



Mi TECHNOVATION BERHAD

(Company No. 201701021661(1235827-D))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30-Sep-2021	30-Sep-2020	30-Sep-2021	30-Sep-2020
	RM '000	RM '000	RM '000	RM '000
Revenue	113,967	64,276	285,438	161,435
Operating expenses	(90,172)	(47,974)	(228,264)	(120,437)
Depreciation and amortisation	(4,901)	(1,737)	(11,621)	(5,014)
Non-operating income	2,039	(2,207)	5,557	5,169
Finance costs	(366)	(46)	(813)	(122)
Profit before tax	<u>20,567</u>	<u>12,312</u>	<u>50,297</u>	<u>41,031</u>
Tax expense	(2,218)	(92)	(2,888)	(528)
Profit for the financial period	<u>18,349</u>	<u>12,220</u>	<u>47,409</u>	<u>40,503</u>
Other comprehensive income/(loss), net of tax:				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translations	1,303	(192)	5,002	177
Total comprehensive income	<u>19,652</u>	<u>12,028</u>	<u>52,411</u>	<u>40,680</u>
Profit attributable to:				
Owners of the parent	18,955	12,323	48,579	40,803
Non-controlling interests	(606)	(103)	(1,170)	(300)
	<u>18,349</u>	<u>12,220</u>	<u>47,409</u>	<u>40,503</u>
Total comprehensive income attributable to:				
Owners of the parent	20,217	12,131	53,553	40,974
Non-controlling interests	(565)	(103)	(1,142)	(294)
	<u>19,652</u>	<u>12,028</u>	<u>52,411</u>	<u>40,680</u>
Earnings per share attributable to owners of the parent:				
Basic and diluted (sen) ⁽²⁾	<u>2.24</u>	<u>1.65</u>	<u>6.06</u>	<u>5.47</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 2020 and the accompanying explanatory notes attached to the interim financial report.
- (2) Based on weighted average number of ordinary shares outstanding during the financial period under review after deducting for treasury shares.

Unaudited Condensed Consolidated Statement of Financial Position ⁽¹⁾

	Unaudited As at 30-Sep-2021 RM'000	Audited As at 31-Dec-2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	248,930	119,081
Right-of-use assets	28,308	27,035
Intangible assets ⁽²⁾	207,371	8,504
Lease receivable	3,945	2,124
Defined benefit asset	1,756	-
Deferred tax assets	2,626	341
Total non-current assets	<u>492,936</u>	<u>157,085</u>
Current assets		
Inventories	118,421	70,265
Trade and other receivables	211,435	103,811
Lease receivable	1,547	546
Current tax assets	-	8
Short term funds ⁽³⁾	300,323	52,871
Cash and bank balances	100,575	56,026
Total current assets	<u>732,301</u>	<u>283,527</u>
TOTAL ASSETS	<u>1,225,237</u>	<u>440,612</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	855,193	252,615
Treasury shares	(5,247)	(5,247)
Reserves	192,651	140,959
	<u>1,042,597</u>	<u>388,327</u>
Non-controlling interests	(1,201)	(51)
TOTAL EQUITY	<u>1,041,396</u>	<u>388,276</u>

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

	Unaudited As at 30-Sep-2021 RM'000	Audited As at 31-Dec-2020 RM'000
LIABILITIES		
Non-current liabilities		
Borrowings	59,904	2,616
Provisions	2,866	626
Defined benefit liability	122	-
Lease liabilities	1,540	1,877
Deferred tax liabilities	18,388	1,811
Total non-current liabilities	<u>82,820</u>	<u>6,930</u>
Current liabilities		
Trade and other payables	29,256	39,618
Borrowings	51,159	2,481
Provisions	14,021	1,553
Lease liabilities	1,366	1,660
Current tax liabilities	5,219	94
Total current liabilities	<u>101,021</u>	<u>45,406</u>
TOTAL LIABILITIES	<u>183,841</u>	<u>52,336</u>
TOTAL EQUITY AND LIABILITIES	<u>1,225,237</u>	<u>440,612</u>
Net asset per share (RM)	<u>1.16</u>	<u>0.52</u>

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 2020 and the accompanying explanatory notes attached to the interim financial report.
- (2) Included in the intangible assets are goodwill and customer relationships amounting to RM119 million and RM83 million respectively, arising from business combination in respect of the equity interest in Accurus Scientific Co. Ltd. acquired by the Company as at the completion date of 19 April 2021.
- (3) Short term funds comprise the following:

	30-Sep-2021 RM'000	31-Dec-2020 RM'000
Short term funds		
Money market funds	274,797	27,346
Bond Funds	25,526	25,525
	<u>300,323</u>	<u>52,871</u>

Unaudited Condensed Consolidated Statement of Changes in Equity ⁽¹⁾

	← Non-distributable →					Distributable		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Legal reserve RM'000	Exchange translation reserve RM'000	Reorganisation debit reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000	
Balance as at 1 January 2021	252,615	(5,247)	148	(485)	(63,558)	204,854	(51)	388,276
Profit for the financial period	-	-	-	-	-	48,579	(1,170)	47,409
Other comprehensive income, net of tax	-	-	-	4,974	-	-	28	5,002
Issuance of shares	602,578	-	-	-	-	-	-	602,578
Acquisition of a subsidiary	-	-	-	(982)	-	(879)	(8)	(1,869)
Balance as at 30 September 2021	855,193	(5,247)	148	3,507	(63,558)	252,554	(1,201)	1,041,396
Balance as at 1 January 2020	252,615	(5,247)	42	203	(63,558)	195,712	-	379,767
Profit for the financial period	-	-	-	-	-	40,803	(300)	40,503
Other comprehensive income, net of tax	-	-	-	171	-	-	6	177
Dividends paid	-	-	-	-	-	(22,380)	-	(22,380)
Incorporation of a subsidiary	-	-	-	6	-	-	237	243
Balance as at 30 September 2020	252,615	(5,247)	42	380	(63,558)	214,135	(57)	398,310

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 2020 and the accompanying explanatory notes attached to the interim financial report.

Unaudited Condensed Consolidated Statement of Cash Flows ⁽¹⁾

	9 months ended 30-Sep-2021 RM '000	9 months ended 30-Sep-2020 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	50,297	41,031
Adjustments for:		
Amortisation of intangible assets	2,376	127
Depreciation of property, plant and equipment	7,830	4,272
Depreciation of right-of-use assets	1,415	615
Provision for warranty replacement costs	2,911	1,460
Reversal of provision for warranty replacement costs	(484)	(694)
Impairment loss on trade receivables	270	-
Finance costs	603	122
Interest income	(1,435)	(3,319)
Loss on disposal of property, plant and equipment	23	227
Loss/(Gain) on fair value changes on bond funds	468	(664)
Property, plant and equipment written off	26	72
Unrealised gain on foreign exchange	(4,419)	(883)
Inventories written down	675	-
Inventories written off	1,185	971
Operating profit before changes in working capital	<u>61,741</u>	<u>43,337</u>
Increase in inventories	(17,755)	(22,734)
Increase in trade and other receivables	(62,517)	(13,008)
Increase in lease receivables	(3,038)	-
Decrease in trade and other payables	(12,827)	(7,503)
Warranty paid	(910)	(1,067)
Cash used in operations	<u>(35,306)</u>	<u>(975)</u>
Tax paid	(271)	(256)
Net cash used in operating activities	<u>(35,577)</u>	<u>(1,231)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,435	3,319
Additional of defined benefit asset	(134)	-
Acquisition of subsidiary, net cash acquired ⁽²⁾	30,109	-
Net proceeds of shares from non-controlling interest	-	243
Purchase of bond funds	(469)	(13,266)
Disposal/(Purchase) of intangible asset	2,195	(3,364)
Purchase of property, plant and equipment	(31,091)	(28,546)
Proceeds from disposal of property, plant and equipment	317	103
Net cash from/(used in) investing activities	<u>2,362</u>	<u>(41,511)</u>

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

	9 months ended 30-Sep-2021 RM '000	9 months ended 30-Sep-2020 RM '000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(22,380)
Interest paid	(503)	(111)
Net proceeds from ordinary shares issued pursuant to private placement exercised	290,728	-
Repayment of borrowings	(6,349)	(2,045)
Drawdown of borrowings	37,894	25,264
Placement of deposits pledged to a licensed bank	(2)	(5)
Upliftment of deposits pledged to a licensed bank	2,156	-
Payment of lease liabilities	(3,403)	(193)
Net cash from financing activities	<u>320,521</u>	<u>530</u>
Net increase/(decrease) in cash and cash equivalents	287,306	(42,212)
Effect on foreign exchange rates changes	6,754	726
Cash and cash equivalents at beginning of financial period	81,312	149,331
Cash and cash equivalents at end of financial period	<u><u>375,372</u></u>	<u><u>107,845</u></u>
Cash and cash equivalents at end of financial period comprises:		
Cash and bank balances	100,575	26,966
Money market funds	274,797	80,879
Deposits with a licensed bank	-	2,195
	<u>375,372</u>	<u>110,040</u>
<u>Less:</u>		
Deposits pledged to a licensed bank	-	(2,195)
	<u><u>375,372</u></u>	<u><u>107,845</u></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 2020 and the accompanying explanatory notes attached to the interim financial report.

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

Notes:

(2) Acquisition of subsidiary

- a) The Company had completed the acquisition of 99% equity interest in Accurus Scientific Co. Ltd. ("Accurus Scientific") with purchase consideration fully settled via issuance of new ordinary shares on 19 April 2021. The fair values of assets acquired and liabilities assumed were as follows:

	RM'000
Total Assets	
Property, plant and equipment	54,478
Capital work-in-progress	52,131
Intangible assets	84,735
Deferred tax assets	(14,700)
Net defined benefit assets	1,583
Inventories	31,750
Trade and other receivables	41,317
Cash and cash equivalents	32,954
	284,248
Total Liabilities	
Borrowings	72,435
Provisions	1,234
Trade and other payables	12,852
Current tax liabilities	2,576
	(89,097)
Non-controlling interests	(44)
Net Assets Acquired	195,107
Company's equity interest in Accurus Scientific	99%
Net assets attributable to the acquisition	193,151
Goodwill arising from business combination	118,699
Fair value of purchase consideration *	311,850
Less: Portion discharged by issuance of share capital	(311,850)
Purchase consideration discharged by cash	-

* Purchase consideration was calculated based on 74,250,000 new ordinary shares issued multiplied by the share price of RM4.20 as at completion date, i.e. 19 April 2021.

- b) The balance 1% equity interest in Accurus Scientific was acquired on 31 May 2021 with purchase consideration fully settled via cash, amounted to RM2.85 million. Hence, the net effects on cash flows arising from the acquisition were as follows:

	RM'000
Cash and cash equivalents acquired on 19 April 2021	32,954
Purchase consideration paid via cash on 31 May 2021	(2,845)
Net cash inflow arising from acquisition	30,109

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 2020 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 2020, 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

On 1 January 2021, the Group adopted the following Amendments to the Standards that are mandatory for annual periods beginning on or after 1 January 2021.

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

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 2022

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
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 Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2023
<i>Disclosure of Accounting Estimates</i> (Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>)	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group 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 2020.

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 and financial period 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 and financial period under review.

A7. Debt and Equity Securities

Save as disclosed in Notes A11 and B6, there were no other issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial period under review.

A8. Dividends Paid

No dividend was paid during the current quarter and financial period under review.

A9. Segment Information

The Group has two reportable segments, aptly named Business Unit ("BU") which comprised its major operating segments. These business units are involved in different activities and industry segments and separately managed by General Managers who report to the BU President.

The 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, paired with smart factory automation solutions for Industrial 4.0, as well as the provision of maintenance services and technical support for these machines, and the sale of related spare parts and components.

No.	Entity	Product Portfolio
1	Mi Equipment Penang, Malaysia	Mi Series Die sorting machine for advanced packaging, such as WLP, WLCSP, FOWLP, CSP for flip chip.
2	Mi Equipment Hsinchu, Taiwan	Vi Series Vision inspection machine for wafer and package inspection both in 2D and 3D mode.
3	Mi Equipment Pyeongtaek, Korea	Ai Series Precision bonding machine (LAB/LCB) for extra fine pitch with thin die and substrate.
4	Mi Equipment Suzhou, China	Si Series Final test handler for high power, fine pitch device and KGD.

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

A9. Segment Information (cont'd)

(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 (ball)
2	Accurus Scientific Ningbo, China	Solder spheres (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. No other operating segments have been aggregated to form the above reportable segments. 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 30 September 2021 ⁽¹⁾

	SEBU ⁽²⁾ RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Revenue from external customers	209,028	76,304	106	-	285,438
Inter-segment revenue	92	105	31,639	(31,836)	-
Total revenue	209,120	76,409	31,745	(31,836)	285,438
Interest income	364	29	1,042	-	1,435
Interest expense	(358)	(277)	(20)	152	(503)
Net interest income/(expense)	6	(248)	1,022	152	932
Segment profit/(loss) before tax	44,677	14,149	23,103	(31,632)	50,297
Tax expense					(2,888)
Other material non-cash items:					
- Depreciation of property, plant and equipment	(5,871)	(1,518)	(493)	52	(7,830)
- Depreciation of right-of-use assets	(1,324)	(24)	(258)	191	(1,415)
- Amortisation of intangible assets	(424)	(32)	(157)	(1,763)	(2,376)
- Provision for warranty replacement costs	(2,849)	-	(62)	-	(2,911)
- Reversal of provision for warranty replacement costs	362	-	122	-	484

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

A9. Segment Information (cont'd)

Results for the financial period ended 30 September 2021⁽¹⁾ (cont'd)

	SEBU ⁽²⁾ RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Assets					
Segment assets	390,108	189,226	77,640	162,983	819,957
Deferred tax assets					2,626
Defined benefit asset					1,756
Short term funds					300,323
Cash and bank balances					100,575
					<u>1,225,237</u>
Liabilities					
Segment liabilities	120,023	102,344	1,391	(63,646)	160,112
Deferred tax liabilities					18,388
Defined benefit liability					122
Current tax liabilities					5,219
					<u>183,841</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 2020, under Note 30 *Operating Segments*.
- (2) There were changes in the reportable segments where Automation and Robotics segment has been integrated and form part of SEBU effective Q2'2021, to spur the development activities and gain better cost efficiency on investment, under the Smart Factory Automation Division. As both have similar economic characteristics and exhibit similar long-term financial performance, hence, evaluated internally as a single business unit.

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

A9. Segment Information (cont'd)

Results for the financial period ended 30 September 2020 ⁽¹⁾

	SEBU ⁽²⁾ RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Revenue from external customers	160,940	-	495	-	161,435
Inter-segment revenue	8,360	-	18,556	(26,916)	-
Total revenue	169,300	-	19,051	(26,916)	161,435
Interest income	600	-	2,719	-	3,319
Interest expense	(111)	-	-	-	(111)
Net interest income/(expense)	489	-	2,719	-	3,208
Segment profit before tax	44,373	-	16,854	(20,196)	41,031
Tax expense					(528)
Other material non-cash items:					
- Depreciation of property, plant and equipment	(3,605)	-	(674)	7	(4,272)
- Depreciation of right-of-use assets	(434)	-	(110)	(71)	(615)
- Amortisation of intangible assets	-	-	(127)	-	(127)
- Provision for warranty replacement costs	(1,421)	-	(39)	-	(1,460)
- Reversal of provision for warranty replacement costs	690	-	4	-	694

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

A9. Segment Information (cont'd)

Results for the financial period ended 30 September 2020 ⁽¹⁾ (cont'd)

	SEBU ⁽²⁾ RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Assets					
Segment assets	318,386	-	46,638	(36,887)	328,137
Deferred tax assets					52
Current tax assets					8
Short term funds					106,344
Cash and bank balances					29,161
					<u>463,702</u>
Liabilities					
Segment liabilities	91,719	-	8,682	(35,456)	64,945
Deferred tax liabilities					-
Current tax liabilities					447
					<u>65,392</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 2020, under Note 30 *Operating Segments*.
- (2) There were changes in the reportable segments where Automation and Robotics segment has been integrated and form part of SEBU effective Q2'2021, to spur the development activities and gain better cost efficiency on investment, under the Smart Factory Automation Division. As both have similar economic characteristics and exhibit similar long-term financial performance, hence, evaluated internally as a single business unit.

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

A10. Material Events Subsequent to the end of the Quarter

Save as disclosed in Note A11, there were no other material events subsequent to the financial period ended 30 September 2021 that have not been reflected in the interim financial report.

A11. Changes in the Composition of the Group

Investment in a subsidiary

The Company had completed the acquisition of 99% equity interest in Accurus Scientific Co Ltd. ("Accurus Scientific") via allotment and issuance of 74,250,000 new ordinary shares in the Company at an issue price of RM3.65 each and the shares had been listed and quoted on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 April 2021. Subsequently, on 31 May 2021, the Company had also completed the acquisition of the balance 1% equity interest in Accurus Scientific via cash. Upon completion, Accurus Scientific is now a wholly owned subsidiary of the Company.

Investment in an associated company

The Company had on 5 August 2021, via its wholly owned subsidiary, Suzhou Mi Equipment Co Ltd, entered into a capital increase agreement with Talentek Microelectronics (Hefei) Limited ("Talentek"), Lansus Technologies Inc and Wuhan Silicon Integrated Co Ltd, to subscribe for the increase in capital of Talentek amounting to RMB45 million (equivalent to approximately RM29.36 million or 22.64% equity interest in Talentek) via cash consideration.

On 8 October 2021, the proposed subscription has been completed and Talentek is now an associated company of the Company.

Voluntary liquidation of dormant subsidiaries

The Company's wholly owned subsidiaries which are dormant, namely Mi Sales & Services (M) Sdn Bhd and Mi Components Sdn Bhd, have been placed under members' voluntary winding-up procedures. Further, Mi Sales & Services (S) Pte Ltd has been struck off from the register on 10 August 2021.

The abovementioned voluntary winding-up and striking off procedures on the dormant subsidiaries will not have any material impact on the earnings and net assets of the Group for the financial period ended 30 September 2021.

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.

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

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 30 September 2021, 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	13,223
- Contracted but not provided for	2,969
	16,192

A14. Significant Related Party Transactions

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

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

B1. Review of Performance

	INDIVIDUAL QUARTER 3 months ended		Changes		CUMULATIVE QUARTER 9 months ended		Changes	
	30-Sep-2021	30-Sep-2020			30-Sep-2021	30-Sep-2020		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	113,967	64,276	49,691	77.3%	285,438	161,435	124,003	76.8%
Operating expenses	(90,172)	(47,974)			(228,264)	(120,437)		
Depreciation and amortisation	(4,901)	(1,737)			(11,621)	(5,014)		
Operating profit	18,894	14,565	4,329	29.7%	45,553	35,984	9,569	26.6%
Non-operating income	2,039	(2,207)			5,557	5,169		
Finance costs	(366)	(46)			(813)	(122)		
Profit before tax	20,567	12,312	8,255	67.0%	50,297	41,031	9,266	22.6%
PBT Margin	18.0%	19.2%			17.6%	25.4%		

Individual Quarter:

Comparison with corresponding quarter in previous financial year (Q3 2021 vs Q3 2020)

The Group posted a 77.3% surge in revenue during the current quarter compared to a year ago, an increase from RM64.3 million to RM114.0 million. In tandem with revenue growth, the Group posted a profit before tax (“PBT”) of RM20.6 million in the current quarter, a jump of 67.0% year-on-year.

In the current quarter, operating profit margin did not advance in tandem with top line growth. This is mainly due to:

- (i) contribution from SMBU (lower margin business nature) has improved the Group’s top line with different margin contribution compared to SEBU.
- (ii) expansion expenses incurred in Taiwan, Korea and China for both SEBU and SMBU.
- (iii) strong price competition in China market led to lower margin where China market contributed 42% of total revenue in current quarter.
- (iv) the surge in precious metal prices as well as logistic costs also contributed to lower margin.

The contribution by BU is as follows:

- (a) SEBU contributed RM64.2 million to Group’s top line during the current quarter, representing 56.4% of total revenue.

The revenue stayed flat as per last year without strong growth, mainly due to:

- (i) change in customer order trend where some orders were pulled in earlier to Q2 2021 in anticipation of the possible interruption by full lockdown in Malaysia. Some were pushed out to the subsequent quarters to suit customers’ capex spending timing and revised new capacity schedule.
- (ii) Global chip shortage from upstream wafer fabs has influenced customers’ capacity plan, hence, deferment in delivery schedule.
- (iii) On positive note, we see uptick in demand from Malaysia and Singapore customers with semiconductor growth in the region, leading to regional revenue growth in Q3 2021 as compared to a year ago.

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

B1. Review of Performance (cont'd)

We see exciting outcome from our SEBU overseas subsidiaries:

- (i) Mi Equipment Korea has materialized its maiden sale of laser-assisted bonding (LAB) machine after the 2-year hard work in new product development. With this sale, we are now qualified as one of the LAB providers in high performance chip segment.
- (ii) Mi Equipment China has seen promising prospect with the recent shareholding investment in Talentek. Pilot orders had been secured for new product segment test handler solutions with expected revenue generation in the next quarter and beyond.
- (iii) Mi Equipment Taiwan has successfully shipped the first two fully local assembled Vi series to customer and this marked a new milestone for SEBU.

SEBU will continue to be our key revenue contributor in coming years when all new products and overseas subsidiaries start taking off.

- (b) SMBU contributed RM49.8 million to Group's top line during the current quarter representing approximately 43.6% of total revenue.

This is a record high third-quarter revenue in SMBU's history, mainly driven by:

- (i) Strong demand from customers who are in 5G, IoT, HPC and automotive industries.
- (ii) There are consumer electronics products to be released gradually in second half of 2021 which will increase the demand for chips (e.g. AP, RF, PIMIC, Memory, etc.), hence, boosted the demand for IC packaging materials as well where SMBU is one of the key suppliers.

We see progress in SMBU's Ningbo new factory setup, where Temporary Occupation Permit has been obtained and pilot trial run has commenced to prepare samples for customers' evaluation.

Cumulative Quarter: Comparison with preceding financial period (9M 2021 vs 9M 2020)

The Group achieved a record of RM285.4 million in revenue for the current financial period ended 30 September 2021, with growth rate of 76.8% year-on-year.

The significant increase in revenue was mainly due to:

- (i) SMBU started to contribute to the Group's top line amounted to RM76.4 million upon completion of acquisition, approximately 26.8% of the Group's revenue for the current financial period.
- (ii) SEBU contributed RM209.1 million, an increase of 29.5% compared to a year ago, mainly driven by strong demand from customers especially from China and Taiwan in line with the industry trend where China is moving toward building up its own semiconductor ecosystem and Taiwan's role as a key concentration hub in semiconductor value chain.

In line with revenue growth, the Group posted PBT of RM50.3 million, a 22.6% increase year-on-year (RM9.3 million). PBT margin for the 9-month financial period stood at 17.6%, after taking into account of the unrealized foreign exchange gain and one-off operating expenses in Q1 2021.

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

B2. Comparison with Immediate Preceding Quarter (Q3 2021 vs Q2 2021)

	INDIVIDUAL QUARTER 3 months ended		Changes RM'000 %	
	30-Sep-2021 RM'000	30-Jun-2021 RM'000		
Revenue	113,967	117,291	(3,324)	-2.8%
Operating expenses	(90,172)	(86,663)		
Depreciation and amortisation	(4,901)	(4,115)		
Operating profit	18,894	26,513	(7,619)	-28.7%
Non-operating income	2,039	218		
Finance costs	(366)	(286)		
Profit before tax	20,567	26,445	(5,878)	-22.2%
PBT Margin	18.0%	22.5%		

The Group recorded a revenue of RM114.0 million in Q3 2021 as compared to RM117.3 million for prior quarter, a slight decrease of 2.8%. This is mainly due to:

- (a) SEBU's revenue dropped by 29.2% or RM26.5 million, due to capex spending cycle as well as purchasing timing of customers.
- (b) SMBU has almost-doubled its contribution to Group's revenue in the current quarter, from RM26.6 million in previous quarter to RM49.8 million, an increase of 87.7%. This has filled up the gap in SEBU revenue drop.

In overall, the Group's revenue stood consistently for both quarters.

As for PBT, we have seen a drop in both absolute amount and margin percentage in the current quarter. This is mainly due to:

- (i) The fixed costs arising from expansions in Taiwan, Korea and China outweighed the lower sales revenue generated by SEBU.
- (ii) SMBU business nature which tends to have a lower margin compared to SEBU.

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

B3. Prospects for the Financial Year Ending 31 December 2021

Year 2021 has been very dynamic for the semiconductor industry with a mixed influence - market and technology expansion driven by 5G, offset by prolonged pandemic impact to global supply chain and slowing global economy, as well as regional trade shift in response to geopolitical influences. Despite the challenging business environment, we are witnessing a structural increase in underlying semiconductor demand, underpinned by the industry megatrend with a new wave of transformative technologies, including 5G, AI, IoT, EV, cloud computing and smart city.

The Board is optimistic about the Group's prospect for the financial year ending 31 December 2021 and confident in meeting the Group's top line target for the year. The Group's business model embedding both semiconductor manufacturing equipment and semiconductor material business segments within the semiconductor value chain has seen good pairing results between the two business units. We have been unfalteringly focusing on building our technology leadership, through internal R&D efforts and collaboration with customers, to deliver bold new solutions with leading-edge and specialty technologies that offer unique value to customers.

We are also actively engaging in inorganic expansion programs in line with our 10-years business roadmap in anticipation of the growth that will follow in future years. Only the best performance and comprehensive solution providers will capture a very large market share as winner-take-all is the prevalence in semiconductor industry. The Board is confidently driving the Group's business which is robust and energized to seize the opportunities ahead of us.

B4. Profit Forecast

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

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

B5. Taxation

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30-Sep-2021	30-Sep-2020	30-Sep-2021	30-Sep-2020
	RM '000	RM '000	RM '000	RM '000
Tax Expense (RM'000)	2,510	80	3,209	513
Deferred Tax (RM'000)	(212)	-	(353)	-
Withholding Tax (RM'000)	(80)	12	32	15
Total (RM'000)	2,218	92	2,888	528
Effective Tax Rate (%)	10.78	0.75	5.74	1.29
Statutory tax rate (%)	24.00	24.00	24.00	24.00

The effective tax rates of the Group for the current quarter and financial period under review were higher compared to a year ago mainly due to the following:

- (a) Temporary differences arising from qualifying building expenditures on Bayan Lepas and Batu Kawan factories.
- (b) Tax expenses incurred by SMBU, mainly Accurus Scientific Co Ltd which is subject to Taiwan corporate tax rate at 20%.

However, the effective tax rate of the Group is still below the 24% statutory tax rate due to tax incentive enjoyed by its subsidiary, Mi Equipment (M) Sdn Bhd ("Mi Equipment Malaysia").

Mi Equipment Malaysia is entitled to pioneer status incentives under the Promotion of Investments Act, 1986 (Amendment) for the design, development and manufacturing of vision inspection and taping equipment as well as the related components. The profit derived from these products is exempted from tax for a total relief period of 5 years from 18 January 2014 to 17 January 2019 subject to a further renewal of another 5 years. On 31 January 2020, approval has been obtained from Malaysian Investment Development Authority ('MIDA') for next 5-year pioneer period, i.e. from 18 January 2019 to 17 January 2024.

Mi Equipment Malaysia has also been granted approval-in-principle by MIDA on 21 September 2018 for the design, development and manufacturing of die bonding systems and related modules. The profit derived from these activities is exempted from tax for a total relief period of 10 years from the manufacturing date. Application for pioneer certificate is to be submitted within 24 months of the approval date. On 21 July 2020, an appeal to extend the timeframe for submitting pioneer certification application has been lodged to MIDA. The approval has been granted on 30 November 2020 for extension of time until 20 September 2022. The application has yet to be submitted as at the date of this report.

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

B6. Status of Corporate Proposals

On 5 July 2021, the Company announced to undertake a private placement of up to 10% of the total number of issued shares (excluding treasury shares) to third party investors (“Proposed Private Placement”) in accordance with the general mandate approved by the shareholders at its 4th Annual General Meeting held on 4 June 2021, pursuant to Section 75 of the Companies Act 2016.

The listing application in relation to the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad (“Bursa Securities”) on 8 July 2021 and approval was obtained on 14 July 2021.

The book building exercise in relation to the Proposed Private Placement has been completed on 12 August 2021. The Board has fixed the issue price at RM3.90 per Placement Share, which represents a discount of approximately 9.23% to the 5-day VWAP of Mi Technovation Shares up to and including 12 August 2021 of RM4.2966 per Mi Technovation Share.

On 24 August 2021, the Private Placement was completed following the listing of and quotation for 75,750,000 Placement Shares, representing approximately 9.23% of the total number of issued shares of the Company (excluding treasury shares), on the Main Market of Bursa Securities and the gross proceeds raised amounting to RM295.4 million.

Save for the above, there were no other corporate proposals announced and not completed as at the date of this interim financial report.

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	29,948	14%
2)	Repayment of bank borrowings	Within 6 months	15,000	-	0%
3)	Working capital	Within 18 months	60,000	-	0%
4)	Expenses in relation to the Proposed Private Placement	Within 1 month	4,697	4,697	100%
	Total		295,425	34,645	12%

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.

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

B8. Group Borrowings and Debt Securities

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

	Unaudited	
	30-Sep-2021	30-Sep-2020
	RM '000	RM '000
<u>Borrowings (Secured)</u>		
Short term portion	51,159	23,439
Long term portion	59,904	3,272
Total	111,063	26,711

The Group's borrowings comprise the following:

- Term loan denominated in US Dollar ("USD"), which was drawn down by Mi Equipment (M) Sdn Bhd to partly replenish the Group's internally generated funds used to finance the purchase of the Bayan Lepas factory land;
- 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 Renminbi ("RMB"), which was drawn down by Accurus (Ningbo) Scientific Co. Ltd. to partly finance the construction of factory building in Ningbo, China.

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

On 29 October 2021, the Board of Directors declared a first single-tier interim dividend of 3.0 sen per ordinary share, on 896,000,000 ordinary shares, amounting to RM26.88 million in respect of the financial year ending 31 December 2021.

The book closure and payment dates for the aforesaid dividend are 16 November 2021 and 30 November 2021 respectively.

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

B11. Earnings Per Share (“EPS”)

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

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 9 months ended	
	30-Sep-2021	30-Sep-2020	30-Sep-2021	30-Sep-2020
	RM '000	RM '000	RM '000	RM '000
Profit after tax attributable to the owners of the Company (RM'000)	18,955	12,323	48,579	40,803
Weighted average number of ordinary shares in issue ('000)	844,821	746,000	801,148	746,000
Basic EPS (sen) ⁽¹⁾	2.24	1.65	6.06	5.47
Diluted EPS (sen) ⁽²⁾	2.24	1.65	6.06	5.47

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 under review, after deducting for treasury shares.
- (2) Diluted EPS equals basic EPS as there are no potentially dilutive instruments in existence as at the end of the financial period under review.

B12. Profit Before Tax

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

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 9 months ended	
	30-Sep-2021	30-Sep-2020	30-Sep-2021	30-Sep-2020
	RM '000	RM '000	RM '000	RM '000
Interest income	(946)	(1,195)	(1,435)	(3,319)
Interest expense	124	43	503	111
Amortisation of intangible asset	1,323	42	2,376	127
Depreciation of property, plant and equipment	3,059	1,448	7,830	4,272
Depreciation of right-of-use asset	519	247	1,415	615
Realised (gain)/loss on foreign exchange	(1,021)	506	(412)	(421)
Unrealised (gain)/loss on foreign exchange	(374)	3,245	(4,419)	(883)

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
29 October 2021