



Mi TECHNOVATION BERHAD

(Company No. 201701021661(1235827-D))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2023

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		3 months ended	
	31-Mar-2023	31-Mar-2022	31-Mar-2023	31-Mar-2022
	RM '000	RM '000	RM '000	RM '000
Revenue	76,846	89,091	76,846	89,091
Operating expenses	(66,021)	(73,605)	(66,021)	(73,605)
Depreciation and amortisation	(6,369)	(5,512)	(6,369)	(5,512)
Non-operating income	2,729	4,472	2,729	4,472
Finance costs	(505)	(506)	(505)	(506)
Profit before tax	<u>6,680</u>	<u>13,940</u>	<u>6,680</u>	<u>13,940</u>
Tax expense	(1,331)	(1,757)	(1,331)	(1,757)
Profit for the financial period	<u>5,349</u>	<u>12,183</u>	<u>5,349</u>	<u>12,183</u>
Other comprehensive income/(loss), net of tax:				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translations	4,468	(1,210)	4,468	(1,210)
Remeasurements of defined benefit obligations				
Total comprehensive income	<u>9,817</u>	<u>10,973</u>	<u>9,817</u>	<u>10,973</u>
Profit attributable to:				
Owners of the parent	6,397	12,834	6,397	12,834
Non-controlling interests	(1,048)	(651)	(1,048)	(651)
	<u>5,349</u>	<u>12,183</u>	<u>5,349</u>	<u>12,183</u>
Total comprehensive income attributable to:				
Owners of the parent	10,721	11,604	10,721	11,604
Non-controlling interests	(904)	(631)	(904)	(631)
	<u>9,817</u>	<u>10,973</u>	<u>9,817</u>	<u>10,973</u>
Earnings per share attributable to owners of the parent:				
Basic (sen) ⁽²⁾	<u>0.71</u>	<u>1.43</u>	<u>0.71</u>	<u>1.43</u>
Diluted (sen) ⁽²⁾	<u>0.71</u>	<u>1.43</u>	<u>0.71</u>	<u>1.43</u>

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial report.
- (2) Calculation of earnings per share are disclosed in explanatory note B11 attached to the interim financial report.

Unaudited Condensed Consolidated Statement of Financial Position ⁽¹⁾

	Unaudited As at 31-Mar-2023 RM'000	Audited As at 31-Dec-2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	224,068	224,195
Right-of-use assets	17,629	18,369
Investment properties	34,806	34,967
Intangible assets	82,856	84,444
Investment in associate	39,790	25,476
Goodwill on consolidation	115,345	115,345
Deferred tax assets	7,577	7,466
Lease receivable	3,556	3,729
Defined benefit asset	2,530	2,464
Total non-current assets	528,157	516,455
Current assets		
Inventories	134,165	142,986
Trade and other receivables	141,096	152,493
Lease receivable	1,547	1,413
Current tax assets	365	31
Short term funds ⁽²⁾	198,858	241,964
Cash and bank balances	197,505	176,562
Total current assets	673,536	715,449
TOTAL ASSETS	1,201,693	1,231,904
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	855,459	855,459
Treasury shares	(6,882)	(4,700)
Reserves	195,689	202,350
	1,044,266	1,053,109
Non-controlling interests	(5,338)	(4,434)
TOTAL EQUITY	1,038,928	1,048,675

Unaudited Condensed Consolidated Statement of Financial Position ⁽¹⁾ (Cont'd)

	Unaudited As at 31-Mar-2023 RM'000	Audited As at 31-Dec-2022 RM'000
LIABILITIES		
Non-current liabilities		
Borrowings	47,324	35,377
Government grants	3,679	3,660
Provisions	1,793	1,038
Lease liabilities	384	1,497
Deferred tax liabilities	16,954	17,157
Total non-current liabilities	70,134	58,729
Current liabilities		
Trade and other payables	35,299	55,488
Contract liabilities	4,332	4,875
Borrowings	34,841	47,141
Government grants	207	203
Provisions	2,605	3,369
Lease liabilities	2,649	2,229
Current tax liabilities	12,698	11,195
Total current liabilities	92,631	124,500
TOTAL LIABILITIES	162,765	183,229
TOTAL EQUITY AND LIABILITIES	1,201,693	1,231,904
Net asset per share (RM)	1.16	1.17

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial report.
- (2) Short term funds comprise the following:

	31-Mar-2023 RM'000	31-Dec-2022 RM'000
Short term funds		
Money market funds	198,858	241,964
	198,858	241,964

Unaudited Condensed Consolidated Statement of Changes in Equity ⁽¹⁾

	←			Non-distributable			→		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Legal reserve RM'000	Share grant reserve RM'000	Exchange translation reserve RM'000	Reorganisation debit reserve RM'000	Distributable Retained earnings RM'000	Non-controlling interests RM'000	
Balance as at 1 January 2023	855,459	(4,700)	5,001	3,072	(9,840)	(63,558)	267,675	(4,434)	1,048,675
Profit for the financial period	-	-	-	-	-	-	6,397	(1,048)	5,349
Other comprehensive income, net of tax	-	-	-	-	4,324	-	-	144	4,468
Share grant scheme ("SGS") expenses	-	-	-	518	-	-	-	-	518
Transfer to legal reserve	-	-	3,157	-	-	-	(3,157)	-	-
Dividends paid	-	-	-	-	-	-	(17,900)	-	(17,900)
Purchase of treasury share	-	(2,182)	-	-	-	-	-	-	(2,182)
Balance as at 31 March 2023	855,459	(6,882)	8,158	3,590	(5,516)	(63,558)	253,015	(5,338)	1,038,928
Balance as at 1 January 2022	855,459	(5,247)	2,326	360	4,123	(63,558)	236,642	(1,746)	1,028,359
Profit for the financial period	-	-	-	-	-	-	12,834	(651)	12,183
Other comprehensive income, net of tax	-	-	-	-	(1,230)	-	-	20	(1,210)
Transfer to legal reserve	-	-	2,675	-	-	-	(2,675)	-	-
Share Grant Scheme(SGS) Expense	-	-	-	540	-	-	-	-	540
Dividends paid	-	-	-	-	-	-	(17,920)	-	(17,920)
Balance as at 31 March 2022	855,459	(5,247)	5,001	900	2,893	(63,558)	228,881	(2,377)	1,021,952

Note:

(1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial report.

Unaudited Condensed Consolidated Statement of Cash Flows ⁽¹⁾

	3 months ended 31-Mar-2023 RM '000	3 months ended 31-Mar-2022 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	6,680	13,940
Adjustments for:		
Amortisation of intangible assets	1,675	1,559
Depreciation of property, plant and equipment	3,824	3,306
Depreciation of right-of-use assets	709	486
Depreciation of investment properties	161	161
Interest expense	501	501
Impairment loss on trade receivables	90	240
Defined benefit expenses	54	-
Interest income	(2,043)	(762)
Inventories written down	240	120
Loss on fair value changes on bond funds	-	116
Gain on disposal of property, plant and equipment	(167)	-
Provision for warranty replacement costs	456	975
Reversal of inventories written down	(1,627)	-
Reversal of provision for warranty replacement costs	(402)	(109)
Share grant expenses	518	540
Share of result of an associate, net of tax	641	688
Unrealised gain on foreign exchange	(640)	(2,688)
Operating profit before changes in working capital	10,670	19,073
Decrease in inventories	10,209	2,175
Decrease in trade and other receivables	12,149	6,685
Decrease in trade and other payables	(19,914)	(3,082)
Decrease in contract liabilities	(543)	-
Cash generated from operations	12,571	24,851
Lease payment received	76	57
Defined benefit paid	(87)	(122)
Warranty paid	(51)	(227)
Tax paid	(475)	(437)
Net cash from operating activities	12,034	24,122

Unaudited Condensed Consolidated Statement of Cash Flows ⁽¹⁾ (Cont'd)

	3 months ended 31-Mar-2023 RM '000	3 months ended 31-Mar-2022 RM '000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of interests in associate	(14,540)	-
Interest received	2,005	762
Proceeds from disposal of property, plant and equipment	635	4
Purchase of intangible asset	(45)	(130)
Purchase of property, plant and equipment	(2,558)	(1,911)
Purchase of bond funds	-	(130)
Net cash from used in investing activities	<u>(14,503)</u>	<u>(1,405)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(17,900)	(17,920)
Interest paid	(455)	(476)
Drawdown of borrowings	22,473	-
Repayment of borrowings	(23,891)	(26,457)
Payment of lease liabilities	(914)	(383)
Repurchase of treasury shares	(2,182)	-
Placement of deposits to a licensed bank	-	(70)
Withdrawn of deposits pledged to a licensed bank	131	-
Net cash used in financing activities	<u>(22,738)</u>	<u>(45,306)</u>
Net cash used in cash and cash equivalents	(25,207)	(22,589)
Effect on foreign exchange rates changes	3,175	1,165
Cash and cash equivalents at beginning of financial period	418,395	394,540
Cash and cash equivalents at end of financial period	<u>396,363</u>	<u>373,116</u>
Cash and cash equivalents at end of financial period comprises:		
Cash and bank balances	197,505	150,127
Money market funds	198,858	222,989
Deposits with a licensed bank	-	158
	<u>396,363</u>	<u>373,274</u>
<u>Less:</u>		
Deposits pledged to a licensed bank	-	(158)
	<u>396,363</u>	<u>373,116</u>

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial report.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial report of the Group is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) (“Listing Requirements”).

This interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant Accounting Policies

The accounting policies adopted by the Group in the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following new MFRS, Amendments to MFRSs and Annual Improvements to MFRS Standards.

a) New MFRSs adopted during the financial year

The Group adopted the following Amendments to the Standards that are mandatory for annual periods beginning on or after 1 January 2023.

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Amendment to MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 and MFRS Practice Statement 2 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>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

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (Cont'd)

A2. Significant Accounting Policies (Cont'd)

b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2024

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group.

Title	Effective Date
Amendment to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
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 is 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.

A3. Auditors' Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2022.

A4. Seasonal or Cyclical Factors

The business operation of the Group, in general, is subject to the cyclical trend of the global semiconductor and electronics industry.

A5. Material Unusual Items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A6. Material Changes in Estimates

There were no changes in estimates that have a material effect in the current quarter under review.

A7. Debt and Equity Securities

There were no issuance, cancellation, transfer, resale and equity securities during the current quarter under review except for the repurchased of treasury shares. The details of the shares held as treasury shares for the financial period ended 31 March 2023 were as follows:

	Number of Treasury Shares (‘000)	Total Cost Consideration RM'000
Balance as at 1 January 2023	3,583	4,700
Repurchased during the financial period	1,417	2,182
Balance as at 31 March 2023	5,000	6,882

A8. Dividends Paid

Dividend paid during current quarter and financial period under review are as follows:

- a) A third single-tier dividend of 2.0 sen per ordinary shares amounting to RM17.9 million in respect of the financial year ended 31 December 2022 was paid on 21 March 2023.

A9. Segment Information

The Group reportable segments, aptly named Business Unit (“BU”) which comprised its major operating segments. These business units are involved in different industry segments and separately managed by the BU Presidents who report directly to the Group Chief Executive Officer.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A9. Segment Information (cont'd)

The major reportable segments of the Group are as follows:

(a) Semiconductor Equipment Business Unit (“SEBU”)

Involved in the manufacturing and sales of the semiconductor manufacturing equipment, coupled with integrated artificial intelligence (“AI”) visual inspection technique and smart factory automation solutions, together with the provision of maintenance services and technical support for these machines, as well as the sale of related spare parts and components.

No.	Entity	Product Portfolio
1	Mi Equipment Penang, Malaysia	Mi Series (Assembly and Packaging Equipment) & Vi Series (Vision Inspection Equipment) Advanced Packaging (WLP, WLCSP, FOWLP, Flip chip) die and package sorting machine with vision inspection and other applicable functions. Wafer and package inspection both in 2D and 3D mode.
2	Mi Equipment Gyeonggi, Korea	Ai Series (Die Bonding Equipment) High precision bonding machine for extra fine pitch with thin die and substrate thickness.
3	Mi Equipment Suzhou, China	Si Series (Power Test & Final Test Equipment) Final test equipment for high power and fine pitch devices.

(b) Semiconductor Material Business Unit (“SMBU”)

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

No.	Entity	Product Portfolio
1	Accurus Scientific Tainan, Taiwan	Solder spheres (solder ball)
2	Accurus Scientific Ningbo, China	Solder spheres (solder ball)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Inter-segment transactions have been accounted for on a basis that is consistent with the Group’s accounting policies. Investment holding and other activities are not considered as reporting segment and the related financial information has been included under “Others”.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A9. Segment Information (cont'd)

Results for the financial period ended 31 March 2023⁽¹⁾

	SEBU RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Revenue from external customers	39,121	37,725	-	-	76,846
Inter-segment revenue	-	-	739	(739)	-
Total revenue	39,121	37,725	739	(739)	76,846
Interest income	324	3	1,716	-	2,043
Interest expense	(994)	(374)	(35)	902	(501)
Net interest income/(expense)	(670)	(371)	1,681	902	1,542
Share of result of an associate					(641)
Segment profit/(loss) before tax	1,278	4,645	1,820	(1,063)	6,680
Tax expense					(1,331)
Other material non-cash items:					
- Depreciation of property, plant and equipment	(1,770)	(1,963)	(91)	-	(3,824)
- Depreciation of right-of-use assets	(447)	(30)	(232)	-	(709)
- Depreciation of investment properties	(161)	-	-	-	(161)
- Amortisation of intangible assets	(494)	(1,138)	(43)	-	(1,675)
- Inventories written down	(240)	-	-	-	(240)
- Unrealised gain on foreign exchange	399	208	33	-	640
- Provision for warranty replacement costs	(456)	-	-	-	(456)
- Reversal of provision for warranty replacement costs	402	-	-	-	402

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A9. Segment Information (cont'd)

Results for the financial period ended 31 March 2023⁽¹⁾ (cont'd)

	SEBU RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Assets					
Segment assets	329,966	382,183	145,730	(102,811)	755,068
Investment in associate					39,790
Deferred tax assets					7,577
Defined benefit asset					2,530
Current tax assets					365
Short term funds					198,858
Cash and bank balances					197,505
					<u>1,201,693</u>
Liabilities					
Segment liabilities	141,818	115,372	5,136	(129,213)	133,113
Deferred tax liabilities					16,954
Current tax liabilities					12,698
					<u>162,765</u>

Notes:

(1) The segment information should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2022, under Note 35 *Operating Segments*.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A9. Segment Information (cont'd)

Results for the financial period ended 31 March 2022 ⁽¹⁾

	SEBU RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Revenue from external customers	44,650	44,424	17	-	89,091
Inter-segment revenue	4	70	343	(417)	-
Total revenue	44,654	44,494	360	(417)	89,091
Interest income	108	5	649	-	762
Interest expense	(178)	(450)	(6)	133	(501)
Net interest income/(expense)	(70)	(445)	643	133	261
Share of results of an associate					(688)
Segment profit/(loss) before tax	7,298	7,444	660	(1,462)	13,940
Tax expense					(1,757)
Other material non-cash items:					
- Depreciation of property, plant and equipment	(2,170)	(1,093)	(78)	35	(3,306)
- Depreciation of right-of-use assets	(456)	(12)	(55)	37	(486)
- Depreciation of investment properties	(161)	-	-	-	(161)
- Amortisation of intangible assets	(380)	(1,136)	(43)	-	(1,559)
- Inventories written down	(120)	-	-	-	(120)
- Unrealised gain on foreign exchange	857	1,383	448	-	2,688
- Provision for warranty replacement costs	(975)	-	-	-	(975)
- Reversal of provision for warranty replacement costs	109	-	-	-	109

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A9. Segment Information (cont'd)

Results for the financial period ended 31 March 2022 ⁽¹⁾ (cont'd)

	SEBU RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Assets					
Segment assets	333,075	381,411	155,413	(116,551)	753,348
Investment in an associate					28,287
Deferred tax assets					5,344
Defined benefit asset					1,704
Current tax assets					121
Short term funds					238,551
Cash and bank balances					150,285
					<u>1,177,640</u>
Liabilities					
Segment liabilities	118,428	147,932	1,243	(140,032)	127,571
Deferred tax liabilities					18,133
Defined benefit liability					42
Current tax liabilities					9,942
					<u>155,688</u>

Notes:

(1) The segment information should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2022, under Note 35 *Operating Segments*.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A10. Material Events Subsequent to the end of the Quarter

There were no material events subsequent to the end of current quarter that have not been reflected in the interim financial report.

A11. Changes in the Composition of the Group

Investment in an associated company

The Group had on 23 February 2023, via its wholly-owned subsidiary, Mi Semiconductor (Ningbo) Co. Ltd. ('MiSECN'), acquired the equity interest in Talentek Microelectronics (Hefei) Limited ('Talentek'), representing approximately 7.5441% equity interest in Talentek for a purchase consideration of CNY22.6 million (equivalent to RM14.6 million). Accordingly, the Group hold 25.5441% of total equity interest in Talentek and Talentek remains an associated company of the Group.

Save for the above, there were no other changes in the composition of the Group that have not been reflected in the interim financial report.

A12. Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this interim financial report.

A13. Material Capital Commitment

Save as disclosed below, as of 31 March 2023, the Group does not have any material capital commitment:

	RM'000
Material capital expenditure in respect of purchase of property, plant and equipment:	
- Approved but not contracted for	8,016
- Contracted but not provided for	714
	8,730

A14. Significant Related Party Transactions

There were no significant related party transactions during the current quarter under review.

A15. Fair Value of Financial Liabilities

There were no gains or losses arising from fair value changes of the Group's financial liabilities for the current quarter under review.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS

B1. Review of Performance

	INDIVIDUAL/CUMULATIVE QUARTER 3 months ended		
	31-Mar-2023 RM'000	31-Mar-2022 RM'000	Changes RM'000 %
Revenue	76,846	89,091	(12,245) -13.7%
Operating expenses	(66,021)	(73,605)	
Depreciation and amortisation	(6,369)	(5,512)	
Operating profit	4,456	9,974	(5,518) -55.3%
Non-operating income	2,729	4,472	
Finance costs	(505)	(506)	
Profit before tax	6,680	13,940	(7,260) -52.1%
PBT Margin	8.7%	15.6%	

Individual Quarter:

Comparison with corresponding quarter in previous year (Q1 2023 vs Q1 2022)

The Group recorded a revenue of RM76.8 million for the current quarter, a reduction of 13.7% amounting to RM12.2 million from RM89.1 million the previous year.

SEBU contributed RM39.1 million to the Group's top line during the current quarter, representing 50.9% of total revenue. The revenue contracted by 12.4% year-on-year from RM44.7million to RM39.1 million because of softer demand especially in Taiwan market.

SMBU contributed RM37.7 million to the Group's top line during the current quarter, representing 49.1% of total revenue. The revenue contracted by 15.2% year-on-year from RM44.5 million to RM37.7 million because of slow demand from key customers, especially in China and Taiwan.

The Group's year-on-year operating profit declined by 55.3% from RM9.97 million to RM4.46 million while the profit before tax ("PBT") declined by 52.1% from RM13.9 million to RM6.7 million in the current quarter, with a PBT Margin of 8.7%.

The year-on-year decline in operating profit is mainly due to under-utilization and absorption of fixed costs including payroll & depreciation cost from our expansion plan in both Korea & Suzhou sites of SEBU and Ningbo site of SMBU. Besides the factors causing a lower operating profit, the unfavorable foreign currency exchange also impacts on lower PBT and PBT Margin year-on-year.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B2. Comparison with Immediate Preceding Quarter (Q1 2023 vs Q4 2022)

	INDIVIDUAL QUARTER 3 months ended		Changes	
	31-Mar-2023 RM'000	31-Dec-2022 RM'000	RM'000	%
Revenue	76,846	117,150	(40,304)	-34.4%
Operating expenses	(66,021)	(89,530)		
Depreciation and amortisation	(6,369)	(5,437)		
Operating profit	4,456	22,183	(17,727)	-79.9%
Non-operating income	2,729	(3,011)		
Finance costs	(505)	(527)		
Profit before tax	6,680	18,645	(11,965)	-64.2%
PBT Margin	8.7%	15.9%		

The Group recorded a revenue of RM76.8 million for the current quarter compared to RM117.2 million the previous quarter, a fall of 34.4% following the adverse impact from the cyclical downturn in the global semiconductor market.

SEBU's quarter-on-quarter revenue declined by 37.2% from RM62.3 million to RM39.1 million. The overall slowdown in capex spending is resulting from soft market demand in the semiconductor industry.

SMBU's quarter-on-quarter revenue declined by 31.3%, from RM54.9 million to RM37.7 million. The supply chain overstock issue resulted in slow demand from key customers, especially in Taiwan and China.

In tandem with the revenue fall, the Group posted in the current quarter a lower operating profit of RM4.5 million, a drop of 79.9% and a lower profit before tax ("PBT") of RM6.7 million, a drop of 64.2% as compared to the previous quarter. The lower operating profit and PBT for the current quarter is attributable to the weaker revenue performance and lower capacity utilization in both business units.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B3. Prospects for the Financial Year Ending 31 December 2023

Considering the semiconductor market outlook remains soft, 2023 remains a challenging year for the Group. The inventory level remains high and may take a longer period to digest, hence causing further deferment of expansion plans and uncertainty in capex spending as well as capacity ramp-up schedule in the market.

Nevertheless, we remain committed to our long-term business strategy to strengthen our position as a comprehensive solution provider to unlock a larger market share through the new product deployment.

In SEBU, our equipment platform designed for Mobility and Wearables segment, together with the introduction of the new Artificial Intelligence (AI) enabled product line, shall continue to contribute to the top line in 2023. The advanced Multiple Bin Sorting and Laser Bonding technology for High-Performance Computing (HPC) segment would form another significant revenue stream in the year. We are also continuously pursuing in the Power and Automotive segment to provide a multi-faceted solution for the industry.

In SMBU, we expect the momentum to gradually improve in the 2nd half of 2023 when most of our key customers will be launching their new products. The Mobility and Wearables (Smartphones, 5G and IoT), Automotives and High-Performance Computing (HPC) segments will remain our strong focus for an upside growth in the year.

Barring any unforeseen circumstances, we remain cautiously optimistic about the Group's prospects for the financial year ending 31 December 2023. If the short term global economic headwinds improve, the robust growth momentum of the semiconductor industry will return.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B4. Profit Forecast

The Group did not provide any revenue or profit forecast in any public document.

B5. Taxation

The Group's taxation together with the comparison between the effective and statutory tax rates for the current quarter under review are set out below:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		3 months ended	
	31-Mar-2023	31-Mar-2022	31-Mar-2023	31-Mar-2022
	RM '000	RM '000	RM '000	RM '000
Tax Expense (RM'000)	1,422	1,968	1,422	1,968
Deferred Tax (RM'000)	(212)	(211)	(212)	(211)
Withholding Tax (RM'000)	121	-	121	-
Total (RM'000)	1,331	1,757	1,331	1,757
Effective Tax Rate (%)	19.9	12.6	19.9	12.6
Statutory tax rate (%)	24.0	24.0	24.0	24.0

The Group's effective tax rate for the current quarter under review was 19.9%, up from 12.6% a year ago, mainly due to tax expenses incurred by SMBU, primarily Accurus Scientific Co Ltd, which is subject to Taiwan's corporate tax rate of 20%. Because of tax incentive enjoyed by its subsidiary, Mi Equipment (M) Sdn Bhd ("Mi Equipment Malaysia"), the Group's effective tax rate remains well below the statutory rate of 24%.

Mi Equipment Malaysia has been granted pioneer status for its promoted principal activities, the statutory income of which is 100% tax-exempted for a period of 10 years. The initial 5-year tax relief period commenced from 18 January 2014 and expired on 17 January 2019. Approval for the extended 5-year pioneer period has been obtained from Malaysian Investment Development Authority ("MIDA"), beginning on 18 January 2019 to 17 January 2024.

B6. Status of Corporate Proposals

There were no corporate proposals announced and not completed as at the date of this interim financial report.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B7. Utilization of Proceeds from the Private Placement

The gross proceeds from the Private Placement of approximately RM295.4 million was intended to be utilized in the following manner:

No.	Details of utilisation	Estimated utilisation timeframe upon completion [#]	Amount RM'000	Actual utilisation RM'000	Percentage utilised %
1)	Expansion of the Group's businesses	Within 30 months	215,728	78,365	36.3%
2)	Repayment of bank borrowings	Within 6 months	15,000	15,000	100.0%
3)	Working capital	Within 18 months	60,000	60,000	100.0%
4)	Expenses in relation to the Proposed Private Placement	Within 1 month	4,697	4,697	100.0%
	Total		295,425	158,062	53.5%

Notes:

Starting from listing date of 24 August 2021

The utilization of gross proceeds as disclosed above should be read in conjunction with the announcement of the Company dated 5 July 2021.

B8. Group Borrowings and Debt Securities

The detail of the Group's borrowings are as follows:

	Unaudited As at 31-Mar-2023 RM '000	Unaudited As at 31-Mar-2022 RM '000
<u>Borrowings (Secured)</u>		
Short term portion	34,841	36,600
Long term portion	47,324	44,143
Total	82,165	80,743

The Group's borrowings comprise the following:

- Term loan denominated in New Taiwan Dollar ("NTD"), which was drawn down by Mi Equipment (Taiwan) Co. Ltd. to partly finance the purchase of factory in Taiwan.
- Revolving credit and term loan denominated in NTD, which were drawn down by Accurus Scientific Co. Ltd. to finance the operating expenses and capex spending.
- Term loan denominated in Chinese Yuan ("CNY"), which was drawn down by Accurus (Ningbo) Scientific Co. Ltd. to partly finance the construction of factory building in Ningbo, China.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B9. Material Litigation

As at the date of this interim financial report, the Group is not engaged in any material litigation or arbitration proceedings, either as plaintiff or defendant, and the Directors are not aware of any proceedings pending or threatened against the Group, which may materially and adversely affect the financial position or business performance of the Group.

B10. Dividend Declared

No dividend was declared in the current quarter under review in respect of financial year ending 31 December 2023.

B11. Earnings Per Share ("EPS")

The basic and diluted EPS for the current quarter is computed as below:

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	31-Mar-2023	31-Mar-2022	31-Mar-2023	31-Mar-2022
Profit after tax attributable to owners of the Company (RM'000)	6,397	12,834	6,397	12,834
Weighted average number of ordinary shares in issue ('000)	895,630	899,000	895,630	899,000
Adjusted weighted average no. of ordinary shares in issue ('000)	897,650	899,000	897,650	899,000
Basic EPS (sen) ⁽¹⁾	0.71	1.43	0.71	1.43
Diluted EPS (sen) ⁽²⁾	0.71	1.43	0.71	1.43

Notes:

- (1) Basic EPS is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period/year under review, after deducting for treasury shares.
- (2) Diluted EPS is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period/year after deducting for treasury shares and adjusted for the effects of dilutive potential ordinary shares due to share grant scheme.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B12. Profit Before Tax

Profit before tax is arrived at after charging/(crediting):

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		3 months ended	
	31-Mar-2023	31-Mar-2022	31-Mar-2023	31-Mar-2022
	RM '000	RM '000	RM '000	RM '000
Interest income	(2,043)	(762)	(2,043)	(762)
Interest expense	501	501	501	501
Amortisation of intangible asset	1,675	1,559	1,675	1,559
Depreciation of property, plant and equipment	3,824	3,306	3,824	3,306
Depreciation of right-of-use asset	709	486	709	486
Depreciation of investment properties	161	161	161	161
Realised loss/(gain) on foreign exchange	498	(130)	498	(130)
Unrealised gain on foreign exchange	(640)	(2,688)	(640)	(2,688)

Save as disclosed above, the other disclosure items pursuant to Paragraph 16, Part A of Appendix 9B of the Listing Requirements are not applicable.

BY ORDER OF THE BOARD
08 May 2023