

Mi TECHNOVATION BERHAD (“Mi TECHNOVATION” OR “COMPANY”)

CONSOLIDATION OF INVESTMENT IN ASSOCIATE COMPANY

Unless otherwise stated and wherever applicable, the closing exchange rate of Chinese Yuan (“RMB”):Ringgit Malaysia (“RM”) 0.6486 as extracted from Bank Negara Malaysia’s (“BNM”) website as at 21 June 2024, being the latest practicable date prior to the date of this announcement (“LPD”) is used throughout this announcement for illustration purposes.

1. INTRODUCTION

The Board of Directors of Mi Technovation (“Board”) wishes to announce that arising from strategic business direction of Mi Technovation Group, Suzhou Mi Equipment Co Ltd (“Mi Equipment China”), a wholly-owned subsidiary of Mi Technovation, had on 29 March 2024, entered into a shareholding transfer agreement (“Agreement”) with Mi Semiconductor (Ningbo) Pte Ltd (“MiSE Ningbo”), a wholly-owned subsidiary of Mi Technovation, to transfer its shareholding in Talentek Microelectronics at Mi Equipment China’s original subscription price (“Shareholding Transfer” or “Consolidation”).

Mi Equipment China, Talentek Microelectronics, MiSE Ningbo are collectively referred to as the “Parties”.

Further details of the transfer of shareholding or the Consolidation of Investment in Talentek Microelectronics (“Shareholding Transfer” or “Consolidation”) are set out below.

2. DETAILS OF THE CONSOLIDATION OF INVESTMENT

Pursuant to the terms of the Agreement, MiSE Ningbo shall pay to Mi Equipment China a total of RMB45.00 million (equivalent to approximately RM29.19 million) for the transfer of shareholding in Talentek Microelectronics (“Shareholding Transfer” or “Consolidation”).

The equity structure of Talentek Microelectronics, before and after the Consolidation, is as set out below:

Name	Registered Capital				
	Before Consolidation		Capital Movement	After Consolidation	
	RMB’mil	%	RMB’mil	RMB’mil	%
ShunSin Technology (Zhongshan) Limited	17.67	31.46	-	17.67	31.46
Mi Equipment China	9.00	16.02	-9.00	0.00	0.00
MiSE Ningbo China	8.27	14.73	9.00	17.27	30.75
Hefei Xunxi Electronic Technology Co Ltd	3.95	7.03	-	3.95	7.03
Hefei Xixin Technology Partnership (Limited Partnership) Capital	2.86	5.09	-	2.86	5.09
Others (ShunSun Technology Employees)	8.75	15.58	-	8.75	15.58
Others (Talentek’s Customers) ^(iv)	5.67	10.09	-	5.67	10.09
Total	56.17	100.00	-	56.17	100.00

Upon completion of the Shareholding Transfer and the Consolidation, Talentek Microelectronics continues to be an associated company of MiSE Ningbo, with MiSE Ningbo holding 30.75% of the registered capital of Talentek Microelectronics.

2.1 Background information on Talentek Microelectronics

Talentek Microelectronics was incorporated in the People's Republic of China (“**PRC**”) on 5 June 2017 as a wholly foreign-owned enterprise under the laws of PRC. Talentek Microelectronics commenced its business operations in January 2018.

Talentek Microelectronics is principally engaged in electronic technology and software technology development, technical consulting, technical services, technology transfer; electronic products, integrated circuit production and sales; electrical equipment, communication equipment, automation equipment design, research and development, testing, sales; entrusted processing of semiconductor integrated circuit products; and agent of import and export business of various commodities and technologies (except commodities and technologies restricted or prohibited by the state).

As at the LPD, the registered capital of Talentek Microelectronics is RMB56.17 million (equivalent to approximately RM36.43 million) while its audited net assets (“**NA**”) as of 31 December 2023 was approximately RMB94.53 million (equivalent to approximately RM61.31 million), based on the latest audited financial statements of Talentek Microelectronics for the FYE 31 December 2023.

2.2 Basis and justification for arriving at the Consideration

The Consideration of RMB45.00 million was the subscription consideration paid by Mi Equipment China to subscribe for the registered capital of Talentek Microelectronics in October 2021.

2.3 Liabilities to be assumed

Save for the Consideration, there are no liabilities, including contingent liabilities and/or guarantees, to be assumed by Mi Technovation and its subsidiaries (“**Mi Technovation Group**” or “**Group**”) arising from the Consolidation.

2.4 Source of funding

The Consideration will be funded through internally generated funds.

3. RATIONALE AND BENEFITS OF THE CONSOLIDATION OF INVESTMENT

The Consolidation represents a strategic business direction of Mi Technovation Group which will be largely complementary to the Group’s existing businesses.

4. PROSPECTS OF TALENTEK MICROELECTRONICS

In view of the massive investment and development in the semiconductor industry, the Board foresees that Talentek Microelectronics and the subsidiaries of the Group’s Semiconductor Solutions Business Unit (SSBU), namely MiSE Nongbo & MiSE Hangzhou, will stay at a perfect position to collaborate and be involved in the domestic ecosystem in China.

5. RISK FACTORS

The Consolidation will not materially change the risk profile of the Mi Technovation Group as the Group operates in the same industry segment as Talentek Microelectronics. As such, Mi Technovation Group will be exposed to similar risks inherent in the industry upon the completion of the Consolidation. These risks include, but are not limited to, competition, introduction of new technology and products, geo-political situation and the global economic conditions as well as operational risks.

Nevertheless, the Board will continue to exercise due care in considering the risks and benefits associated with the Consolidation and will undertake appropriate measures to mitigate the various business risks identified.

6. EFFECTS OF THE CONSOLIDATION OF INVESTMENT

6.1 Issued share capital and substantial shareholders' shareholding

The Consolidation will not have any effect on the issued share capital and shareholding of the substantial shareholder of Mi Technovation as the Shareholding Transfer does not involve any issuance of new ordinary shares in Mi Technovation ("**Mi Technovation Shares**" or "**Shares**").

6.2 NA, NA per Share and gearing

The Consolidation is not expected to have any pro forma effect on the NA and NA per Share of the Mi Technovation Group as of 21 June 2024.

The Consolidation is also not expected to have any material pro forma effect on the gearing of the Group as of 21 June 2024 as the Shareholding Transfer will be funded through internally generated funds.

6.3 Earnings and earnings per Share ("EPS")

The Consolidation is not expected to have any material effect on the earnings and EPS of the Group for the financial year ending 31 December 2024.

Barring any unforeseen circumstances, the Consolidation is expected to contribute positively to the future earnings and EPS of the Group as and when the anticipated benefits and contributions from Talentek Microelectronics materialize.

7. APPROVALS REQUIRED

The Shareholding Transfer is not subject to the approvals of the shareholders of the Company and/or any other relevant authorities.

8. PERCENTAGE RATIO

The percentage ratio applicable to the Consolidation pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is approximately 5.71%, based on the audited NA of Mi Technovation Group as of 31 December 2023 of RM1,074.7 million.

9. INTERESTS OF DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of the Company and/or person connected with them have any interest, directly or indirectly, in the Shareholding Transfer.

10. DIRECTORS' STATEMENT

The Board, having considered all relevant aspects of the Consolidation, including but not limited to the rationale and benefits of the Consolidation as well as the prospects of Talentek Microelectronics and the risks involved, is of the view that the Consolidation is in the best interest of the Company.

11. ESTIMATED TIME FRAME FOR COMPLETION

The Consolidation was completed on 21 June 2024.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The Agreement is available for inspection at the registered office of Mi Technovation at Suite 12-A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, during normal office hours from Monday to Friday (except public holidays) for a period of three (3) month from the date of this announcement.

This announcement is dated 24 June 2024.