollar foreign exchange rate for the financial years ended 31 December 2021 and 31 December 2020 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 in the 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

12. TRADE AND OTHER RECEIVABLES (continued)

(e) (continued)

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

31 December 2021	Current	1 - 60 days		61 - 120 days		121 - 180 days		More than 180 days		Total
		past due	past due	past due	past due	past due	past due	past due		
Gross carrying amount (RM)	104,058,837	24,086,997	5,098,553	8,525,217	3,752,306	145,521,910				
Impairment (RM)	118,652	140,716	42,081	77,276	588,579	967,304				
31 December 2020										
Gross carrying amount (RM)	90,388,547	6,344,939	1,422,759	279,042	473,409	98,908,696				
Impairment (RM)	107,921	9,299	4,735	3,730	195,248	320,933				

The Group did not renegotiate the terms of any trade receivables for the financial years ended 31 December 2021 and 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

12. TRADE AND OTHER RECEIVABLES (continued)

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

	Group	
	Lifetime ECL	
	2021	2020
	RM	RM
As at 1 January	320,933	141,900
Reversal of impairment loss	0	(141,900)
Charge for the financial year	646,371	320,933
As at 31 December	<u>967,304</u>	<u>320,933</u>

(g) For other receivables, non-trade portion of amounts owing by subsidiaries and lease receivable, 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 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.

The Group considers other receivables to be in default when the receivables are past due more than twelve (12) months.

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 38 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

13. LEASE RECEIVABLE

	Group	
	2021	2020
	RM	RM
Future minimum lease receivable:		
- not later than one (1) year	1,547,430	619,000
- one (1) to two (2) years	1,547,430	619,000
- two (2) to three (3) years	1,547,430	619,000
- three (3) to four (4) years	1,132,751	619,000
- four (4) to five (5) years	0	375,595
Total future minimum lease receivables	<u>5,775,041</u>	<u>2,851,595</u>
Less: Unearned finance lease interest	<u>(318,020)</u>	<u>(181,907)</u>
Present value of finance lease receivables	<u><u>5,457,021</u></u>	<u><u>2,669,688</u></u>
Analysis of present value of finance lease receivables:		
Non-current	4,054,115	2,123,307
Current	<u>1,402,906</u>	<u>546,381</u>
	<u><u>5,457,021</u></u>	<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:

	Group	
	2021	2020
	RM	RM
Balance as at 1 January	2,669,688	0
Additions	3,467,837	2,870,734
Interest income	116,218	42,359
Lease payments received	<u>(796,722)</u>	<u>(243,405)</u>
Balance as at 31 December	<u><u>5,457,021</u></u>	<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 38 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

14. DEFINED BENEFIT PLANS [2021 ONLY]

	Defined benefit obligation RM	Group 2021 Fair value of plan assets RM	Net defined benefit plans RM
Balance as at 1 January 2021	0	0	0
Acquisition of subsidiaries (Note 8(d))	(3,227,848)	4,811,001	1,583,153
Current service cost (Note 29)	(259,443)	0	(259,443)
Interest (cost)/income (Note 29)	(15,452)	20,600	5,148
Included in profit or loss	(274,895)	20,600	(254,295)
Remeasurements:			
(a) Actuarial losses from:			
- financial assumptions	50,390	41	50,431
- demographic assumptions	(26,118)	0	(26,118)
- experience adjustments	(197,420)	52,145	(145,275)
(b) exchange differences	(121,372)	127,113	5,741
Included in other comprehensive income	(294,520)	179,299	(115,221)
Contributions paid to the plans by the Group	0	368,108	368,108
Benefits paid	350,798	(350,798)	0
	350,798	17,310	368,108
Balance as at 31 December 2021	<u>(3,446,465)</u>	<u>5,028,210</u>	<u>1,581,745</u>

Presented by:

	Group 2021 RM
Net defined benefit asset	1,747,779
Net defined benefit liability	(166,034)
	<u>1,581,745</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

14. DEFINED BENEFIT PLANS [2021 ONLY] (continued)

- (a) The Group operates funded defined benefit plans for its eligible employees of which the assets are held in separately administered trusts. Under this plan, the entitlement of eligible employees are based on the units of service years and the average salaries in the last month of the service year.

The Group provides retirement benefit obligations for qualifying employees of its overseas subsidiaries, MiMTW and MiEKR, in accordance with the legislations established in Taiwan (Republic of China) and Republic of South Korea.

- (b) Amounts recognised in the statements of financial position are determined as follows:

	Group 2021 RM
Present value of funded defined benefit obligations	(3,446,465)
Fair value of plan assets	5,028,210
	<u>1,581,745</u>
Analysed as follows:	
Current liabilities:	
- not later than one (1) year	(1,049,512)
Non-current liabilities:	
- later than one (1) year and not later than five (5) years	(1,610,145)
- later than five (5) years	(786,808)
	<u>(2,396,953)</u>
	<u>(3,446,465)</u>

- (c) During the financial year, the plan assets consist of equity securities in financial institutions amounted to RM148,296. Disaggregation of the fair value of the remaining balance of plan assets is not disclosed as the Group does not participate in the operation and management of the pension fund.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

14. DEFINED BENEFIT PLANS [2021 ONLY] (continued)

(d) The principal actuarial assumptions used are as follows:

	Group 2021 %
Discount rate	0.71 - 2.88
Expected rate of salary increase	<u>1.00 - 3.50</u>

(e) Sensitivity analysis

Reasonably possible changes at the end of reporting period to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the retirement benefit obligation by the amount shown below:

	Group 2021 RM
Discount rate	
- if increase by 0.5% to 1%	(466,220)
- if decrease by 0.5% to 1%	<u>552,755</u>
Expected rate of salary	
- if increase by 0.5% to 1%	550,464
- if decrease by 0.5% to 1%	<u>(466,414)</u>

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

**NOTES TO THE FINANCIAL STATEMENTS
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15. INVENTORIES

	Group	
	2021	2020
	RM	RM
At cost		
Raw materials	49,558,456	10,362,433
Work-in-progress	34,326,556	43,678,566
Finished goods	23,064,710	15,882,601
Trading goods	22,526	30,621
	106,972,248	69,954,221
At net realisable value		
Raw materials	3,440,908	311,070
Total	110,413,156	70,265,291

- (a) Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost 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, the Group had written off obsolete inventories, which amounted to RM1,184,491 (2020: RM697,607).

During the financial year, the Group had written down inventories amounted to RM1,704,859 (2020: RM359,277) which was recognised in statements of profit or loss and reversed inventories written down of RM971,998 (2020: RM668,188) 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 2021**

16. DERIVATIVE [2020 ONLY]

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

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

Forward currency contracts were 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 were attributable to changes in foreign exchange spot and forward rates. Derivative asset of the Group was categorised as Level 2 in the fair value hierarchy. There was no transfer between levels in the hierarchy in the previous financial year.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

17. SHORT TERM FUNDS

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Financial assets at fair value through profit or loss				
Money market funds	273,932,013	27,345,763	256,031,457	7,154,011
Bond funds	15,547,805	25,525,071	15,547,805	25,525,071
	<u>289,479,818</u>	<u>52,870,834</u>	<u>271,579,262</u>	<u>32,679,082</u>

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

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Ringgit Malaysia	284,650,947	36,871,805	271,579,262	26,856,053
United States Dollar	4,174,171	15,999,029	0	5,823,029
Chinese Yuan	654,700	0	0	0
	<u>289,479,818</u>	<u>52,870,834</u>	<u>271,579,262</u>	<u>32,679,082</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 38 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

18. CASH AND BANK BALANCES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Cash and bank balances	120,608,259	35,267,133	18,508,831	2,788,674
Deposits with licensed banks	87,626	20,759,172	0	0
	<u>120,695,885</u>	<u>56,026,305</u>	<u>18,508,831</u>	<u>2,788,674</u>

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

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Ringgit Malaysia	5,293,073	10,304,520	1,206,370	1,382,399
United States Dollar	96,101,544	33,084,736	17,302,461	1,406,275
Taiwan Dollar	14,445,637	11,205,513	0	0
Chinese Yuan	4,206,133	199,296	0	0
Korea Won	226,352	993,351	0	0
Singapore Dollar	412,486	232,382	0	0
Euro	10,660	4,824	0	0
Others	0	1,683	0	0
	<u>120,695,885</u>	<u>56,026,305</u>	<u>18,508,831</u>	<u>2,788,674</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

18. CASH AND BANK BALANCES (continued)

- (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	
	2021	2020	2021	2020
	RM	RM	RM	RM
Cash and bank balances	120,608,259	35,267,133	18,508,831	2,788,674
Deposits with licensed banks	87,626	20,759,172	0	0
Money market funds (Note 17)	273,932,013	27,345,763	256,031,457	7,154,011
	<u>394,627,898</u>	<u>83,372,068</u>	<u>274,540,288</u>	<u>9,942,685</u>
Less:				
Deposit pledged to a licensed bank	(87,626)	(2,060,460)	0	0
	<u>394,540,272</u>	<u>81,311,608</u>	<u>274,540,288</u>	<u>9,942,685</u>

- (c) Deposits pledged to a licensed bank are for term loans granted to the Group as disclosed in Note 21(c) to the financial statements.
- (d) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.
- (e) Information on financial risks of cash and bank balances is disclosed in Note 38 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

19. SHARE CAPITAL

	Group and Company			
	2021		2020	
	Number of ordinary shares	Amount RM	Number of ordinary shares	Amount RM
Issued and fully paid with no par value				
Balance as at 1 January	750,000,000	252,615,378	750,000,000	252,615,378
Issuance of ordinary share	150,000,000	607,275,000	0	0
Shares issued expenses	0	(4,431,375)	0	0
Balance as at 31 December	<u>900,000,000</u>	<u>855,459,003</u>	<u>750,000,000</u>	<u>252,615,378</u>

(a) Share capital

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 750,000,000 ordinary shares to 900,000,000 ordinary shares by way of issuance of 150,000,000 new ordinary shares pursuant to the following:

- (i) Issuance of 74,250,000 new ordinary shares of RM4.20 each pursuant to Acquisition of MiMTW as disclosed in Note 8(d) to the financial statements; and
- (ii) Private placement of 75,750,000 new ordinary shares of RM3.90 each for net cash amounted to RM290,993,625 after offset against the expenses directly attributable to the issuance of shares.

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

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
31 DECEMBER 2021**

19. SHARE CAPITAL (continued)

(b) Treasury shares

There was no repurchase of own equity securities during the financial year.

	Group and Company			
	2021		2020	
	Number of ordinary shares	RM	Number of ordinary shares	RM
Balance as at 1 January/ 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.

- (ii) A total of 4,000,000 treasury shares at a total cost of RM5,246,963 are held by the Company as at 31 December 2021 and 31 December 2020 respectively. Shares repurchased are held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016 and listing requirements and applicable guideline of Bursa Malaysia Securities Berhad.

The number of ordinary shares was at 31 December 2021 net of treasury shares is 896,000,000 (2020: 746,000,000).

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

19. SHARE CAPITAL (continued)

(b) Treasury shares (continued)

(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.

20. RESERVES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Non-distributable:				
Legal reserve	2,326,282	147,958	0	0
Exchange translation reserve	4,123,181	(484,776)	0	0
Reorganisation debit reserve	(63,557,909)	(63,557,909)	0	0
Share grant reserve	360,000	0	360,000	0
Distributable:				
Retained earnings	236,641,153	204,853,645	6,370,286	2,040,720
	<u>179,892,707</u>	<u>140,958,918</u>	<u>6,730,286</u>	<u>2,040,720</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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

20. RESERVES (continued)

(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.

(d) Share grant reserve

The share grant reserve represents the value of equity-settled shares granted to employees under share grant scheme ('SGS'). The reserve is made up of the cumulative value of services received from employees recorded on grant of shares. The share grant plan will be vested for a period ranged from 3 years to 4 years from the grant date as disclosed in Note 32 to the financial statements.

21. BORROWING

	Group	
	2021	2020
	RM	RM
<i>Term loans</i>		
Non-current	48,063,967	2,615,805
Current	60,299,968	2,481,141
	<u>108,363,935</u>	<u>5,096,946</u>

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

(b) The currency exposure profile of borrowings are as follows:

	Group	
	2021	2020
	RM	RM
United States Dollar	2,633,368	5,096,946
Taiwan Dollar	73,215,407	0
Chinese Yuan	32,515,160	0
	<u>108,363,935</u>	<u>5,096,946</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

21. BORROWING (continued)

- (c) The term loans are secured by the following:
- (i) deposits with a licensed bank as disclosed in Note 18(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;
 - (iii) corporate guarantee by the Company; and
 - (iv) joint and several guarantee by:
 - Director of a subsidiary; and
 - Subsidiary of the Company.
- (d) Fair value of the borrowing of the Group is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year. The carrying amount of borrowing is reasonable approximation of fair value due to they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.
- (e) Information on financial risks of borrowing is disclosed in Note 38 to the financial statements.

22. GOVERNMENT GRANTS [2021 ONLY]

	Group 2021 RM
Balance as at 1 January	0
Acquisition of subsidiaries (Note 8(d))	1,233,526
Received during the year	2,998,619
Exchange differences	(5,174)
Balance as at 31 December	<u>4,226,971</u>
Represented by:	
Current liabilities	211,349
Non-current liabilities	<u>4,015,622</u>
	<u>4,226,971</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

22. GOVERNMENT GRANTS [2021 ONLY] (continued)

Government grants related to an asset are recognised as income and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

23. PROVISIONS

	Group	
	2021	2020
	RM	RM
Provision for warranty replacement costs		
- Non-current	1,412,367	626,308
- Current	2,470,434	1,552,963
	<u>3,882,801</u>	<u>2,179,271</u>

(a) Provision for warranty replacement costs

The Group provides a two (2)-year (2020: 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.

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	
	2021	2020
	RM	RM
Balance as at 1 January	2,179,271	1,703,379
Provision made during the financial year	3,580,918	2,059,928
Amount used during the financial year	(1,163,562)	(1,071,329)
Provision reversed during the financial year	(713,826)	(512,707)
Balance as at 31 December	<u>3,882,801</u>	<u>2,179,271</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

23. PROVISIONS (continued)

(b) Provision for technical support services

The Group provided 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 had been recognised at the end of the reporting period for expected technical support services provided based on past experience of the level of such services.

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

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

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Trade payables				
Third parties	12,601,609	25,436,748	0	0
Other payables				
Third parties	9,735,927	4,032,605	566,383	69,302
Subsidiaries	0	0	1,560,102	101,954
Accrued liabilities	15,759,635	10,140,851	456,350	764,656
Deposits received	952,000	0	0	0
Total other payables	26,447,562	14,173,456	2,582,835	935,912
Total trade and other payables	<u>39,049,171</u>	<u>39,610,204</u>	<u>2,582,835</u>	<u>935,912</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

24. 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 (2020: 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) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Ringgit Malaysia	16,018,803	25,836,784	1,041,571	926,718
Taiwan Dollar	13,766,156	1,459,621	2,563	0
Chinese Yuan	4,162,650	783,799	0	0
United States Dollar	1,896,877	5,295,418	1,538,701	9,194
Korea Won	1,731,812	430,311	0	0
Singapore Dollar	1,012,952	1,292,270	0	0
Swiss Franc	312,792	405,706	0	0
Euro	147,129	4,106,295	0	0
	<u>39,049,171</u>	<u>39,610,204</u>	<u>2,582,835</u>	<u>935,912</u>

- (e) Information on financial risks of trade and other payables is disclosed in Note 38 to the financial statements.

25. CONTRACT LIABILITIES

	Group	
	2021	2020
	RM	RM
Advances received from customers	0	7,500
Deferred income	0	19
	<u>0</u>	<u>7,519</u>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

25. CONTRACT LIABILITIES (continued)

(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	
	2021	2020
	RM	RM
Balance as at 1 January	7,519	0
Advances received during the financial year	18	7,522
Revenue recognised during the financial year	(7,537)	(3)
Balance as at 31 December	<u>0</u>	<u>7,519</u>

(c) Contract liabilities are denominated in Ringgit Malaysia.

26. CAPITAL COMMITMENTS

	Group	
	2021	2020
	RM	RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Approved but not contracted for	9,224,050	4,202,401
Contracted but not provided for	1,333,654	16,317,672
	<u>10,557,704</u>	<u>20,520,073</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

27. CONTINGENT LIABILITIES

- (a) The Group designates corporate guarantees given to financial institutions for credit facilities granted to a subsidiary as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees as insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
- (b) (i) During the financial year, the Company has given corporate guarantees to financial institutions for credit facilities granted to its subsidiary for a limit of up to USD3,000,000 (equivalent to RM12,495,000) (2020: RM Nil) of which RM2,634,096 (2020: RM Nil) was utilised at the end of reporting period.
- (ii) The Directors are of the view that the chances of the financial institutions calling upon the corporate guarantees are unlikely. Accordingly, the fair values of the above corporate guarantees are negligible.

28. REVENUE

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
<i>Revenue from contracts with customers:</i>				
Recognised at point in time:				
- sale of goods	374,999,239	228,431,286	0	0
- services rendered	480,018	572,800	0	0
- management fee	0	0	0	945,000
	<u>375,479,257</u>	<u>229,004,086</u>	<u>0</u>	<u>945,000</u>
<i>Other revenue:</i>				
- dividend income	0	0	45,000,000	23,000,000
	<u>375,479,257</u>	<u>229,004,086</u>	<u>45,000,000</u>	<u>23,945,000</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

28. REVENUE (continued)

(a) Sale of goods and services rendered

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

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

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

(b) Management 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.

Disaggregation of revenue from contracts with customers

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

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
By countries:				
Malaysia	18,006,640	14,607,174	0	945,000
Taiwan	158,152,624	86,543,698	0	0
China	145,989,502	66,082,786	0	0
Singapore	17,336,884	5,964,351	0	0
Korea	15,339,734	31,067,930	0	0
United States of America	13,588,561	10,629,066	0	0
Other countries	7,065,312	14,109,081	0	0
	<u>375,479,257</u>	<u>229,004,086</u>	<u>0</u>	<u>945,000</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

29. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Wages, salaries and bonuses	60,434,591	31,597,770	1,368,243	2,157,402
Contributions to defined contribution plans	3,711,472	2,335,416	101,889	254,603
Defined benefit plans (Note 14)	254,295	0	0	0
Social security contributions	2,934,531	816,447	7,975	26,273
Share grant expense	360,000	0	0	0
Other benefits	2,426,780	1,190,554	123,339	311,814
	<u>70,121,669</u>	<u>35,940,187</u>	<u>1,601,446</u>	<u>2,750,092</u>

Included in the employee benefits expense of the Group and the Company are Directors' remuneration amounting to RM4,277,608 (2020: RM1,524,578) and RM371,000 (2020: RM264,203) respectively.

30. FINANCE COSTS

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Interest expense on:				
- term loan	675,669	130,313	0	0
- revolving credit	20,342	202,422	20,342	0
- lease liabilities	128,976	43,718	25,492	33,209
	<u>824,987</u>	<u>376,453</u>	<u>45,834</u>	<u>33,209</u>

NOTES TO THE FINANCIAL STATEMENTS
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31. TAX EXPENSE

	Group	
	2021	2020
	RM	RM
Current tax expense based on profit for the financial year	6,437,149	405,982
(Over)/Underprovision of tax expense in prior years	(12,569)	23,653
	<u>6,424,580</u>	<u>429,635</u>
Deferred tax (Note 11):		
Relating to origination and reversal of temporary differences	(3,419,469)	491,587
Underprovision in prior years	332,525	1,029,453
	<u>(3,086,944)</u>	<u>1,521,040</u>
Withholding tax expenses	32,123	52,354
	<u>3,369,759</u>	<u>2,003,029</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	
	2021	2020	2021	2020
	RM	RM	RM	RM
Profit before tax	<u>63,505,202</u>	<u>55,715,842</u>	<u>31,209,566</u>	<u>19,863,588</u>

NOTES TO THE FINANCIAL STATEMENTS
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31. 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	
	2021	2020	2021	2020
	RM	RM	RM	RM
Tax at Malaysian statutory tax rate of 24% (2020: 24%)	15,241,248	13,371,802	7,490,296	4,767,261
Tax effects in respect of:				
- Non-allowable expenses	6,780,167	2,645,392	3,359,168	894,493
- Non-taxable income	(2,151,090)	(229,516)	(10,811,805)	(5,679,258)
- Tax incentives and allowances	(15,522,320)	(15,272,634)	0	0
- Different tax rates in foreign jurisdiction:	(2,547,452)	(26,599)	0	0
Deferred tax assets not recognised	1,409,858	695,919	0	17,504
Utilisation of deferred tax assets not recognised in prior year	(192,731)	(286,795)	(37,659)	0
Withholding tax expense	32,123	52,354	0	0
(Over)/Underprovision of tax expense in prior years	(12,569)	23,653	0	0
Underprovision of deferred tax in prior year	332,525	1,029,453	0	0
	<u>3,369,759</u>	<u>2,003,029</u>	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

31. TAX EXPENSE (continued)

- (c) A subsidiary of the Company has been granted pioneer status for its promoted principal activities which exempt 100% of its statutory income for a period of 5 years beginning on 18 January 2014 and expired on 17 January 2019.

The tax incentive period granted for the said pioneer status is for a period of 10 years with an initial period of 5 years commencing from 18 January 2014 and expired on 17 January 2019 and subsequently extended for another period of five (5) years beginning on 18 January 2019 to 17 January 2024.

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

2021	Before tax	Group	After tax
	RM	Tax effect	RM
		RM	
Item that may be reclassified subsequently to profit or loss			
Foreign currency translations	<u>4,633,140</u>	<u>0</u>	<u>4,633,140</u>
Item that will not be reclassified subsequently to profit or loss			
Re-measurements of defined benefit obligations	<u>(120,962)</u>	<u>0</u>	<u>(120,962)</u>
2020			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translations	<u>(680,708)</u>	<u>0</u>	<u>(680,708)</u>

NOTES TO THE FINANCIAL STATEMENTS
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32. SHARE GRANT SCHEME ('SGS')

The establishment of employees' SGS was approved by the shareholders at an Extraordinary General Meeting held on 20 November 2019. The SGS was implemented on 2 December 2019 and will continue to be in force for a period of five (5) years from the date of implementation.

The salient features and terms of the SGS are as follows:

- (i) The Board of Directors ('Board') shall appoint the SGS Committee to administer the SGS. The SGS Committee shall be vested with such powers and duties conferred upon it by the Board and the Board may determine all matters pertaining to the SGS Committee, including its duties, power and limitations.
- (ii) The total number of shares to be issued under the SGS shall not exceed, in aggregate, 10% of the issued and paid-up share capital (excluding treasury shares) of the Company at any point of time during the tenure of the SGS and out of which not more than 50% of the maximum shares available shall be allocated, in aggregate, to Executive Directors and senior management of the Group. In addition, not more than 10% of the maximum shares available under the SGS shall be allocated to any individual employee or Executive Director who, either individually or collectively through persons connected with him/her, holds 20% or more in the issued and paid-up capital of the Company.
- (iii) All new ordinary shares issued pursuant to the SGS will rank pari passu in all respects with the then existing ordinary shares of the Company, except that the new ordinary shares so issued will not be entitled to any rights, dividends or other distributions declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Constitution of the Company relating to transfer, transmission or otherwise.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

32. SHARE GRANT SCHEME ('SGS') (continued)

The salient features and terms of the SGS are as follows (continued):

(iv) Unless otherwise determined by the SGS Committee in accordance with the SGS By-Laws, the shares granted will only be vested to the eligible employees and/or Executive Directors of the Group who have duly accepted the offer of awards under the SGS, on their respective vesting dates, provided the following vesting conditions are fully and duly satisfied:

- Eligible employees and/or Executive Directors those who are confirmed employees of the Company and its subsidiaries and have attained the age of eighteen (18) years who are not undischarged bankrupt nor subject to any bankruptcy proceedings;
- Eligible employees and/or Executive Directors of the Group must remain in employment with the Group and shall not have given notice of resignation or received notice of termination of service prior to and up to the Grant date; and
- Eligible employees and/or Executive Directors of the subsidiaries must remain in employment with the Group for a period of at least two (2) years and shall not have given notice of resignation or received notice of termination of service prior to and up to the Grant date.

The following table illustrates the movement of shares under the SGS during the financial year:

	Group and Company			
	Number of ordinary shares granted under the SGS			
	Balance as at 1.1.2021	Granted	Vested	Balance as at 31.12.2021
31 December 2021				
2021 grant	0	1,400,000	0	1,400,000

During the financial year, the Company granted 1,400,000 ordinary shares under SGS to eligible employees of the Group, of which none have been vested. The outstanding grant will be vested for a period ranged from 3 years to 4 years from the grant date provided that the vesting conditions as stipulated in the SGS By-Laws are met.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

33. 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	
	2021	2020
Profit for the financial year attributable to owners of the parent (RM)	<u>61,845,495</u>	<u>54,007,730</u>
Weighted average number of ordinary shares in issue (unit)	<u>825,056,164</u>	<u>746,000,000</u>
Basic earnings per share (sen)	<u>7.50</u>	<u>7.24</u>

(b) Diluted

Diluted earnings per ordinary 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 adjusted for the effects of dilutive potential ordinary shares.

	Group	
	2021	2020
Profit for the financial year attributable to owners of the parent (RM)	<u>61,845,495</u>	<u>54,007,730</u>
Weighted average number of ordinary shares in issue (unit)	825,056,164	746,000,000
Effect of dilution due to SGS (unit)	<u>1,400,000</u>	<u>0</u>
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share (unit)	<u>826,456,164</u>	<u>746,000,000</u>
Diluted earnings per share (sen)	<u>7.48</u>	<u>7.24</u>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

34. DIVIDENDS

	Group and Company Dividend per share RM	Amount of dividend RM
2021		
In respect of financial year ended 31 December 2021:		
First single tier interim dividend	0.03	<u>26,880,000</u>
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	<u>22,380,000</u>
		<u>44,760,000</u>

On 21 February 2022, the Directors declared a second interim dividend of RM0.02 per ordinary share amounting to RM17,920,000 in respect of the financial year ended 31 December 2021, which is payable on 22 March 2022. The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for as an appropriation of retained earnings for the financial year ending 31 December 2022.

35. 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.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

35. RELATED PARTY DISCLOSURES (continued)

- (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:

	Group	
	2021	2020
	RM	RM
Associate:		
Sales of goods	<u>1,148,999</u>	<u>0</u>
	Company	
	2021	2020
	RM	RM
Subsidiaries:		
Dividend income	45,000,000	23,000,000
Interest income	241,003	33,859
Lease payments	168,000	168,000
Management fee income	0	945,000
Management fee expense	1,575,977	0
Service and support fees	238,621	0
Transfer of property, plant and equipment from	24,489	2,394
Transfer of property, plant and equipment to	<u>2,721</u>	<u>80,212</u>

Balances with related parties at the end of the financial year are disclosed in Note 12 and Note 24 to the financial statements.

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

- (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.

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

(c) Compensation of key management personnel (continued)

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

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Short term employee benefits	5,237,555	3,099,586	671,718	501,507
Post-employment benefits				
- contribution to defined contribution plans	282,986	326,798	35,847	35,111
	<u>5,520,541</u>	<u>3,426,384</u>	<u>707,565</u>	<u>536,618</u>

Included in the total remuneration of Directors and other key management personnel are:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Directors' remuneration	<u>4,277,608</u>	<u>1,524,578</u>	<u>371,000</u>	<u>264,203</u>

36. OPERATING SEGMENTS

The Group has three 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 the Business Unit President who report directly to the Group Chief Executive Officer.

The Group has changed the composition of its reportable segments during the financial year upon the reorganisation of reportable operating segments of the Group. Consequently, the comparatives have been restated to conform with current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

36. OPERATING SEGMENTS (continued)

The reportable segments of the Group are as follows:

(a) Semiconductor equipment business unit ('SEBU')

Involved in manufacturing and sales of semiconductor manufacturing equipment, paired with smart factory automation solutions for Industrial 4.0 such as 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.

(b) Semiconductor material business unit ('SMBU')

Involved in manufacturing and sales of solder spheres (also known as solder balls), a key assembly and packaging material in semiconductor industry.

(c) Others

Included investment holding and other activities.

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.

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

Segment assets exclude investment in an associate, tax assets, derivative, net defined benefit asset, short term funds and cash and bank balances. Segment liabilities exclude tax liabilities and net defined benefit liability. Even though borrowing arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements).

2021	SEBU RM	SMBU RM	Others RM	Elimination and adjustments RM	Consolidated RM
Revenue from external customers	249,976,446	125,397,098	105,713	0	375,479,257
Inter-segment revenue	92,664	191,641	53,266,024	(53,550,329)	0
Total revenue	<u>250,069,110</u>	<u>125,588,739</u>	<u>53,371,737</u>	<u>(53,550,329)</u>	<u>375,479,257</u>
Interest income	492,471	41,157	2,388,672	0	2,922,300
Finance costs	(656,771)	(388,223)	(24,704)	244,711	(824,987)
Net finance income	<u>(164,300)</u>	<u>(347,066)</u>	<u>2,363,968</u>	<u>244,711</u>	<u>2,097,313</u>
Share of results of an associate	(854,194)	0	0	0	(854,194)
Segment profit/(loss) before tax	49,613,778	24,057,085	26,799,239	(36,964,900)	63,505,202
Tax expense					(3,369,759)
Other material non-cash items:					
- depreciation of property, plant and equipment	(7,851,733)	(2,411,548)	(580,721)	83,861	(10,760,141)
- depreciation of right-of-use assets	(1,766,659)	(37,640)	(332,356)	247,977	(1,888,678)
- depreciation of investment properties	(213,941)	0	0	0	(213,941)
- amortisation of intangible assets	(1,040,368)	(2,851,725)	(199,286)	0	(4,091,379)
- provision for warranty replacement costs	(3,533,087)	0	(47,831)	0	(3,580,918)
- reversal of provision for warranty replacement costs	607,412	0	106,414	0	713,826
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36. OPERATING SEGMENTS (continued)

	SEBU RM	SMBU RM	Others RM	Elimination and adjustments RM	Consolidated RM
2021 (continued)					
Assets					
Segment assets	336,151,792	419,286,258	76,491,526	(64,614,248)	767,315,328
Investment in an associate					28,613,843
Deferred tax assets					5,057,446
Net defined benefit asset					1,747,779
Current tax assets					129,364
Short term funds					289,479,818
Cash and bank balances					120,695,885
					<u>1,213,039,463</u>
Additions to non-current assets other than financial instruments	39,242,566	10,483,985	966,597	0	50,693,148
Liabilities					
Segment liabilities	109,460,729	108,800,530	3,398,618	(63,622,358)	158,037,519
Deferred tax liabilities					18,003,582
Net defined benefit liability					166,034
Current tax liabilities					8,473,456
					<u>184,680,591</u>

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

	SEBU RM	SMBU RM	Others RM	Elimination and adjustments RM	Consolidated RM
	2020				
Revenue from external customers	226,733,029	0	2,271,057	0	229,004,086
Inter-segment revenue	11,566,968	0	50,070,951	(61,637,919)	0
Total revenue	<u>238,299,997</u>	<u>0</u>	<u>52,342,008</u>	<u>(61,637,919)</u>	<u>229,004,086</u>
Interest income	704,434	0	2,847,890	0	3,552,324
Finance costs	(405,945)	0	(66,723)	96,215	(376,453)
Net finance income	<u>298,489</u>	<u>0</u>	<u>2,781,167</u>	<u>96,215</u>	<u>3,175,871</u>
Segment profit/(loss) before tax	59,199,693	0	18,084,250	(21,568,101)	55,715,842
Tax expense					(2,003,029)
Other material non-cash items:					
- depreciation of property, plant and equipment	(5,113,425)	0	(893,820)	9,226	(5,998,019)
- depreciation of right-of-use assets	(1,101,691)	0	(453,745)	288,373	(1,267,063)
- amortisation of intangible assets	(31,995)	0	(184,409)	0	(216,404)
- provision for warranty replacement costs	(1,990,671)	0	(69,257)	0	(2,059,928)
- reversal of provision for warranty replacement costs	501,150	0	11,557	0	512,707
- reversal of provision of technical support services	<u>460,952</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>460,952</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

36. OPERATING SEGMENTS (continued)

2020 (continued)

	SEBU RM	SMBU RM	Others RM	Elimination and adjustments RM	Consolidated RM
Assets					
Segment assets	315,582,151	0	48,596,149	(32,819,158)	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>
Additions to non-current assets other than financial instruments	47,189,217	0	2,336,973	0	49,526,190
Liabilities					
Segment liabilities	75,206,664	0	7,642,512	(32,418,504)	50,430,672
Deferred tax liabilities					1,810,600
Current tax liabilities					94,197
					<u>52,335,469</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

36. 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. The non-current assets do not include deferred tax assets, lease receivable and net defined benefit asset.

	Group	
	2021	2020
	RM	RM
Revenue from external customers		
Southeast Asia	40,019,443	28,156,836
Northeast Asia	319,481,859	183,694,414
North Atlantic	15,977,955	17,152,836
	<u>375,479,257</u>	<u>229,004,086</u>
Non-current assets		
Southeast Asia	134,499,370	136,777,907
Northeast Asia	390,138,994	17,803,135
North Atlantic	41,249	39,012
	<u>524,679,613</u>	<u>154,620,054</u>

(b) Major customers

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

	Group	
	2021	2020
	RM	RM
Customer A	37,759,888	32,922,725
Customer B	*	31,065,990
Customer C	*	26,421,956
	<u>*</u>	<u>90,410,671</u>

* Customer with revenue less than ten percent (10%) is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

37. 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 2021 and 31 December 2020.

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	
	2021	2020	2021	2020
	RM	RM	RM	RM
Provisions	3,882,801	2,179,271	0	0
Borrowing	108,363,935	5,096,946	0	0
Lease liabilities	2,514,641	3,536,732	378,994	521,502
Trade and other payables	39,049,171	39,610,204	2,582,835	935,912
Total liabilities	<u>153,810,548</u>	<u>50,423,153</u>	<u>2,961,829</u>	<u>1,457,414</u>
Less:				
Short term funds	(289,479,818)	(52,870,834)	(271,579,262)	(32,679,082)
Cash and bank balances	<u>(120,695,885)</u>	<u>(56,026,305)</u>	<u>(18,508,831)</u>	<u>(2,788,674)</u>
Net cash	<u>(256,365,155)</u>	<u>(58,473,986)</u>	<u>(287,126,264)</u>	<u>(34,010,342)</u>

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

37. CAPITAL MANAGEMENT (continued)

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Total capital	1,030,104,747	388,327,333	856,942,326	249,409,135
Net cash	(256,365,155)	(58,473,986)	(287,126,264)	(34,010,342)
	<u>773,739,592</u>	<u>329,853,347</u>	<u>569,816,062</u>	<u>215,398,793</u>
Gearing ratio	*	*	*	*

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

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity more than the twenty-five percent (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 2021 and 31 December 2020.

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

38. 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 12 to the financial statements.

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	2021		2020	
	RM	% of total	RM	% of total
By geographical location				
Southeast Asia	20,359,055	14%	20,483,797	20%
Northeast Asia	123,277,628	85%	73,528,521	75%
North America	917,923	1%	4,575,445	5%
	<u>144,554,606</u>	<u>100%</u>	<u>98,587,763</u>	<u>100%</u>

At the end of each reporting period, approximately 44% (2020: 49%) of the trade receivables of the Group were due from eight (8) (2020: six (6)) major customers.

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

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.

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	More than five (5) years RM	Total RM
Group				
As at 31 December 2021				
Financial liabilities				
Trade and other payables	39,049,171	0	0	39,049,171
Borrowing	61,839,049	38,009,953	14,680,651	114,529,653
Lease liabilities	1,373,479	1,434,469	0	2,807,948
Total undiscounted financial liabilities	102,261,699	39,444,422	14,680,651	156,386,772

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

38. 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	More than five (5) years RM	Total RM
Group				
As at 31 December 2020				
Financial liabilities				
Trade and other payables	39,610,204	0	0	39,610,204
Borrowing	2,556,451	2,643,698	0	5,200,149
Lease liabilities	1,994,084	1,932,106	0	3,926,190
Total undiscounted financial liabilities	<u>44,160,739</u>	<u>4,575,804</u>	<u>0</u>	<u>48,736,543</u>
Company				
As at 31 December 2021				
Financial liabilities				
Trade and other payables	2,582,835	0	0	2,582,835
Lease liabilities	168,000	238,000	0	406,000
Total undiscounted financial liabilities	<u>2,750,835</u>	<u>238,000</u>	<u>0</u>	<u>2,988,835</u>
As at 31 December 2020				
Financial liabilities				
Trade and other payables	935,912	0	0	935,912
Lease liabilities	168,000	406,000	0	574,000
Total undiscounted financial liabilities	<u>1,103,912</u>	<u>406,000</u>	<u>0</u>	<u>1,509,912</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 Chinese Yuan ('CNY').

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 CNY exchange rates against the functional currency of the Group and of the Company, with all other variables held constant:

	Group		Company	
	Effect on profit after tax		Effect on profit after tax	
	Increase/(Decrease)		Increase/(Decrease)	
	2021	2020	2021	2020
	RM	RM	RM	RM
<u>Strengthened by 10%</u>				
USD/RM	16,197,504	10,334,870	3,345,344	1,024,013
USD/TWD	5,210,138	83,577	0	0
TWD/RM	(4,531,326)	795,915	0	0
CNY/RM	(1,019,816)	121,859	0	0
<u>Weakened by 10%</u>				
USD/RM	(16,197,504)	(10,334,870)	(3,345,344)	(1,024,013)
USD/TWD	(5,210,138)	(83,577)	0	0
TWD/RM	4,531,326	(795,915)	0	0
CNY/RM	1,019,816	(121,859)	0	0

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 2021**

38. 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 short term funds and borrowing of the Group and of the Company.

The following table sets out the carrying amounts and the weighted average effective interest rates ('WAEIR') 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:

Group	Note	WAEIR per annum %	Within		One (1) to two (2) years		Two (2) to five (5) years		More than five (5) years		Total RM
			one (1) year RM	RM	RM	RM	RM	RM			
2021											
Fixed rates											
Lease receivable	13	3.00	1,402,906		1,445,576		2,608,539		0		5,457,021
Deposits with licensed banks	18	1.85	87,626		0		0		0		87,626
Floating rates											
Short term funds	17	1.72	289,479,818		0		0		0		289,479,818
Borrowing	21	1.03 - 4.65	(60,299,968)		(28,349,681)		(7,418,564)		(12,295,722)		(108,363,935)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk (continued)

The following table sets out the carrying amounts and the weighted average effective interest rates ('WAEIR') 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):

Group	Note	WAEIR per annum %	Within		One (1) to		Two (2) to		More than		Total RM
			one (1) year	RM	two (2) years	RM	five (5) years	RM	five (5) years	RM	
2020											
Fixed rates											
Lease receivable	10	3.00	546,381		563,000		1,560,307		0		2,669,688
Deposits with licensed banks	18	0.37	20,759,172		0		0		0		20,759,172
Floating rates											
Short term funds	13	1.27	52,870,834		0		0		0		52,870,834
Borrowing	17	1.90	(2,481,141)		(2,528,696)		(87,109)		0		(5,096,946)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk (continued)

The following table sets out the carrying amounts and the weighted average effective interest rates ('WAEIR') 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):

Company	Note	WAEIR per annum %	Within		One (1) to		Two (2) to		More than five (5) years RM	Total RM
			one (1) year RM	two (2) years RM	five (5) years RM	five (5) years RM				
2021										
Fixed rate										
Amounts owing by subsidiaries	12	1.25	0	0	0	28,169,136	0	0	28,169,136	
Floating rate										
Short term funds	17	0.80	271,579,262	0	0	0	0	0	271,579,262	
2020										
Floating rate										
Short term funds	17	1.12	32,679,082	0	0	0	0	0	32,679,082	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk (continued)

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by fifty (50) basis points with all other variables held constant:

	Group		Company	
	Effect on profit after tax		Effect on profit after tax	
	Increase/(Decrease)		Increase/(Decrease)	
	2021	2020	2021	2020
	RM	RM	RM	RM
Floating rates				
<u>Increase by 0.5%</u>				
Short term funds	1,100,023	200,909	1,032,001	124,181
Borrowing	(411,786)	(19,368)	0	0
<hr/>				
<u>Decrease by 0.5%</u>				
Short term funds	(1,100,023)	(200,909)	(1,032,001)	(124,181)
Borrowing	411,786	19,368	0	0
<hr/>				

The Group and the Company do not account for any fixed rate financial instruments at fair value through profit or loss, and the carrying amount of fixed rate financial instruments of the Group and of the Company are measured at amortised cost. Therefore, no sensitivity analysis for fixed rate instruments was prepared as the change in market interest rate at the end of the reporting period would not affect profit or loss.

(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).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Market risk (continued)

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	
	2021	2020	2021	2020
	RM	RM	RM	RM
Profit after tax				
- increase by 1%	118,163	193,991	118,163	193,991
- decrease by 1%	(118,163)	(193,991)	(118,163)	(193,991)

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 19 January 2021, a wholly-owned subsidiary of the Company, MiETW has completed the acquisition of land and building with Winsome Development Co., Ltd. at the purchase price of TWD161,342,000 (equivalent to RM25,145,026).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (b) On 19 April 2021, the Company had completed the acquisition of approximately 99% of equity interest in MiMTW as disclosed in Note 8(d) to the financial statements.

On 31 May 2021, the Company had completed the acquisition of remaining 1% equity interest in MiMTW for a total consideration of RM2,845,082 by cash. Accordingly, MiMTW is now a wholly-owned subsidiary of the Company.

- (c) On 24 August 2021, the Company had completed a private placement of 75,750,000 new ordinary shares of RM3.90 each for cash as disclosed in Note 19(a) to the financial statements.
- (d) On 8 October 2021, a wholly-owned subsidiary of the Company, MiECN acquired the equity interest in Talentek, representing approximately 22.64% equity interest in Talentek for a purchase consideration of CNY45,000,000 (equivalent to RM29,151,786).

40. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

- (a) On 4 January 2022 and 22 February 2022, the Company granted 600,000 ordinary shares and 1,000,000 ordinary share respectively under SGS to eligible employees of the Group, of which none have been vested. The grant will vest for a period of 4 years respectively.
- (b) On 24 February 2022, Russia invaded Ukraine resulting in the imposition of various economic sanctions on Russia by several countries across the world. These developments resulted in soaring global commodities and energy prices and supply chain disruption.

As at the date of authorisation of the financial statements, the Russia-Ukraine conflict is still evolving and remains unpredictable. Consequently, the Group and the Company are unable to estimate the financial effects of the situation at this juncture. The Group and the Company are actively monitoring and managing the operations of the Group and the Company to minimise any impact arising from these developments.

NOTES TO THE FINANCIAL STATEMENTS
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41. COMPARATIVE INFORMATION

During the financial year, the Group and the Company changed its analysis of expenses recognised in profit or loss from classification based on function to classification based on nature as it can provide more reliable and relevant information to users of financial statements upon change in composition of its reportable operating segments. Consequently, the Group and the Company restated their comparative information so that comparability is not impaired.

Statements of profit or loss and other comprehensive income for the financial year ended 31 December 2020:

Group	As previously reported RM	Re- classification RM	As restated RM
Revenue	229,004,086	0	229,004,086
Cost of sales	(129,268,636)	129,268,636	0
Other operating income	5,190,169	0	5,190,169
Change in inventories of finished goods and work-in-progress	0	18,508,600	18,508,600
Raw materials and consumable used	0	(122,160,022)	(122,160,022)
Employee benefits expense	0	(35,940,187)	(35,940,187)
Depreciation and amortisation expenses	0	(7,481,486)	(7,481,486)
Net losses on impairment of financial assets	0	(179,033)	(179,033)
General and administrative expenses	(37,569,031)	37,569,031	0
Sales and marketing expenses	(11,264,293)	11,264,293	0
Other operating expenses	0	(30,849,832)	(30,849,832)
Profit from operations	56,092,295	0	56,092,295
Finance costs	(376,453)	0	(376,453)
Profit before tax	55,715,842	0	55,715,842
Tax expense	(2,003,029)	0	(2,003,029)
Profit for the financial year	53,712,813	0	53,712,813

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

41. COMPARATIVE INFORMATION (continued)

Statements of profit or loss and other comprehensive income for the financial year ended 31 December 2020 (continued):

Group	As previously reported RM	Re- classification RM	As restated RM
Profit for the financial year attributable to:			
Owners of the parent	54,007,730	0	54,007,730
Non-controlling interests	(294,917)	0	(294,917)
	<u>53,712,813</u>	<u>0</u>	<u>53,712,813</u>
Profit for the financial year	53,712,813	0	53,712,813
Other comprehensive loss, net of tax:			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translations, net of tax	(680,708)	0	(680,708)
Total comprehensive income for the financial year	<u>53,032,105</u>	<u>0</u>	<u>53,032,105</u>
Total comprehensive income attributable to:			
Owners of the parent	53,320,087	0	53,320,087
Non-controlling interests	(287,982)	0	(287,982)
	<u>53,032,105</u>	<u>0</u>	<u>53,032,105</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

41. COMPARATIVE INFORMATION (continued)

Statements of profit or loss and other comprehensive income for the financial year ended 31 December 2020 (continued):

Company	As previously reported RM	Re- classification RM	As restated RM
Revenue	23,945,000	0	23,945,000
Cost of sales	0	0	0
Other operating income	3,506,691	0	3,506,691
Change in inventories of finished goods and work-in-progress	0	0	0
Raw materials and consumable used	0	0	0
Employees benefits expense	0	(2,750,092)	(2,750,092)
Depreciation and amortisation expenses	0	(315,250)	(315,250)
General and administrative expenses	(7,554,894)	7,554,894	0
Sales and marketing expenses	0	0	0
Other operating expenses	0	(4,489,552)	(4,489,552)
Profit from operations	19,896,797	0	19,896,797
Finance costs	(33,209)	0	(33,209)
Profit before tax	19,863,588	0	19,863,588
Tax expense	0	0	0
Profit for the financial year	19,863,588	0	19,863,588
Profit for the financial year attributable to owner of the parents	19,863,588	0	19,863,588
Profit for the financial year	19,863,588	0	19,863,588
Other comprehensive income, net of tax	0	0	0
Total comprehensive income for the financial year	19,863,588	0	19,863,588

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

42. 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>Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)</i>	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)</i>	1 April 2021 (early adopt)

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 2021**

42. 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 2022

Title	Effective Date
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous 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
Amendment to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Presentation of Financial Statements - Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group 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.