

ON THE CUTTING-EDGE OF
INNOVATION

A N N U A L R E P O R T 2 0 1 9

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Corporate Philosophy

Mi TECHNOVATION was accepted to provide innovative and technologically advanced products to enhance the success of our clients.

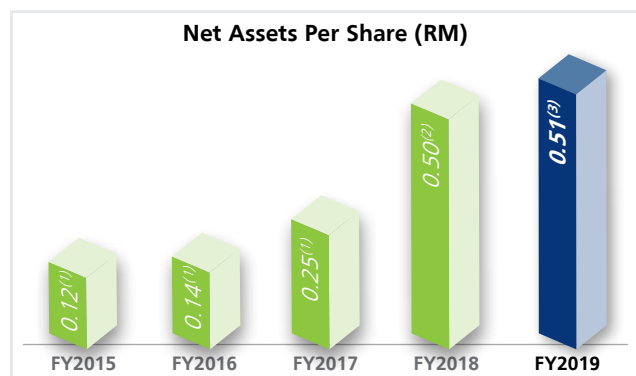
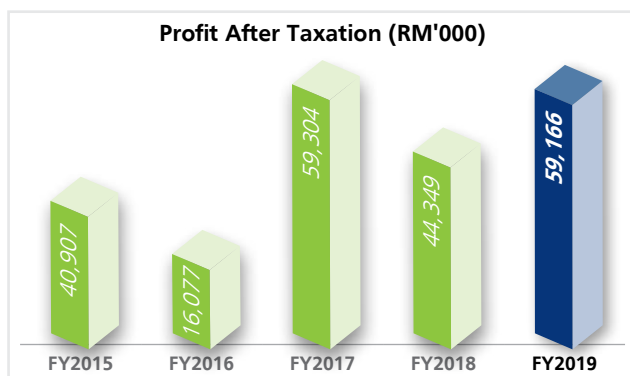
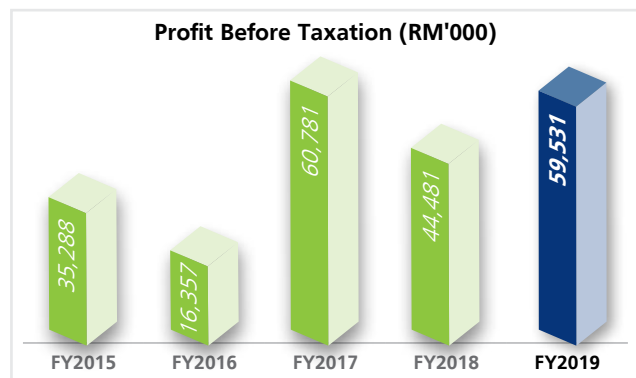
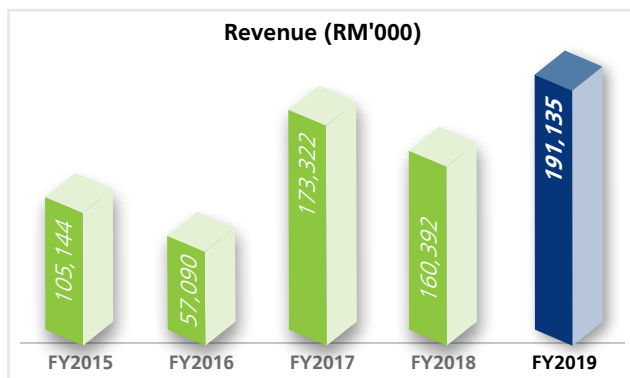
We aim to be the global solutions provider of choice by inspiring technology through innovation and collaboration with our partners.

FINANCIAL HIGHLIGHTS

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Profitability (RM'000)					
Revenue	105,144	57,090	173,322	160,392	191,135
Profit Before Taxation	35,288	16,357	60,781	44,481	59,531
Profit After Taxation	40,907	16,077	59,304	44,349	59,166
As at 31 December					
Financial Position (RM'000)					
Total Assets	97,523	88,761	156,628	378,919	430,123
Shareholders Fund	60,900	69,036	124,755	330,849	379,767
Total Equity	60,900	69,036	124,755	330,849	379,767
Total Cash	66,483	46,438	52,634	203,405	151,424
Total Borrowings	17,168	-	-	6,753	4,078
Share Information					
EPS (sen)	8.18 ⁽¹⁾	3.22 ⁽¹⁾	11.86 ⁽¹⁾	6.77 ⁽²⁾	7.91⁽³⁾
Net Assets Per Share (RM)	0.12 ⁽¹⁾	0.14 ⁽¹⁾	0.25 ⁽¹⁾	0.50 ⁽²⁾	0.51⁽³⁾
Gross Gearing (times)	0.28	-	-	0.02	0.01
Net Gearing (times)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Number of shares outstanding ('000)	500,000	500,000	500,000	-	-
Weighted average number of ordinary shares in issue ('000)	-	-	-	655,532	748,068

Notes:

- (1) Based on enlarged number of shares in issue of 500,000,000 shares pursuant to the initial public offering and listing of Mi Technovation Berhad on Bursa Malaysia on 20 June 2018.
- (2) Based on weighted average number of ordinary shares outstanding which have been restated to reflect the increase number of shares arising from the bonus issue during year 2019.
- (3) Based on weighted average number of ordinary shares outstanding during the financial year after deducting for treasury shares.

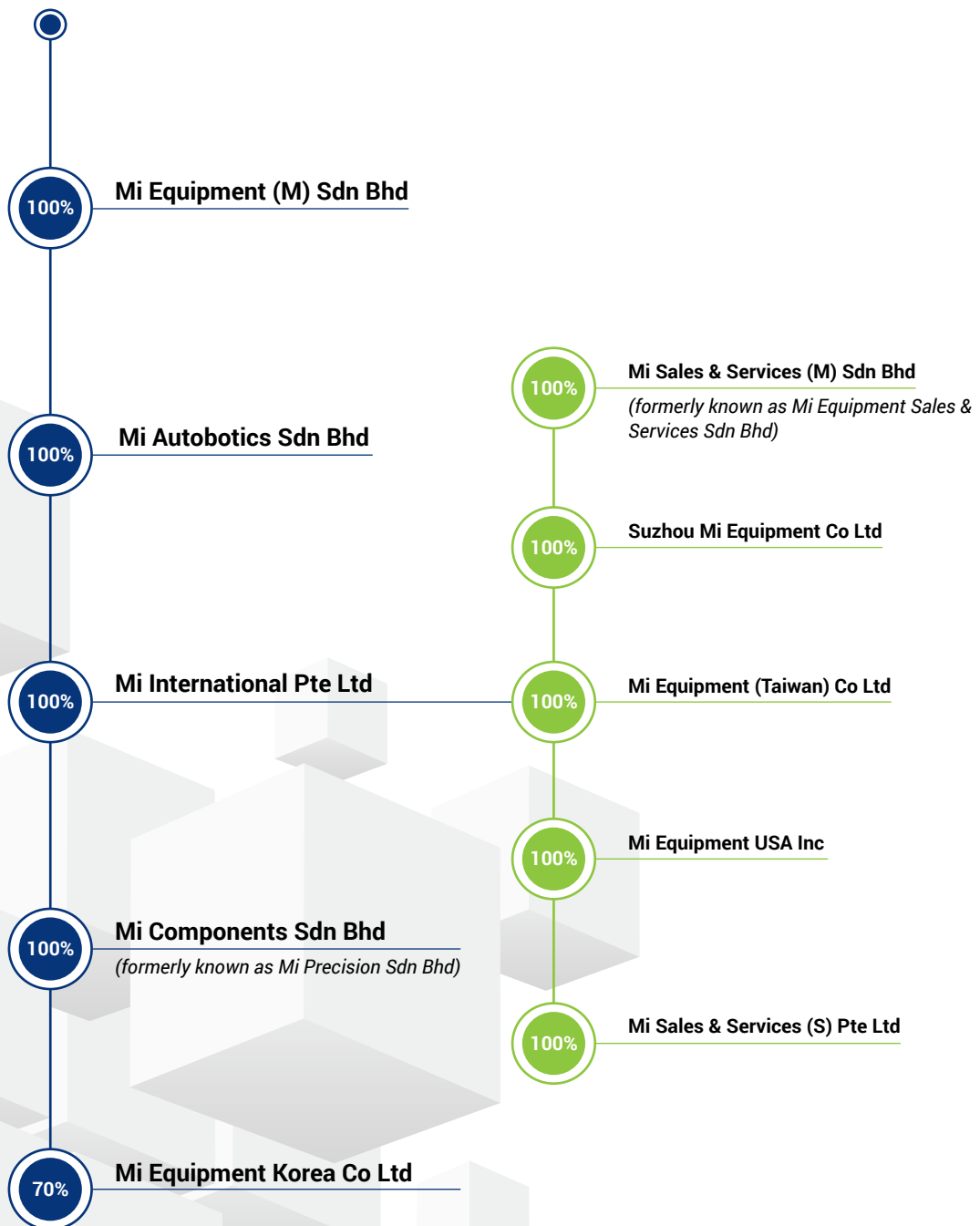


PRINCIPAL ACTIVITIES

The principal activity of Mi Technovation Berhad is investment holding. The principal activities of its subsidiaries are set out as follows:

Name	Date of Incorporation	Ownership Interest	Principal Activities
Mi Equipment (M) Sdn Bhd	13 June 2012	100%	Design, development, manufacturing and sales of WLCSP sorting machines with inspection and testing capabilities for the semiconductor industry.
Mi International Pte Ltd	16 November 2012	100%	Overseeing international sales and marketing of machines and provision of maintenance services and technical support, as well as the sales of related spare parts and components.
Mi Components Sdn Bhd <i>(formerly known as Mi Precision Sdn Bhd)</i>	31 July 2017	100%	Manufacturing and sales of modules and component parts.
Mi Autobotics Sdn Bhd	20 September 2018	100%	Research and development, engineering, manufacturing, and assembly of smart and highly mechatronics industry robots and advanced factory automation equipment and machineries, and sales of intelligent software solutions and systems.
Mi Equipment Korea Co Ltd	20 January 2020	70%	Engineering centre carrying out research and development activities.
Subsidiary companies of Mi International Pte Ltd			
Mi Sales & Services (M) Sdn Bhd <i>(formerly known as Mi Equipment Sales & Services Sdn Bhd)</i>	4 November 2014	100%	Sales and marketing of machines and provision of maintenance services and technical support, as well as sales of related spare parts and components.
Suzhou Mi Equipment Co Ltd	22 January 2013	100%	Sales and marketing of machines and provision of maintenance services and technical support, as well as sales of related spare parts and components.
Mi Equipment (Taiwan) Co Ltd	10 June 2011	100%	Sales and marketing of machines and provision of maintenance services and technical support, as well as sales of related spare parts and components.
Mi Equipment USA Inc	4 June 2015	100%	Sales and marketing of machines and provision of maintenance services and technical support, as well as sales of related spare parts and components.
Mi Sales & Services (S) Pte Ltd	28 January 2019	100%	Sales and marketing of machines and provision of maintenance services and technical support, as well as sales of related spare parts and components.

CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Foo Hee Chaik

(Independent Non-Executive Chairman)

Oh Kuang Eng

(Executive Director/Group CEO)

Yong Shiao Voon

(Executive Director/Group CFO)

Koay Huck Khim

(Executive Director)

Lee Boon Leng

(Independent Non-Executive Director)

Tan Boon Hoe

(Independent Non-Executive Director)

AUDIT COMMITTEE

Tan Boon Hoe (Chairman)

Lee Boon Leng (Member)

Foo Hee Chaik (Member)

NOMINATION COMMITTEE

Lee Boon Leng (Chairman)

Tan Boon Hoe (Member)

Foo Hee Chaik (Member)

REMUNERATION COMMITTEE

Foo Hee Chaik (Chairman)

Lee Boon Leng (Member)

Tan Boon Hoe (Member)

HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

No. 20, Medan Bayan Lepas Technoplex
MK 12, Taman Perindustrian Bayan Lepas
11900 Bayan Lepas, Pulau Pinang

Telephone No. : 04-373 8688

Facsimile No. : 04-373 8788

PRINCIPAL BANKER

Hong Leong Bank Berhad

15-G-1, Bayan Point, Medan Kampung Relau
11900 Bayan Baru, Pulau Pinang

Telephone No. : 04-332 5650

Facsimile No. : 04-324 0928

AUDITORS

BDO PLT (LLP0018825-LCA & AF 0206)

Chartered Accountants

51-21-F, Menara BHL
Jalan Sultan Ahmad Shah
10050 Pulau Pinang

Telephone No. : 04-222 0288

Facsimile No. : 04-222 0299

COMPANY SECRETARY

Ch'ng Lay Hoon (SSM PC No.: 201908000494)

(MAICSA 0818580)

REGISTERED OFFICE

Suite 12-A, Level 12, Menara Northam
No. 55 Jalan Sultan Ahmad Shah
10050 Georgetown, Pulau Pinang

Telephone No. : 04-228 0511

Facsimile No. : 04-228 0518

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd

Level 7, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, Damansara Heights
50490 Kuala Lumpur

Telephone No. : 03-2084 9000

Facsimile No. : 03-2094 9940

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Name : MI

Stock Code : 5286

WEBSITE

www.mi-eq.com

BOARD OF DIRECTORS



Foo Hee Chaik
Independent Non-Executive Chairman  1

Oh Kuang Eng
Executive Director/Group CEO  2

Yong Shiao Voon
Executive Director/Group CFO  3

Koay Huck Khim
Executive Director  4

Lee Boon Leng
Independent Non-Executive Director  5

Tan Boon Hoe
Independent Non-Executive Director  6



PROFILE OF DIRECTORS



FOO HEE CHAIK

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Age : 64

Nationality : Singaporean

Date of Appointment

- ◆ 29 August 2017

Gender

- ◆ Male

Qualifications

- ◆ Diploma in Management Accounting and Finance, National Productivity Board of Singapore
- ◆ Master of Business Administration, University of Western Sydney

Working Experience

38 years of experience in the semiconductor industry involving, amongst others, accounting, purchasing, logistic management, production planning and supply chain management

- ◆ Associate Accountant, Fairchild (S) Pte Ltd (1979-1982)
 - Responsible for cost accounting
- ◆ Cost Accountant, Astec International (S) Pte Ltd (1982-1985)
 - Responsible for cost accounting and management reporting
- ◆ Production Control Manager, Silicon Systems (S) Pte Ltd (1985-1991)
 - Responsible for production planning and control
- ◆ Director of Material, Silicon Systems (S) Pte Ltd (1991-1998)
 - Overseeing material planning, production planning, purchasing and warehousing functions
- ◆ Director of Turnkey, Chartered Semiconductor Manufacturing Ltd (1998-2000)
 - Handling post fabrication operations which include e-test operations and turnkey services
- ◆ Director of Production Control, Broadcom Singapore Pte Ltd (2000-2008)
 - Responsible for the supply chain in Asia and overseeing the purchasing and logistic department
- ◆ Senior Director of Supply Chain, Broadcom Singapore Pte Ltd (2008-2014)
- ◆ Senior Director of Supply Chain, Broadcom Singapore Technologies Pte Ltd (2014-2017)
 - Overseeing the supply chain and central factory planning

Membership of Board Committees in Mi Technovation Berhad

- ◆ Chairman of Remuneration Committee
- ◆ Member of Audit Committee and Nomination Committee

No of Board Meeting attended in FY2019

- ◆ 7/7 (100%)

Directorship in other listed issuers/public companies

- ◆ None

Any family relationship with any director/major shareholder of the Company

- ◆ No

Any conflict of interests with the Company

- ◆ None

Any conviction for offences within the past five (5) years other than traffic offences

- ◆ None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019

- ◆ None

PROFILE OF DIRECTORS (CONT'D)

Date of Appointment

- ◆ 19 June 2017

Gender

- ◆ Male

Qualifications

- ◆ Bachelor of Engineering (Honours Class 1 Mechanical), University of Malaya

Working Experience

Over 20 years of experience in the semiconductor industry with in-depth knowledge of semiconductor automated equipment and process development

- ◆ Equipment Technology & Automation Engineer, Hewlett-Packard (M) Sdn Bhd (1995-1997)
 - Responsible for design of LED test handlers with improved process flow and technology development
- ◆ Equipment Design Engineer, Hewlett-Packard Singapore Pte Ltd (1997-1998)
 - Responsible for improving process flow and technology for flex circuit laser marking machines for inkjet cartridges
- ◆ China Operation Manager, Polytool Industries Sdn Bhd (Based in Suzhou, China) (1998-1999)
 - Responsible for setting-up new office in Suzhou and sales and business development activities
- ◆ Founder & Director, AGS Automation (M) Sdn Bhd (1999, Disposed of in 2006)
 - Involved in the design and manufacturing of automated or semi-automated machines for semiconductor, electronics and electrical industries
- ◆ Founder & Director, KE Machinelab Sdn Bhd (2005-2007)
 - Involved in the research of semiconductor manufacturing technology and packaging trends
- ◆ Co-founder & Director, DPE Integration (M) Sdn Bhd (2007-2014)
 - Involved in the development, manufacturing and sale of assembly and packaging equipment, i.e. pick and place machines
- ◆ Founder & Director, Mi Equipment (M) Sdn Bhd (2013-Present)
- ◆ Group CEO, Mi Technovation Berhad (2017-Present)
- ◆ Director/Legal Representative of all subsidiaries within Mi Technovation Group of Companies (2012-Present)
 - Responsible for formulating corporate decisions related to the business direction of the Mi Technovation Group of companies, developing and implementing business strategies, and managing both business and product development of the Group

Membership of Board Committees in Mi Technovation Berhad

- ◆ None

No of Board Meeting attended in FY2019

- ◆ 7/7 (100%)

Directorship in other listed issuers/public companies

- ◆ None

Any family relationship with any director/major shareholder of the Company

- ◆ Spouse of Executive Director / Chief Financial Officer, Madam Yong Shiao Voon

Any conflict of interests with the Company

- ◆ None

Any conviction for offences within the past five (5) years other than traffic offences

- ◆ None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019

- ◆ None



OH KUANG ENG

EXECUTIVE DIRECTOR
GROUP CHIEF EXECUTIVE OFFICER

Age : 50

Nationality : Malaysian

PROFILE OF DIRECTORS (CONT'D)

Date of Appointment

- ◆ 22 August 2019

Gender

- ◆ Female

Qualifications

- ◆ Bachelor of Accounting, University of Malaya

Working Experience

Over 25 years of experience in financial management, financial shared services, ERP system implementation, cost and budgetary control and human resource management relating to manufacturing industries

- ◆ Accountant, CGPC Fabrication (M) Sdn Bhd (1994-1997)
 - Responsible for accounting and finance functions
- ◆ Plant Accountant, Tamco Switchgear (Shanghai) Co. Ltd. (1997-2001)
 - Responsible for cost management of the manufacturing plant in Shanghai
- ◆ Finance Manager, Danisco Malaysia Sdn Bhd (2001-2012)
 - Responsible for overseeing the overall activities of the finance department
- ◆ SAP Consultant, Hitachi Asia Ltd (2013-2016)
 - Responsible for the SAP system implementation within the Financial Shared Service Centre for the subsidiary companies of the Hitachi Group in South East Asia, namely Singapore and Indonesia
- ◆ Financial Controller, Mi International Pte Ltd (2016-2018)
- ◆ General Manager, Mi International Pte Ltd. (2019)
 - Overseeing financial and administrative functions as well as managing various professionals and advisers in the floatation process, cumulating to the successful listing of Mi Technovation Berhad on the Main Market of Bursa Malaysia in June 2018
 - Commenced sabbatical leave in April 2018 after the Company obtained approval for its floatation exercise. She re-joined the Group in February 2019 and was appointed as General Manager of Mi International Pte Ltd
- ◆ Chief Financial Officer, Mi Technovation Berhad (2019-Present)
 - Leading the overall support functions of the entire Mi Technovation Group, including Corporate Finance & Legal, Corporate HR & Admin and Corporate IT & Facility

Membership of Board Committees in Mi Technovation Berhad

- ◆ None

No of Board Meeting attended in FY2019

- ◆ 2/2 (100%)¹

Directorship in other listed issuers/public companies

- ◆ None

Any family relationship with any director/major shareholder of the Company

- ◆ Spouse of Group Chief Executive Officer and major shareholder, Mr Oh Kuang Eng

Any conflict of interests with the Company

- ◆ None

Any conviction for offences within the past five (5) years other than traffic offences

- ◆ None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019

- ◆ None

Note 1: Madam Yong Shiao Voon attended all 2 board meetings held subsequent to her appointment to the Board of Directors on 22 August 2019



YONG SHIAO VOON

EXECUTIVE DIRECTOR /
GROUP CHIEF FINANCIAL OFFICER

Age : 51

Nationality : Singaporean



PROFILE OF DIRECTORS (CONT'D)

Date of Appointment

- ◆ 29 August 2017

Gender

- ◆ Male

Qualifications

- ◆ Bachelor of Engineering (Honours, Mechanical), University of Malaya

Working Experience

Over 30 years of working experience in the semiconductor industry with in-depth knowledge of semiconductor automated equipment, process development and LED product development

- ◆ Mechanical Design Engineer to Senior Engineer, Hewlett-Packard (M) Sdn Bhd (1988-1992)
 - Responsible for handling the design of automated machines and fixtures
- ◆ Manufacturing Technology Specialist Engineer, Hewlett-Packard (M) Sdn Bhd (1992-1994)
 - Responsible for developing new enabling manufacturing processes and materials
- ◆ Automation Section Manager to Senior Manager, Hewlett-Packard (M) Sdn Bhd (1994-1997)
 - Leading engineering teams in developing automated machines and fixtures and new enabling manufacturing processes and materials
- ◆ Senior Equipment Technology and Automation Department Manager, Hewlett-Packard (M) Sdn Bhd (1997-1999)
 - Leading automation, electronics test (wireless semiconductor), electronics test (optoelectronics) and instrumentation (machine control, vision inspection, calibration lab) divisions and setting up electronic test capabilities for new divisions
- ◆ Engineering and Development Group Manager to R&D Director, Lumileds (M) Sdn Bhd (1999-2009)
 - Responsible for manufacturing and quality assurance functions as well as leading R&D activities
- ◆ Development and Engineering Director, SILQ (M) Sdn Bhd (2009-2014)
 - Responsible for R&D processes, packaging and materials and full light fixture designs
- ◆ CEO, SILQ (M) Sdn Bhd (2014-2016)
 - Responsible for developing and implementing business strategies
- ◆ Manufacturing Director to Quality Assurance Director, Mi Equipment (M) Sdn Bhd (2016-2018)
 - Responsible for overseeing overall manufacturing activities and subsequently intellectual property management and quality control implementation
- ◆ General Manager, Mi Components Sdn Bhd (2019 – Present)
 - Leading the overall business operations of Mi Components Sdn Bhd

Membership of Board Committees in Mi Technovation Berhad

- ◆ None

No of Board Meeting attended in FY2019

- ◆ 7/7 (100%)

Directorship in other listed issuers/public companies

- ◆ None

Any family relationship with any director/major shareholder of the Company

- ◆ No

Any conflict of interests with the Company

- ◆ None

Any conviction for offences within the past five (5) years other than traffic offences

- ◆ None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019

- ◆ None



KOAY HUCK KHIM

EXECUTIVE DIRECTOR

Age : 57

Nationality : Malaysian

PROFILE OF DIRECTORS (CONT'D)

Date of Appointment

- ◆ 29 August 2017

Gender

- ◆ Male

Qualifications

- ◆ Bachelor of Science in Electrical Engineering (Summa Cum Laude), University of Arkansas, USA
- ◆ Master of Science in Electrical Engineering, University of Arkansas, USA

Working Experience

Over 25 years of experience in the semiconductor industry with in-depth knowledge of semiconductor equipment

- ◆ Section Manager, TECH Semiconductor Pte Ltd (1992-1995)
 - Responsible for the adoption and maintenance of the semiconductor photolithography process
- ◆ Business Manager, Excellent Scientific Instruments Pte Ltd (1995-1997)
 - Responsible for managing the sales and services of semiconductor equipment
- ◆ General Manager, MicroFab Technology Pte Ltd (1997-2000)
 - Responsible for overseeing overall business operations
- ◆ Vice President of Technology and Sales and Marketing, MicroFab Technology Pte Ltd (2000-2003)
 - Responsible for global sales and R&D technology direction
- ◆ Founder, Consultant and Director, Gemini Resource Pte Ltd (2003-2007)
 - Responsible for merger and acquisition assignments, including costs and benefits analysis of potential businesses for clients
- ◆ Co-founder and Director, Microdefine Pte Ltd (2004-2007)
 - Responsible for the design, development and sales of macro defect inspection system
- ◆ Vice President of Technology, SV Probe Pte Ltd (2007-2009)
 - Responsible for the R&D of probe cards
- ◆ Co-founder & Director, Thinksmart Learning Partners Pte Ltd (2010-2016)
 - Involved in providing science enrichment programme and tutoring services
- ◆ Co-founder and CEO, Pixtelz Pte Ltd (2011-2015)
 - Involved in developing real-time video cut-out software

Membership of Board Committees in Mi Technovation Berhad

- ◆ Chairman of Nomination Committee
- ◆ Member of Audit Committee and Remuneration Committee

No of Board Meeting attended in FY2019

- ◆ 7/7 (100%)

Directorship in other listed issuers/public companies

- ◆ None

Any family relationship with any director/major shareholder of the Company

- ◆ No

Any conflict of interests with the Company

- ◆ None

Any conviction for offences within the past five (5) years other than traffic offences

- ◆ None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019

- ◆ None



LEE BOON LENG

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age : 57

Nationality : Singaporean

PROFILE OF DIRECTORS (CONT'D)

Date of Appointment

- ◆ 29 August 2017

Gender

- ◆ Male

Qualifications

- ◆ Member of Malaysian Institute of Certified Public Accountants
- ◆ Member of Malaysian Institute of Accountants

Working Experience

Certified Public Accountant with more than 40 years of experience in auditing, accounting, assurance and advisory engagements

- ◆ Audit Assistant to Audit Manager, Deloitte Malaysia (formerly known as Kassim Chan & Co.) (1977-1995)
- ◆ Audit Partner, Deloitte Malaysia (formerly known as Kassim Chan & Co.) (1995-2013)
 - Involved in providing assurance and advisory services to corporate clients
- ◆ Partner, Boonhoe & Loo Malaysia (2013-Present)
 - Responsible for providing auditing, due diligence, advisory and other accounting related services

Membership of Board Committees in Mi Technovation Berhad

- ◆ Chairman of Audit Committee
- ◆ Member of Nomination Committee and Remuneration Committee

No of Board Meeting attended in FY2019

- ◆ 7/7 (100%)

Directorship in other listed issuers/public companies

- ◆ Independent Non-Executive Director of Uchi Technologies Berhad

Any family relationship with any director/major shareholder of the Company

- ◆ No

Any conflict of interests with the Company

- ◆ None

Any conviction for offences within the past five (5) years other than traffic offences

- ◆ None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY2019

- ◆ None



TAN BOON HOE

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age : 64

Nationality : Malaysian

PROFILE OF KEY MANAGEMENT

TEO CHEE KHEONG

GENERAL MANAGER of Mi International Pte Ltd

Gender : Male Age : 47 Nationality : Singaporean

Date first appointed to the Key Senior Management

- ◆ 18 March 2019

Qualifications

- ◆ Bachelor of Engineering (Chemical), National University of Singapore

Working Experience

Over 20 years of experience in electronics, semiconductor and engineering-related industries, with vast experience in manufacturing operations, business development, sales and marketing as well as service support activities

- ◆ Engineer, Pentex-Schweizer Electronics Pte Ltd (1998-1999)
 - Managing the engineering and manufacturing functions of LPSM (Liquid Photoimageable Soldermask) and silkscreen departments
- ◆ Manufacturing Engineer, MicroFab Technology Pte Ltd (1999-2001)
 - Responsible for equipment and process characterization of the reflow process of wafer bumping line as well as the manufacturing activities
- ◆ Manufacturing and Logistics Section Manager, MicroFab Technology Pte Ltd (2001-2002)
 - Responsible for the overall manufacturing activities, ranging from planning, manufacturing and store operations to logistics management
- ◆ General Manager, Yuki Nomi Pte Ltd (2002-2003)
 - Responsible for deploying strategies and plans to ensure continuous profitability
- ◆ Operations Manager to General Manager, Pure-ionics (Suzhou) Co., Ltd (2003-2008)
 - Responsible for project management, ranging from design, costing, execution, quality, on-time delivery, project completion to after sales services (2003-2006)
 - Responsible for future growth strategies, sales focus and market focus, operations and overall profitability (2006-2008)
- ◆ General Manager, TOT (Suzhou) Engineering Co., Ltd (2008-2016)
 - Responsible for charting overall growth, market positioning, operations and profitability
- ◆ Sales & Service Support Senior Director to General Manager, Mi International Pte Ltd (2016-Present)
 - Responsible to drive sales and marketing, business development and after sales service support activities of the Group to complement the Group's growth plans of having multiple products in multiple industries

Directorship in other listed issuers/public companies

- ◆ None

Any family relationship with any director/major shareholder of the Company

- ◆ No

Any conflict of interests with the Company

- ◆ None

Any conviction for offences within the past five (5) years other than traffic offences

- ◆ None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY 2019

- ◆ None

LOKE MUN LEONG

GENERAL MANAGER of Mi Autobotics Sdn Bhd

Gender : Male Age : 52 Nationality : Malaysian

Date first appointed to the Key Senior Management

- ◆ 01 June 2019

Qualifications

- ◆ Master of Science in Materials Engineering, Universiti Sains Malaysia

Working Experience

Over 26 years of technical and management experience in semiconductor assembly (equipment, materials and process) technology development and mass production manufacturing

- ◆ Process Development Engineers, Integrator and Module Leader, Penang Package Technology Development (PPTD), Intel (1993-1999)
- ◆ Flip Chip Front of Line Engineering Group Leader, Assembly Technology Development Malaysia (ATD-M), Intel (1999-2001)
 - Responsible for Wire Bond and Flip Chip technologies in equipment, materials and process development and integration
- ◆ Assembly Technology Development Senior Engineering Manager, Assembly Technology Development Malaysia (ATD-M), Intel (2002-2009)
 - Managing assembly, materials, pathfinding and thermal mechanical core competency groups for the CPU, Chipset and Mobile Phone products development
- ◆ Chairperson of iNEMI Asia Packaging Technology Group, i.e. a not-for-profit R&D consortium (June 2009 – Dec 2010)
 - Leading the group to identify packaging projects for industrial collaboration e.g. industry standards and understanding of large package warpage
- ◆ Senior Staff Technologist, Assembly Technology Development Malaysia (ATD-M), Intel (2009-2012)
 - Responsible for mastermind and establish the first and high yielding Package on Package technology for Intel
- ◆ Senior Staff Technologist, Kulim Microprocessor and Chipset Operations (KMCO), Intel (2012-2015)
 - Responsible for Defect Free Manufacturing to drive zero defect solutions and to proliferate the new Thermal Compression Bonding technology for the high-volume manufacturing
- ◆ Principal Engineer & Director, Lumileds Malaysia Pte Ltd (2015-2018)
 - Responsible in driving the unprecedented record high manufacturing process yield and resolving many complex problems in short time
- ◆ General Manager, Mi Autobotics Sdn Bhd (2019-Present)
 - Develop products and establish markets for Industrial 4.0 Solutions

Directorship in other listed issuers/public companies

- ◆ None

Any family relationship with any director/major shareholder of the Company

- ◆ No

Any conflict of interests with the Company

- ◆ None

Any conviction for offences within the past five (5) years other than traffic offences

- ◆ None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY 2019

- ◆ None

PROFILE OF KEY MANAGEMENT (CONT'D)

TUNG CHUN KANG

DIRECTOR, NPI ENGINEERING

Gender : Male Age : 37 Nationality : Malaysian

Date first appointed to the Key Senior Management

- ◆ 01 January 2018

Qualifications

- ◆ Bachelor of Computer Science, Universiti Teknologi Malaysia

Working Experience

15 years of experience in the semiconductor equipment manufacturing industry with strong technical and engineering know-how involving design, engineering processes and development of assembly and packaging equipment

- ◆ System Design Engineer, Penang Seagate Industries (M) Sdn Bhd (2005-2006)
 - Responsible for designing, developing and implementing system software used for in-house supply chain system
- ◆ Machine Software Engineer, SRM Integration (Malaysia) Sdn Bhd (2006-2008)
 - Responsible for designing, developing, debugging and testing of machine control software for machines with high output UPH used in the semiconductor industry
- ◆ Machine Control Software Specialist Engineer, DPE Integration (M) Sdn Bhd (2008-2014)
 - Responsible for software development for assembly and packaging machines
- ◆ Machine Control Manager, Mi Equipment (M) Sdn Bhd (2014-2015)
- ◆ Machine Control Senior Manager, Mi Equipment (M) Sdn Bhd (2016-2018)
- ◆ Product Development Engineering Senior Product Manager, Mi Equipment (M) Sdn Bhd (2018)
 - Responsible for software development and engineering process management
- ◆ Engineering Director, Mi Equipment (M) Sdn Bhd (2018-2019)
 - Responsible for the overall engineering aspects of the Group's semiconductor equipment
- ◆ NPI Engineering Director, Mi Equipment (M) Sdn Bhd (2019-Present)
 - Responsible for the overall NPI engineering aspects of the Group's semiconductor equipment

Directorship in other listed issuers/public companies

- ◆ None

Any family relationship with any director/major shareholder of the Company

- ◆ No

Any conflict of interests with the Company

- ◆ None

Any conviction for offences within the past five (5) years other than traffic offences

- ◆ None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY 2019

- ◆ None

CHAN TIRNG KAAI

DIRECTOR, MANUFACTURING & DEVELOPMENT ENGINEERING

Gender : Male Age : 32 Nationality : Malaysian

Date first appointed to the Key Senior Management

- ◆ 01 January 2018

Qualifications

- ◆ Bachelor of Mechanical Engineering, Universiti Sains Malaysia

Working Experience

10 years of experience in the semiconductor equipment manufacturing industry with strong technical know-how in the field of mechanical design, involving the design and development of assembly and packaging equipment

- ◆ Mechanical Designer, DPE Integration (M) Sdn Bhd (2010-2014)
 - Involved in the design and development of assembly and packaging equipment
- ◆ Senior Mechanical Engineer, Mi Equipment (M) Sdn Bhd (2014-2015)
 - Responsible for the design and development of new products as well as technical support, planning and managing R&D project schedules
- ◆ Machine Design Development Manager, Mi Equipment (M) Sdn Bhd (2015-2016)
- ◆ Machine Design Development Senior Manager, Mi Equipment (M) Sdn Bhd (2017)
- ◆ Product Development Engineering Senior Product Manager, Mi Equipment (M) Sdn Bhd (2018)
 - Responsible for the design and development of assembly and packaging machines
- ◆ Manufacturing & Development Engineering Director, Mi Equipment (M) Sdn Bhd (2019-Present)
 - Responsible for the entire manufacturing operations, including schedule planning, costing, procurement and inventory management, front of line, end of line, as well as delivery and logistics arrangement
 - Responsible for the overall engineering aspects of the Group's semiconductor equipment

Directorship in other listed issuers/public companies

- ◆ None

Any family relationship with any director/major shareholder of the Company

- ◆ No

Any conflict of interests with the Company

- ◆ None

Any conviction for offences within the past five (5) years other than traffic offences

- ◆ None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY 2019

- ◆ None

PROFILE OF KEY MANAGEMENT (CONT'D)

EVELYN NG ZHEN ZHING

DIRECTOR, QUALITY ASSURANCE

Gender : Female Age : 34 Nationality : Malaysian

Date first appointed to the Key Senior Management

- ◆ 01 January 2018

Qualifications

- ◆ Bachelor of Computer Science, Universiti Sains Malaysia

Working Experience

12 years of experience in the semiconductor equipment manufacturing industry, covering various fields ranging from software and hardware application, sales and customer service to quality system and intellectual property management

- ◆ Software Engineer to Senior Engineer, DPE Integration (M) Sdn Bhd (2008-2012)
 - Responsible for vision inspection, software and hardware application for assembly and packaging equipment as well as handling customers' enquiries and complaints
- ◆ Machine Vision Manager, DPE Integration (M) Sdn Bhd (2012-2014)
 - Responsible for hardware and software applications
- ◆ Machine Vision Manager, Mi Equipment (M) Sdn Bhd (2014-2016)
 - Responsible for new equipment installations, buyoffs and provision of equipment training to customers as well as managing IT requirements, covering both software and hardware purchase and setup
- ◆ Sales and Services Senior Manager, Mi Equipment Sales & Services Sdn Bhd (2016)
 - Responsible for maintaining and expanding customer base as well as providing service support for customers' production needs
- ◆ Equipment and Vision Application Senior Manager, Mi Equipment (M) Sdn Bhd (2017)
 - Responsible for providing equipment training as well as maintenance of standard operating procedures for vision assembly
- ◆ Quality & IP Senior Manager to Director, Mi Equipment (M) Sdn Bhd (2017-2019)
 - Responsible for matters related to quality system, intellectual property and International Organisation for Standardisation Certification for the Group's semiconductor equipment
- ◆ Quality, Intellectual Property & Project Management Director, Mi Equipment (M) Sdn Bhd (2019-Present)
 - Responsible for matters related to quality system, intellectual property and International Organisation for Standardisation Certification for the Group's semiconductor equipment
 - Responsible for overseeing and managing new product/module, project risks, issues, change control and communicating the impact to the project

Directorship in other listed issuers/public companies

- ◆ None

Any family relationship with any director/major shareholder of the Company

- ◆ No

Any conflict of interests with the Company

- ◆ None

Any conviction for offences within the past five (5) years other than traffic offences

- ◆ None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY 2019

- ◆ None

WONG MING NEE

DIRECTOR, CORPORATE FINANCE & LEGAL

Gender : Female Age : 45 Nationality : Malaysian

Date first appointed to the Key Senior Management

- ◆ 01 January 2018

Qualifications

- ◆ Bachelor of Accounting, University of Malaya
- ◆ Master of Business Administration, Universiti Utara Malaysia.
- ◆ Member of Malaysian Institute of Certified Public Accountants
- ◆ Member of Malaysian Institute of Accountants

Working Experience

21 years of experience in financial management with in-depth knowledge and track record of accomplishments in planning, organizing, controlling and monitoring financial resources with a view to achieve organisational goals and objectives

- ◆ Tax Assistant to Assistant Manager, Ernst & Young Tax Consultants Sdn Bhd (1999-2005)
 - Responsible for leading tax and accounting duties, including tax compliance and advisory assignments
- ◆ Senior Finance Officer, Globetronics Sdn Bhd (2005-2010)
 - Responsible for managing the company's consolidated accounts, quarterly interim reporting to Bursa Securities and other corporate reporting matters
- ◆ Finance Manager, Ipsen Industrial Furnaces Sdn Bhd (2010-2013)
 - Responsible for the overall financial management and financial reporting
- ◆ Head of Finance Operation, Air Asia Global Shared Services Sdn Bhd (2013-2015)
- ◆ Chief Financial Officer, Air Asia Global Shared Services Sdn Bhd (2015-2016)
 - Responsible for leading and managing overall financial matters
- ◆ Finance and Administration Senior Manager to Director, Mi Equipment (M) Sdn Bhd (2017-2019)
 - Responsible for overseeing the overall back office support functions as well as the floatation process which resulted in the successful listing of Mi Technovation Berhad on the Main Market of Bursa Malaysia in June 2018
- ◆ Corporate Finance & Legal Director, Mi Technovation Berhad (2019-Present)
 - Responsible for overseeing the overall financial management, corporate finance and legal related matters of the Group

Directorship in other listed issuers/public companies

- ◆ None

Any family relationship with any director/major shareholder of the Company

- ◆ No

Any conflict of interests with the Company

- ◆ None

Any conviction for offences within the past five (5) years other than traffic offences

- ◆ None

Any public sanction or penalty imposed by the relevant regulatory bodies during FY 2019

- ◆ None



CHAIRMAN'S STATEMENT



Being a technology company, our value is derived from unceasing innovation. We hold this belief at heart as we set out to expand both the depth and breadth of our offering.



FOO HEE CHAIK

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Dear Shareholders,

It has been a remarkable journey for the Mi Technovation group. From our humble beginning in 2014, we rose to become a globally recognized brand in semiconductor assembly and packaging equipment, staking significant market share. I am extremely proud of what we have accomplished in our short history and how we are positioned for the future.

Our name itself spells out what we unflinchingly stand for: Technology & Innovation. Being a technology company, our value is derived from unceasing innovation. We hold this belief at heart as we set out to expand both the depth and breadth of our offering. For our **Semiconductor Equipment Business Unit**, we launched a new *Mi40* model reinforcing our position as an advanced and leading player while we simultaneously develop enhanced platforms for our final test and vision inspection equipment. Notable progress was made by our **Automation, Robotics & Artificial Intelligence Business Unit** with the successful commercialisation of its products. The first precision module designed by our **Modules and Components Business Unit** is already in production and we are developing more prototypes to be qualified in 2020.

As the pace of technology change increases, we need to remain agile and focused in the way we pursue our strategic goals and discover new opportunities. To remain relevant, we look beyond what is required today and keep asking ourselves – What's next? This is the mindset we adopt at Mi Technovation which sets us apart from the rest as we look to innovate for tomorrow.

CHAIRMAN'S STATEMENT (CONT'D)

Performance Review

In 2019, we delivered our highest ever revenue since inception, driven by exceptional execution and unfaltering commitment. We ended the year with revenue of RM191.1 million as compared to RM160.4 million in the preceding year. The growth of 19.2% was fuelled by our *Mi40* series which was launched in May 2019. There was some pullback in the first quarter due to uncertainties caused by trade tensions, but the situation swiftly turned around in the second quarter. With machine learning, deep learning and other forms of artificial intelligence driving the future, our new division under Mi Autobotics successfully generated revenue after only nine months pre-operation period. Group pre-tax and after-tax profits achieved for the financial year were RM59.5 million and RM59.2 million, respectively.

As we seek to expand, it is of utmost importance that we do it profitably. After all, innovation is funded by profits. We measure our success and internal efficiency through profit margins. In 2019, both our gross and net margins of 48.6% and 31.0%, respectively, were above the margins recorded in 2018. This is despite our significant expansion with the completion of our Bayan Lepas plant and 99% completion of the Batu Kawan plant. We also successfully set up our overseas engineering centre in Taiwan with the Korea centre underway in 2019 which eventually officiated in early 2020. The Board evaluates investment decisions carefully and will not sacrifice the margins we have committed to our shareholders.

After providing for the needs of the business, we have declared an interim dividend of 1 sen paid in July and a second interim dividend of 3 sen. This cumulated to a total payout ratio of 46.2% which is in excess of our dividend policy of at least 20% of our annual audited PAT. In addition to this, we have also completed a 1-for-2 bonus issue during the year.

Sustainability

As we seek to deliver value, business result is just one measure of our success. The Board strives towards transparency and accountability and we continue to improve our corporate governance for long term success and performance. Building a sustainable business is our foremost priority and this encompasses environmental, social, and governance (ESG) concerns. The Sustainability report set out from pages 28 to 49 comprehensively details our sustainability performance, key highlights and achievements for the year under review.

As a sustainable company, we value our employees as they are the driving force behind our success. During the year, we have taken steps to ensure that our employees participate in the success of our performance by introducing a share grant scheme. This will support our goal of promoting a high-performance culture within our team.

Acknowledgements

On behalf of the Board and management I would like to mention our appreciation to Ms. Ong Tee Ni, who retired from the Board on 11 June 2019. I would also like to express our sincere gratitude to stakeholders, including our valued customers, shareholders and business associates - thank you for the trust you have placed in Mi Technovation.

To conclude, I would like to once again thank all employees, the management team and my colleagues on the Board for their hard work and strong commitment. Never forget why you started and forge ahead.

Foo Hee Chaik

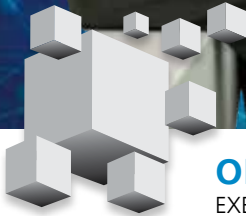
Independent Non-Executive Chairman



CEO'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS



"To strengthen our trajectory as a globally recognised technology company, owning world-class infrastructure is essential. In 2019, we focused on building our local facilities and initiated overseas investments which forms the foundation of our future plans."



OH KUANG ENG

EXECUTIVE DIRECTOR / GROUP CHIEF EXECUTIVE OFFICER

1. 2019: The Year in Review

We successfully completed the Bayan Lepas plant and re-location for the semiconductor equipment business unit was carried out smoothly with no interruptions to our operations. Construction of the Batu Kawan plant was 99% completed at the end of 2019 and the Automation, Robotics & Artificial Intelligence Business Unit (Mi Autobotics) is expected to occupy the space in mid-2020.

In 2019, we adopted a new approach of establishing overseas engineering centres to retain our competitive edge being a technology company. We have successfully officiated our Taiwan and Korea centres and will be looking to set-up the China engineering centre in the near future. Moving forward, various product development initiatives will be undertaken overseas, and the main production facilities will continue to be based in Penang, Malaysia.

Many deemed 2019 to be a challenging year laced with uncertainties created by trade tensions and subdued macroeconomic conditions. While we cannot avoid adverse macro conditions, we plan for the long-term and view challenges as opportunities to emerge stronger and more resilient. We exited the year on a triumphant note, recording our highest revenue to date, supported by the underlying strength of our products and technology.

I am proud of our headway and progress achieved in the past year. We have set high standards and expectations for ourselves in 2020. To achieve this, we have put in place a focused strategy for sustainable growth.

CEO'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

2. Summary and Overview of the Group's Business

Our Group has three business divisions under the holding company, Mi Technovation Berhad. The business divisions are parked under the following subsidiary companies:

2.1 Mi Equipment (M) Sdn Bhd: Semiconductor Equipment Business Unit

We are a leading manufacturer of equipment used for advanced packaging in the semiconductor industry. We leverage on our engineering and technical expertise to design and develop our in-house brand of equipment. Our key product is our flagship *Mi Series* wafer level chip scale packaging (WLCSP) die sorting machine under our assembly and packaging equipment range.

WLCSP is one of the most advanced form of packaging used in the semiconductor industry. This is because of its strength in performance and the cost advantages it delivers for smartphones, tablets and other applications which require high functionality and low power consumption in small form factor.

The equipment categories and series produced under this business unit are set out below:

Equipment category	Series name	Description
Assembly & Packaging	Mi	Mi series is used for die sorting from wafer to carrier tape for bare die, bump/flip chips and WLCSP
	Ai	Ai series is a bonder machine for precision chips or optical components
	Li	Li series is a wafer reconstruction machine for fan out wafer level package
Vision Inspection	Vi	Vi series is a semiconductor inspection system equipped with visible/ invisible light & laser inspection system designed for internal structures and defects inspection
Final Test	Si	Si series is a final test machine for WLCSP, fine pitch high density substrate & ball grid array (BGA)

2.2 Mi Autobotics Sdn Bhd: Automation, Robotics & Artificial Intelligence (AI) Business Unit

Mi Autobotics was established to develop and build advanced automation and robotic solutions with artificial intelligence across all industries. The pre-operation period commenced in January 2019 when the first employee came on board. We commenced R&D in 2019 and have launched our *Oto* and *Kobot* series in the same year.

2.3 Mi Components Sdn Bhd: Modules and Components Business Unit

In 2019, Mi Components designed and developed the *PH Series*, being our in-house designed pick & place precision module which has been qualified and running in production mode.

3. Review of Financial Performance

We reported our highest revenue to-date of RM191.1 million in financial year ended 31 December 2019 (FY2019) which translated to a growth of 19.2% as compared to RM160.4 million in the previous financial year. Although activities were affected in the first quarter of 2019 due to uncertainties created by trade tensions, momentum picked up in the second quarter onwards owing to strong demand from our customers in Taiwan and China as a result of the growth in capital investments from certain OSATs in advanced/wafer level chip scale packaging.

CEO'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

3. *Review of Financial Performance (Cont'd)*

Our semiconductor equipment business unit contributed 99.5% of revenue. Against a backdrop of contracting semiconductor equipment market in 2019, this would equate to increased market share, especially for our flagship *Mi Series* which remained the top contributor in FY2019. In May 2019, we launched our latest *Mi40* assembly and packaging machine during the Semicon SEA 2019 exhibition in Kuala Lumpur. This enhanced model was well-received by our global customers and strengthened our reputation as the leading manufacturer of die sorting machines. Mi Autobotics registered its first revenue of RM0.22 million towards the end of the year, after a pre-operating period of only nine months. The revenue was derived from the *Oto Series* which are specialized Artificial Intelligence (AI) enabled machines. Spare parts, accessories and upgrades contributed 16.1% in FY2019. This is within the norm as this product segment typically contributes approximately 15% to revenue.

In FY2019, our revenue was derived from 10 countries with the top contributors being Taiwan, China and Malaysia. Although revenue from Malaysia came in third, most of our revenue here were derived from foreign-owned company with Malaysian operations. Local-owned Malaysian companies contributed 1.4% of revenue.

As a measure of efficiency, we aim to deliver gross profit margins of 40-50% and profit before tax margins of 20-30%. We manage all input costs, including expansion and R&D costs using the desired margin range as guidelines. Our ability to deliver and perform healthily is a result of our stringent internal financial management which is important as we are on expansion mode. In FY2019, we recorded gross profit of RM92.9 million, translating to gross profit (GP) margin of 48.6% which is towards the high-end of our guided range and above the 46.2% GP margin achieved last year. Our cost of goods sold mainly comprises raw materials, direct labour costs, subcontractor costs and plant overheads. In the financial year under review, R&D spending amounted to RM9.2 million, which comprises payroll costs for the product development engineering team as well as material costs incurred in relation to product development and new product introduction (NPI) processes.

Profit before tax (PBT) in FY2019 was 33.8% higher than the preceding year at RM59.5 million. This was mainly due to higher revenue and lower commission payable to external sales agents. PBT margin was 31.1% which exceeded our guided range. We concluded the year with profit after tax (PAT) of RM59.2 million. Our effective tax rate was 0.6% and Mi Equipment (M) Sdn Bhd successfully renewed its pioneer status for a further 5 years from 18 January 2019 to 17 January 2024.

Our performance in FY2019 would have been more superior if not for forex losses incurred of RM2.2 million which comprises of unrealized losses as at the end of the year. Approximately 93% of our revenue are denominated in USD while our costs are mostly denominated in MYR (64%) and USD (17%).

In FY2019, we completed a 1-for-2 bonus issue which increased the number of shares in issue to 750 million shares. As at the end of the year, there were 4 million treasury shares (including 1,000,000 new ordinary shares from the bonus issue) as a result of share buy-back and our basic earnings per share was 7.91 sen based on the weighted average number of shares in issue throughout the year.

Our financial position is healthy with net cash position of RM112.8 million. Gearing is minimal at 0.01 times. Net assets (NA) stood at RM379.8 million which translates to NA per share of RM0.51.

Our quick ratio in FY2019 was 5.5 as compared to 6.8 in FY2018. The reduction was mainly due to utilization of cash from IPO proceeds to fund the construction of our two plants in Penang.

CEO'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

4. Review of Operating Activities

4.1 A Year of Building our Infrastructure

As highlighted previously, we plan to adopt a broader and more comprehensive product portfolio. Putting our infrastructure in place forms the foundation and platform of our 5-year blueprint. For us to effectively scale up and continue to remain competitive in the global space, we funnelled our resources into building two world-class facilities in Penang.

Home 1: Bayan Lepas



Our five-storey plant in Bayan Lepas was completed in May 2019 to house the operations of our semiconductor equipment business unit under Mi Equipment as well as the corporate and shared functions under the holding company, Mi Technovation.

This facility is aptly named Home 1 and has a gross floor space of 200,000 square feet. Production floor space is 90,000 square feet and the remaining area comprises amenities such as a sports complex, auditorium, al-fresco cafeteria, laundry services and even an in-house medical clinic. Keeping in mind that talent is our key asset, our new facilities are built with both business and employees in mind, creating a comfortable and integrated work environment that is pleasant for employees and conducive to productivity.

The relocation from our rented factory to Home 1 was carried out smoothly in June without disruptions to our operations. Home 1 has maximum capacity of 45 machines per month. The capacity utilization for this plant will be increased in stages and will be instrumental to achieve the growth we have planned for the semiconductor equipment business unit from now until end 2023.

CEO'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

4. Review of Operating Activities (Cont'd)

4.1 A Year of Building our Infrastructure (Cont'd)

Home 2: Batu Kawan



We commenced the construction of our second plant in May 2019 which is designed to accommodate Mi Autobotics. This plant has built-up area of 100,000 square feet comprising of manufacturing area, research & development and office space. The construction of Home 2 was completed in January 2020 and Certificate of Completion and Compliance (CCC) was obtained in February 2020. Mi Autobotics will move into this plant in mid-2020.

Engineering Centres

We regard ourselves as a technology company and being at the technological forefront is our biggest competitive edge and forms the cornerstone of our success. With our agenda to further improve our new equipment series in 2020, research & development (R&D) is a crucial focus area. With this in mind, we have re-allocated RM45 million from our IPO proceeds to be deployed towards building engineering centres in Taiwan, China and Korea. These centres will enable us to keep abreast with evolving technology trends and will give us direct exposure to top technology players as well as access to a deeper pool of talents to develop our products and know-how. These overseas engineering centres are tasked to undertake the development of our new series under the semiconductor equipment business unit.

The first overseas engineering centre was set up in Hsinchu, Taiwan in the third quarter of 2019 and has 3 engineers on board. Our engineering centre in Suwon, Korea, commenced operation in early 2020. This centre is 70% owned by Mi Technovation. The remaining 30% is held by 3 Korean individuals who are our technical consultants and our general manager of Mi Equipment Korea Co. Ltd.. Owing to the recent escalation of the COVID-19 pandemic and various travelling sanctions, there were some slowdown in the transfer of product development activities to China. However, we are hopeful that the situation will gradually improve allowing us to carry-on with our plans to set-up our China Engineering Centre.

CEO'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

4. Review of Operating Activities (Cont'd)

4.2 Intellectual Property (IP)

As at 31 March 2020, our R&D team comprises 99 personnel of which 94 are based in Malaysia and 5 in our overseas engineering centres. Protecting our technology & IP is paramount as our commercial success depends on obtaining and maintaining proprietary rights, as well as successfully defending these rights against third party challenges.

As at 31 December 2019, we have been granted 4 patents and have 20 patents pending. A further 2 are in the drafting stage. This forms an effective entry barrier and shields us from potential competitors duplicating our designs, systems and methods. We expect to continuously file patent applications when appropriate to protect our proprietary technologies. Additionally, we also protect and maintain the confidentiality of certain information about our processes, products and strategies which we believe provides us with competitive advantages. We have ongoing programs on strict confidentiality with our employees and clients, designed to maintain the secrecy of such information.

4.3 New Products & Business Strategies

Mi Equipment: Semiconductor Equipment Business Unit

Assembly & Packaging Equipment

In May 2019, we launched our latest *Mi40* model at the Semicon SEA exhibition in Kuala Lumpur. We expect our flagship *Mi Series* WLCSP sorting machine to continue gaining market share with this new *Mi40* model which offers higher speed and specifications. The qualification process was smooth, and this model is well accepted by our customers.

Moving forward, our Penang Engineering Centre will focus on die sorting equipment for WLCSP and fan-out wafer level packaging (FOWLP) applications namely the *Mi* and *Li Series*. The *Li Series* caters to FOWLP wafer/panel reconstruction process and we are targeting to launch a new platform in 2020 with enhanced features.

We have transferred the *Ai* development platform from Penang to our Suwon Engineering Centre in Korea in early 2020. We have started our laser assisted bonding (LAB) equipment development in Suwon, Korea and expect to deliver the first prototype in the fourth quarter of 2020 which will integrate with our high precision die bonding/attaching machines to complete the entire *Ai Series* product portfolio.

Final Test Equipment

The China Engineering Centre will focus on fine pitch test equipment for WLCSP, substrate and BGA, namely the *Si Series*. Owing to the COVID-19 outbreak, the pace of product development transfer to China will experience some slowdown in the first half of 2020 but should the situation turn-around, we will accelerate the plans in the second half.

Vision Inspection Equipment

The Hsinchu Engineering Centre in Taiwan will focus on vision inspection equipment, namely the *Vi Series*. Existing platforms and resources have been relocated from Malaysia to Taiwan. We are launching the new models for the *Vi Series* to capture opportunities from high-end flip chip as well as system in package (SiP) and 2.5D packages on the silicon defects inspection process. The demonstration machines for this new model will undergo qualification process in 2020.

Mi Autobotics: Automation, Robotics & AI Business Unit

The first *Oto Series* product has been sold to a US company in the financial year under review. The *Kobot Series* mobile robot is at the final development stage and will be ready to launch by mid-2020. More potential customers are being approached for these products and other new designs.

The development of the *Engeye Series* (artificial intelligent products) is also gaining traction. A proof-of-concept prototype is targeted in 2020 for data collection and AI development. This product is used to perform data mining, AI analysis and decision making to assist engineers and operations to respond to and prevent the possible excursions.

CEO'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

4. Review of Operating Activities (Cont'd)

4.3 New Products & Business Strategies (Cont'd)

Mi Components: Modules and Components Business Unit

In 2019, the first product, the *PH Series*, being our in-house designed pick & place precision module has been qualified and been running in production mode. However, we will be cautious in undertaking high volume manufacturing in-house due to the capital expenditure required as we strive to maintain our profit margins guidance.

4.4 Sales & Marketing

In 2019, we sold our products worldwide into 10 countries and more than 90% was derived outside Malaysia. Our equipment are sold directly to customers as well as through appointed sales agents as local representatives in selected countries to further support our sales and services functions. We provide ongoing training to our internal and external sales representatives to keep them educated about our products.

Mi International Pte Ltd (Mi International) plays the function of our headquarters for global sales and service support. Under Mi International, we have subsidiaries in Taiwan, Suzhou, USA, Singapore and Malaysia which were established to support the sales and marketing function and provide after sales support. Our team of technical personnel interacts with customers during all stages of design and production, maintains regular contact with customer engineers, and assists in the resolution of technical problems. We maintain close relationships with our customers and provide them the necessary technical support to enhance their customer experience.

To further enhance our profile and showcase our products, we participate in local and international trade exhibitions and conferences organized by various industry related organisations. For the past few years, we have been participating in regional semiconductor exhibitions such as Semicon China, Semicon Taiwan, Semicon West and Semicon SEA organized by Semiconductor Equipment and Material International, a global industry association.

Apart from conventional promotional efforts, part of our sales and marketing approach is to provide demonstration machines to existing key clients for them to qualify our new product series. We also provide demonstration units of our products to penetrate new clients and widen our market share. As at the end of 2019, there were 18 demonstration units with our customers. These demonstration units comprise *Mi Series*, *Li Series* and *Vi Series*.

4.5 Customers & Awards

As at the end of 2019, we had approximately 53 active customers, comprising OSATs and IDMs. Active customers are those who have transactions with us in the last 12 months. Our five largest customers accounted for 59.5% of our revenue in 2019.

Mi Equipment once again received the Outstanding Supplier Award from Advanced Semiconductor Engineering Inc (ASE), one of our key customers for the past few years. ASE is widely recognised as one of the top OSATs globally. This award was conferred on us three years in a row.

4.6 Employees

As at 31 December 2019, our group has 315 employees worldwide. Of this number, 50.2% of them are engineering or technical personnel. We believe that our future prospect will depend, in part, on our ability to continue to attract and retain skilled employees. Competition for skilled personnel is intense, and suitable labour may be scarce. This is one of the reasons of us taking the crucial step of setting-up overseas engineering centres as it will allow access to a deeper pool of talents to develop our products and know-how.

4.7 Factors affecting operations and mitigating plans

In FY2019, our semiconductor equipment business unit contributed 99.5% of group revenue. The semiconductor industry is continuously evolving with ever-changing technology and industry standards. The market is driven by consumers' demands for more sophisticated technology, user-friendliness and comprehensive functionality. Our products are exposed to technological obsolescence if we are unable to keep up with the latest technology or respond to new requirements. We address this by keeping ourselves in the forefront of technology using a two-pronged strategy. Firstly, we have set up our overseas engineering centre which is in closer proximity to our customers with direct exposure to leading technology players. Secondly, we continue cultivating close relationships with IDMs and keeping in pace with upcoming trends, processes and product development.

CEO'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

4. *Review of Operating Activities (Cont'd)*

4.7 *Factors affecting operations and mitigating plans (Cont'd)*

The semiconductor industry has in the past, experienced significant and sometimes sudden and prolonged downturns. In 2018 and 2019, capex investments by our customers were affected by the on-going trade negotiations which caused uncertainties. We experienced the impacts from this in the first quarter of 2019 but momentum picked up in the second quarter onwards owing to strong demand from our customers in Taiwan and China as a result of the growth in capital investments from certain OSATs in advanced / wafer level chip scale packaging.

In 2020, the emergence of COVID-19 has brought about travel restrictions and quarantines with numerous countries around the world declaring a state of emergency in March 2020. In Malaysia, the government implemented a Movement Control Order from 18 March 2020 to 12 May 2020. Nonetheless, from 4 May 2020, we are allowed to resume operations under a conditional movement control order. To comply with this as well as to ensure the health and safety of our workforce, we were operating at the approved minimal level which led to production interruptions and deferment of shipments. During the earlier period of the outbreak, we were hopeful that the effects can be contained but further restrictions and shutdowns imposed in March through April disrupted the rhythm of the global supply chain. The 5G rollout which is a key factor to fuel further growth of the semiconductor industry will be impacted as standards work is suspended. Development of products and the deployment of both networks and devices will also be delayed. Although the full impact is still unfolding, the pandemic may have deep implications on the semiconductor industry and the forecasted growth may be hampered if the situation is not resolved by mid-year.

To achieve a more diversified revenue base and cushion the absence of medium and long-term visibility, we have put in place a blueprint of expanding beyond our core expertise in semiconductor and have identified opportunities in industrial automation under Mi Autobotics which has started contributing to revenue in FY2019.

5. *Outlook & Prospects*

Although 2020 is faced with a challenging start, it also presents the industry an opportunity to remedy current weaknesses towards a more resilient and agile future. Despite the present uncertainties, we are focused on our long-term investments such as our domestic and overseas infrastructure and maintaining engagement with customers. We believe that emerging technologies such as 5G, IoT, high performance computing and AI to be the future drivers. With our infrastructure in place and continuous R&D, we will be ready to seize any upswing in demand.

We also expect Mi Autobotics to accelerate its contribution in 2020. Disruptive events such as trade tensions and virus outbreaks have emphasized the importance of automation. Industry geography has changed with the remapping of production locations. This will create higher demand for Industry 4.0 solutions which calls for greater customization, shorter time-to-market as well as better returns for manufacturers. Automation of processes is also the way of the future to minimise disruptions stemming from manpower risks and to ensure business continuity.

6. *Concluding Statement*

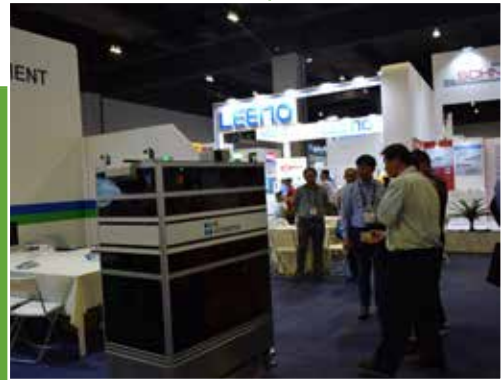
As we move into 2020, we remain steadfast in the face of volatility and the adverse economy caused by the pandemic COVID-19 as we are confident that the fundamental strength of our business and technology coupled with healthy financial position will take us through this challenge. We have the ambition to excel in the quality and services to our clients despite this situation to demonstrate that our commitment is never compromised. This is the culture within Mi Technovation and our approach to our customers. We foresee that 2020 will inevitably pose a new challenge for everyone but we are also certain that we will re-adapt and emerge stronger and better as we continue to carry out our strategies and forge forward with our objectives.

OH KUANG ENG
Group Chief Executive Officer

2019 EVENT HIGHLIGHTS

2019 Semicon South East Asia: 7-9 May 2019 MITEC KUALA LUMPUR

Our subsidiary, Mi Equipment, was the largest exhibitor in the 2019 Semicon SEA. The event was also a platform for the launch and unveiling of our latest flagship assembly & packaging equipment, the *Mi40* which offers enhanced speed and features. Altogether, seven different machines of various series were exhibited together with a mobile vehicle from Mi Autobotics. The event was a resounding success and attended by various stakeholders such as customers, industry peers, shareholders and analysts.



Soft launch of Home 1: 28 June 2019 HOME 1, BAYAN LEPAS

Our semiconductor equipment division (Mi Equipment) and holding company (Mi Technovation) completed a successful relocation to the new 200,000 square feet plant in Bayan Lepas and the internal officiation of the plant was held on 28 June 2019. It was a memorable event as we celebrated our journey since incorporation, current achievements as well as future ambitions.



2019 EVENT HIGHLIGHTS (CONT'D)

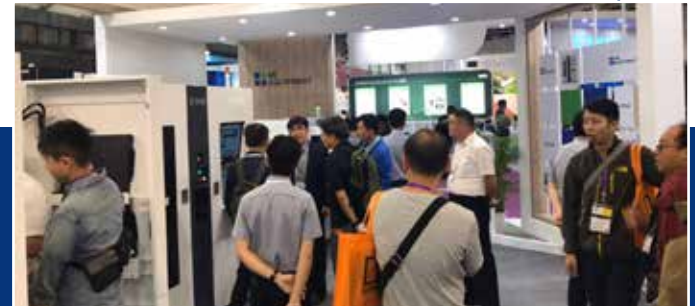
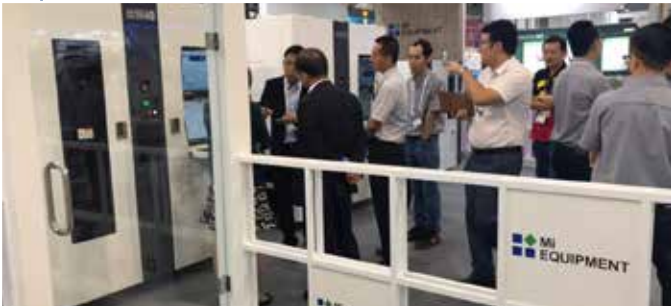
Launching of Mi Sports Arena (MiSA): 19 July 2019 HOME 1, BAYAN LEPAS

Home 1 was designed both for business and our employees in mind, creating a comfortable and integrated work environment which emphasizes health and well-being. It comprises a sports arena encompassing 9,042 square feet which features an NBA standard basketball court convertible into badminton courts, state-of-the-art gym facilities as well as a space for instructed classes such as yoga and Zumba. Following the soft launch of Home 1, we launched the Sports Complex on 19 July 2019 where employees attended in sports attire and a series of fun sports activities were held to build team spirit.



2019 Semicon Taiwan: 18-20 Sep 2019 TAIPEI NANGANG EXHIBITION CENTER, TAIWAN

Our subsidiary, Mi Equipment, participated as an exhibitor in SEMICON Taiwan 2019 which is a key event of the semiconductor industry, spanning the entire semiconductor and microelectronics supply chain. More than 700 exhibitors across the world participated in the show with focuses of smart applications, autonomous electric vehicles and more. We exhibited three different types of machines in this event, showcasing them to potential customers and industry leaders.



Commencement of Overseas Engineering Centres 1 July 2019: HSINCHU, TAIWAN 20 January 2020: SUWON, KOREA

To retain our competitive edge being a technology company, we have successfully officiated our Taiwan and Korea centres. These centres will enable us to keep abreast with evolving technology trends and will give us direct exposure to top technology players as well as access to a deeper pool of talents to develop our products and know-how. These overseas engineering centres are tasked to undertake the development of our new series under the semiconductor equipment business unit. The Hsinchu Engineering Centre in Taiwan will focus on vision inspection equipment, namely the *Vi Series* while the Suwon Engineering Centre in Korea will be developing the *Ai Series*.



Taiwan Engineering Centre

Korea Engineering Centre

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

SCOPE AND BOUNDARIES OF SUSTAINABILITY STATEMENT

Mi Technovation's 2nd Sustainability Statement aims to continue its sustainability journey in creating positive impact on the environmental, social and governance (ESG) risk and opportunities alongside the financial implications. The scope of reporting has been expanded this year to include all the Malaysia subsidiaries:

- Mi Equipment (M) Sdn. Bhd. ("Mi Equipment");
- Mi Sales & Services (M) Sdn. Bhd. (formerly known as Mi Equipment Sales & Services Sdn. Bhd.)¹;
- Mi Components (M) Sdn. Bhd. ("Mi Components")²; and
- Mi Autobotics Sdn. Bhd. ("Mi Autobotics")³.

Mi Technovation and the aforementioned subsidiaries⁴ hereinafter will collectively be referred to as the Group in the Sustainability Statement. The data and information reported in the Statement covering the entire Group are data related to employee demographics, employee investment and corporate social responsibilities activities. Most of the data and information reported in this Sustainability Statement mainly covers Mi Equipment due to its revenue contribution of 99.5% as compared to Mi Autobotics and Mi Components, unless otherwise stated.

The disclosure for Mi Autobotics will be further enhanced in the next reporting period, parallel to its business expansion. The Group is also in the midst of implementing various policies, procedures, as well as performance monitoring within Mi Autobotics to be in accordance with Mi Equipment's practices.

Our Sustainability Statement is prepared in guidance with the 2nd Edition of Bursa Malaysia Securities Berhad's (Bursa) Sustainability Reporting Guide⁵ and applicable international guidelines i.e. the United Nations Sustainability Development Goals (UN SDGs)⁶.

REPORTING PERIOD

The data and information expressed in the 2019 Statement is for the financial year from 1st January 2019 to 31st December 2019, unless stated otherwise. Data from previous financial years ended 2017 and 2018 are to be reported where possible for comparability purposes, and to demonstrate the progress of our sustainability performance.

In presenting the information, this Sustainability Statement has been guided by the sustainability matters that are material to our targeted readers. These material sustainability matters were reviewed and validated based on a structured materiality assessment in line with the Bursa Sustainability Reporting Guide. Refer to the "Our Sustainability Priorities" section for more details on the approach of our structured materiality assessment.

¹ Mi Sales & Services (M) Sdn. Bhd., a subsidiary of Mi International Pte. Ltd. has been dormant since March 2019. As such, the sales operation, administration and service support for Malaysia and Thailand is under the purview of Mi Equipment (M) Sdn. Bhd.. Other countries apart from Malaysia and Thailand is under the purview of Mi International Pte. Ltd..

² Formerly known as Mi Precision Sdn. Bhd..

³ Newly added to the scope of reporting.

⁴ Mi Equipment (M) Sdn. Bhd., Mi Components (M) Sdn. Bhd. (formerly known as Mi Precision Sdn. Bhd.) and Mi Autobotics Sdn. Bhd. are currently located at Bayan Lepas, Penang. Mi Autobotics Sdn. Bhd. will be relocated to Batu Kawan plant in 2020.

⁵ In assisting listed issuers in preparing the Sustainability Statement as required under the Listing Requirements of Bursa Malaysia Securities Berhad [paragraph 9.45(2) and paragraph (29), Part A of Appendix 9C of the Main Market Listing Requirements (supplemented by Practice Note 9). Main Market Listing Requirements on Sustainability Reporting.

⁶ <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

SUSTAINABILITY STATEMENT (CONT'D)

HOW WE CREATE VALUE

OPERATING LANDSCAPE

Semiconductors are critical components used extensively in electronic devices and applications across many industries, including industries with high technology supply chain such as telecommunications, advanced electronics, automotive assembly lines, diversified industrials as well as biological and pharmaceuticals practices.

Despite the remarkable growth in 2018, the Semiconductor Industry Association (SIA)⁷ reported in February 2020 that worldwide sales of semiconductors in 2019 has decreased by 12.1% compared to the previous year. Coupled by the oversupply in 2018, the global market also faces significant macroeconomic headwinds, including global trade unrest and ongoing concerns about worldwide spread of the COVID-19, which could limit continued market recovery in these two years. In addition to this, it was projected that the global semiconductor sales is expected to further decrease by 0.9% in 2020 but increase by 14.5% in 2021. The positive market outlook is largely driven by the correction of the memory market of oversupply in 2018, recovery from the macroeconomic headwinds in full swing and prices ticking back up due to the evolution of fifth generation wireless technology or 5G, artificial intelligence and also based on consumers' demand of wireless technology which will benefit the global businesses and economies.

According to the KPMG International Thought Leadership publication on *"Untapped opportunities for semiconductor companies"*⁸, both small and medium ("SME") and large companies are optimistic with the growth-trend of semiconductor market as a result of research and development efficiency and tariff mitigation. It was noted that the semiconductor businesses are planning to invest in equipment, software and the workforce to help drive revenue growth in 2020.

⁷ Semiconductor Industry Association. Latest News, February 03, 2020. <https://www.semiconductors.org/worldwide-semiconductor-sales-decrease-12-percent-to-412-billion-in-2019/>.

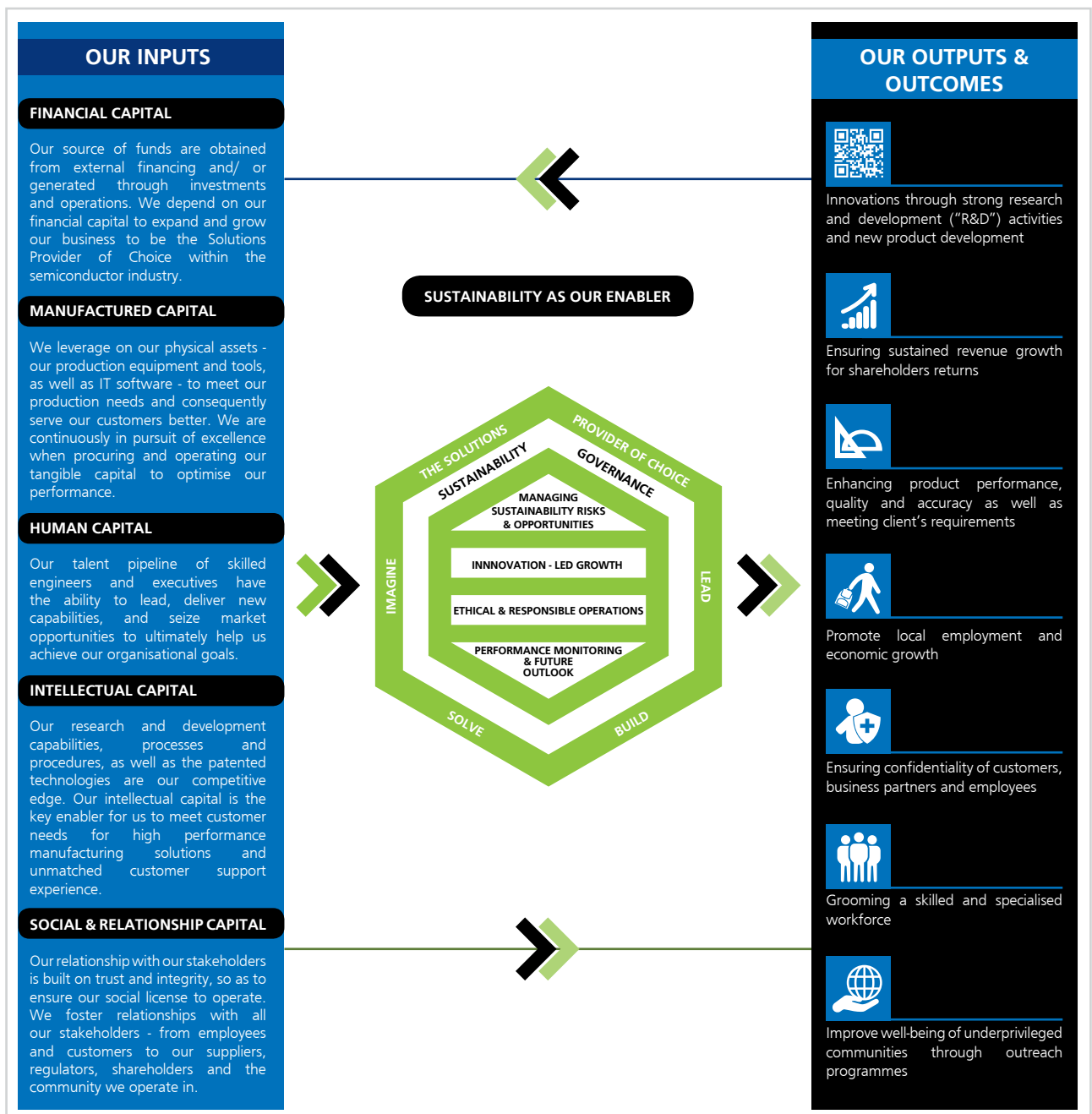
⁸ KPMG. *Untapped opportunities for semiconductor companies. Global Semiconductor Industry Outlook*

SUSTAINABILITY STATEMENT (CONT'D)

HOW WE CREATE VALUE (CONT'D)

THE VALUE WE CREATE

Mi Technovation’s vision is to become the Solutions Provider of Choice in the markets we operate in. For us to achieve this vision, we constantly enhance our business model to create value from the capitals that we employ in the most efficient way. Our business model remains relevant to us despite the diversification of our business from a single product company to a player with multiple products. Accompanied by the Group’s holistic business management incorporating environmental, social and governance (ESG) considerations alongside financial ones, we create value by delivering sustainable returns and bring positive impacts to the society we operate in. The diagram below depicts how we transform our capitals through our business activities to create value.



SUSTAINABILITY STATEMENT (CONT'D)

HOW WE CREATE VALUE (CONT'D)

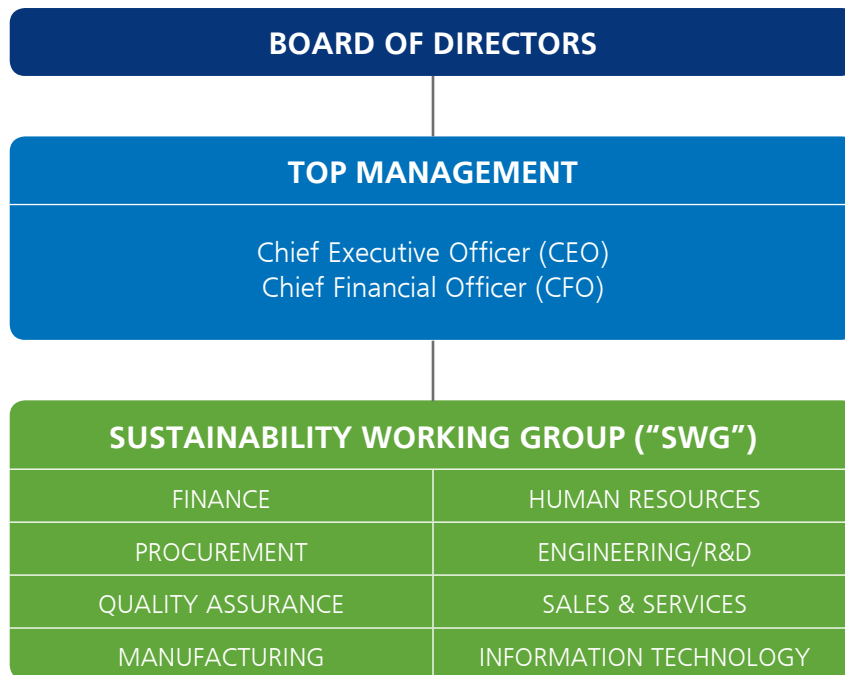
SETTING THE TONE FROM THE TOP WITH OUR SUSTAINABILITY GOVERNANCE STRUCTURE

Mi Technovation has established a Sustainability Working Group (SWG) in 2018 to serve as the representation across our business functions to incorporate ESG considerations into the day-to-day operations and decisions.

As presented in diagram below, the Board of Directors (the Board) holds the highest responsibility in driving the overall strategic direction of the Group. The Board provides strong stewardship towards incorporating sustainability into the Group's business strategies and applying a sustainability lens to business decisions.

In supporting the strategic direction and focus of the Board, the Top Management is in charge of overseeing the implementation of sustainability strategies based on the direction set by the Board. The Top Management, led by the Chief Executive Officer and assisted by the Chief Financial Officer, also serves as the intermediary between the Board and the SWG in relation to sustainability progress, updates and sustainability-related recommendations approval.

The SWG consists of representatives from business functions to adopt, implement and report activities aligning with the Group's sustainability strategies, programmes and initiatives at an operational level.



SUSTAINABILITY STATEMENT (CONT'D)

HOW WE CREATE VALUE (CONT'D)

MANAGING OUR STAKEHOLDER RELATIONSHIPS

As the Group continues to reach greater heights, we understand and appreciate the role of our stakeholders in the success of our business. We have consistently engaged with our stakeholders through various platforms to obtain feedbacks in relation to our stakeholders' expectations in our business continuity and growth. The table below summarises our key stakeholders, their areas of interest and methods and tools we implement for engagement.

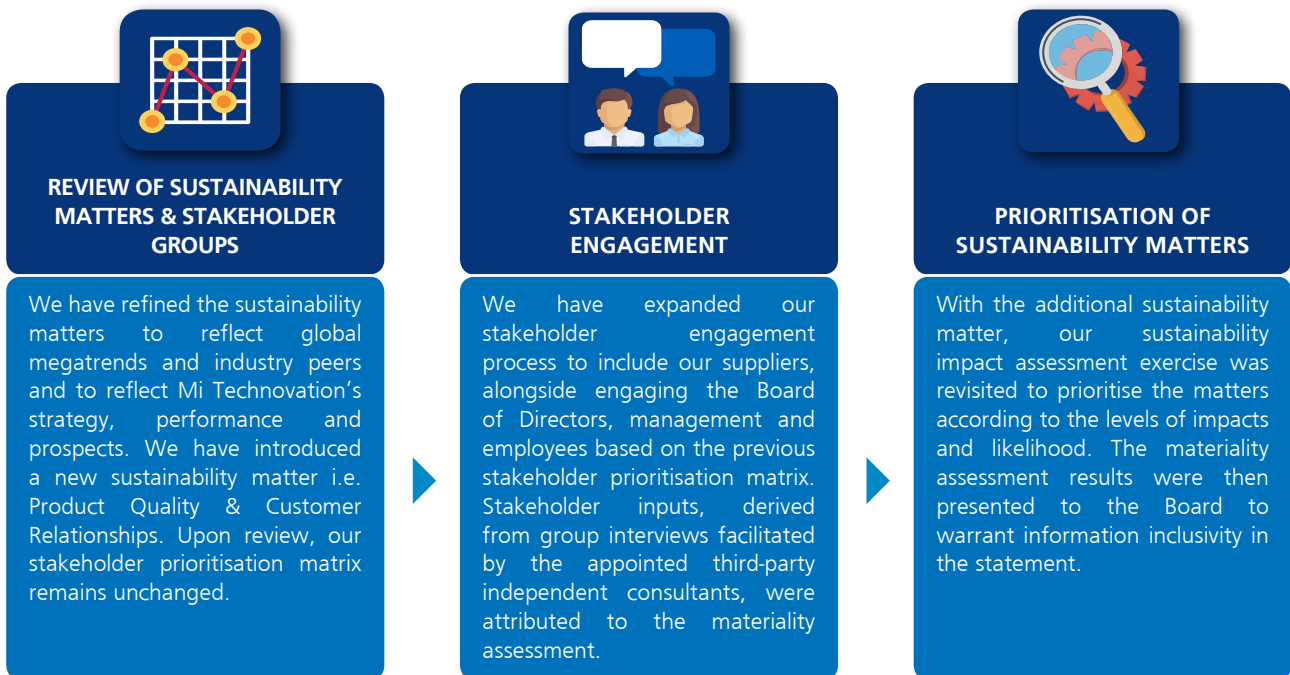
Stakeholder Group	Engagement Channels	Sustainability Matters									
		Innovation & Intellectual Property Management	Business Growth & Continuity	Data Security & IT Governance	Product Quality & Customer Relationships	Ethics & Compliance	Supply Chain Management	Fair Employment Practices & Talent Development	Occupational Health & Safety	Energy & Carbon Management	Community Investment
Directors	<ul style="list-style-type: none"> Quarterly Board meetings On-going interactions Company – related events 		✓			✓					
Management	<ul style="list-style-type: none"> Monthly Management meetings On-going interactions Company – related events 	✓	✓	✓	✓	✓		✓			
Employees	<ul style="list-style-type: none"> Employee Manual Handbook Emails Intranet Town hall meetings Performance appraisal Learning and development programmes 					✓		✓	✓		
Shareholders/ Investors	<ul style="list-style-type: none"> Annual General Meetings Financial reports Investors presentation and meetings 		✓			✓	✓				
Customers	<ul style="list-style-type: none"> On - site visit Trade fairs Exhibitions Customer training and support Feedback survey 	✓		✓	✓		✓				
Government	<ul style="list-style-type: none"> Malaysia Employer Federation ("MEF") membership Monthly meetings arranged by MEF 					✓		✓	✓		
Suppliers/ Vendors	<ul style="list-style-type: none"> Supplier Code of Conduct Supplier assessment Email correspondence On - site visit Daily interactions 		✓	✓			✓				
Communities/ Societies	<ul style="list-style-type: none"> Community involvement programmes Career Fairs Corporate website 					✓			✓	✓	
Media	<ul style="list-style-type: none"> Press release Press conferences Corporate website 		✓			✓				✓	

SUSTAINABILITY STATEMENT (CONT'D)

HOW WE CREATE VALUE (CONT'D)

OUR SUSTAINABILITY PRIORITIES

In 2019, we have reviewed our Materiality Assessment process to better reflect the prioritisation of sustainability matters. The diagram below illustrates the materiality process performed with the assistance of third-party independent consultants.



A total of 10 sustainability matters were identified and subsequently clustered under two overarching themes – Innovation-led Growth and Ethical & Responsible Operations.

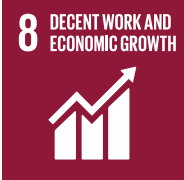

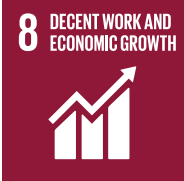


Theme 1: Innovation-Led Growth	Theme 2: Ethical & Responsible Operations
<ul style="list-style-type: none"> • Innovation & Intellectual Property Management • Business Growth & Continuity • Data Security & IT Governance • Product Quality & Customer Relationship 	<ul style="list-style-type: none"> • Ethics & Compliance • Supply Chain Management • Fair Employment Practices & Talent Development • Occupational Health & Safety • Energy & Carbon Management • Community Investment

SUSTAINABILITY STATEMENT (CONT'D)

HOW WE CREATE VALUE (CONT'D)

OUR SUSTAINABILITY PRIORITIES (CONT'D)

Summary of our key measures in response to risks and opportunities and the outcomes attributed by our initiatives

Themes	Our Sustainability Matters	Our Initiatives	Our Outcomes	Contribution towards UN SDGs
INNOVATION-LED GROWTH	Innovation & Intellectual Property Management	<ul style="list-style-type: none"> Knowledge sharing platforms such as the Internal Technology Sharing programme and the Engineering forum Annual participation in Semicon Exhibition Internal controls to manage intellectual property 	<ul style="list-style-type: none"> Increase in research and development investment to improve accuracy, quality and speed of products 	
	Business Growth & Continuity	<ul style="list-style-type: none"> Relocation to new factory in Bayan Lepas Diversification of product portfolio Strategic ventures into new business segments 	<ul style="list-style-type: none"> Broaden customer base Launch of new products Increased number of machines shipped 	
	Data Security and IT Governance	<ul style="list-style-type: none"> IT related policies Installation of IT infrastructures, controls over the access of highly confidential information 	<ul style="list-style-type: none"> Zero IT-related breaches 	
	Product Quality & Customer Relationships	<ul style="list-style-type: none"> Quality related standard operating procedures Quality checks and inspections throughout the manufacturing process 	<ul style="list-style-type: none"> Achieve high customer satisfaction rate 	
ETHICAL & RESPONSIBLE OPERATIONS	Ethics & Compliance	<ul style="list-style-type: none"> Code of Conduct and ethics related policies Compliance Reporting procedure Dedicated department with clear responsibilities 	<ul style="list-style-type: none"> Zero ethical breaches 	
	Supply Chain Management	<ul style="list-style-type: none"> Supply chain related policies Purchase of materials and supplies from local vendors/suppliers Annual supplier and subcontractor evaluation 	<ul style="list-style-type: none"> Strong cohort of local supplier partnership 	
	Fair Employment Practices & Talent Development	<ul style="list-style-type: none"> Employee wellness and benefits Investment in technical skills training and career development programmes 	<ul style="list-style-type: none"> Increased in employee satisfaction rate 	
	Occupational Health & Safety	<ul style="list-style-type: none"> Health and Safety Committee Workplace safety inspection Hazard Identification Risk Assessment and Risk Control process Crisis Management and Disaster Recovery Plan Health and safety training Health and wellness benefits 	<ul style="list-style-type: none"> Zero cases of safety accidents 	
	Energy & Carbon Management	<ul style="list-style-type: none"> Creating environmental awareness 	<ul style="list-style-type: none"> Low energy consumption 	
	Community Investment	<ul style="list-style-type: none"> Educational sponsorship Participation in community-based activities 	<ul style="list-style-type: none"> Preserve cleanliness of local neighbourhoods Support social development of local communities 	

SUSTAINABILITY STATEMENT (CONT'D)

THEME 1: INNOVATION-LED GROWTH

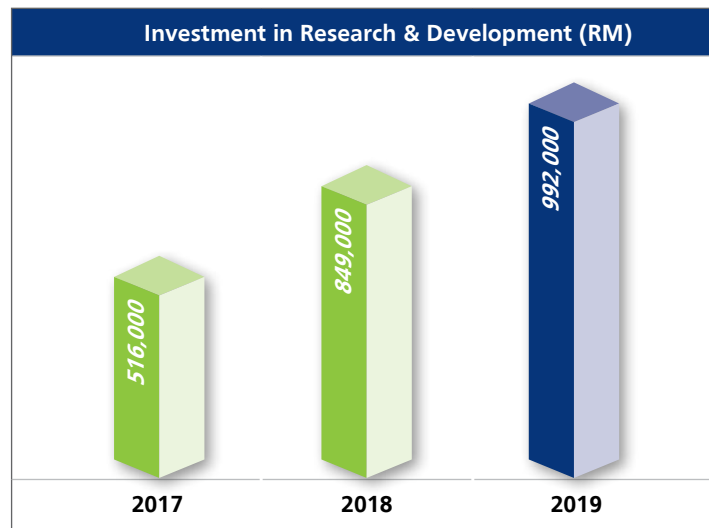


INNOVATION & INTELLECTUAL PROPERTY MANAGEMENT

We operate in a highly dynamic and challenging industry where innovation and technology are integral to the success of our business. The rapid emergence and adoption of Internet of Things (IoT), artificial intelligence (AI) and most recently 5G data networks has presented a myriad of opportunities for growth and expansion. To maximise on these opportunities, we place great emphasis on research and development (R&D) for Mi Equipment and Mi Autobotics to remain competitive and relevant in the market, as well as safeguard of our intellectual property rights against third parties. This is very critical for us as innovation would drive business growth in line with our plan to expand beyond semiconductor sector.

Research and Development

Innovation and creativity are at the centre of what we do. We continuously invest in R&D of advanced semiconductor technologies and solutions that is not only cost efficient but delivers superior product performance. During the reporting year, our R&D expenditures on material costs incurred in relation to product development and new product introduction (NPI) processes stand at RM992,000, a 17% increase from 2018. Spearheading our R&D efforts is our Group CEO and 93 development engineers who are regularly collaborating with key customers and industry players to strengthen our competitive position within the industry. The key highlight of the year is the release of *Mi40*, our latest state-of-the-art technology and highly sophisticated semiconductor assembly & packaging equipment with its faster speed and enhanced efficiency. Refer to "Business Growth and Continuity" section below for more details on the Group's plan in R&D.



Fostering Innovation and Creativity

We believe the creation of breakthrough ideas and concepts begin from an innovative corporate culture. At Mi Technovation, we highly encourage our employees to consistently seek knowledge and acquire skills through internally run initiatives such as the Internal Technology Sharing programme and Engineering Forum. These platforms provide employees from multi-disciplinaries to share the latest technology discoveries and trends as well as technical knowledge and skills that are necessary to remain relevant and competitive in the market. Furthermore, we reward employees with winning ideas through the CEO Recognition Award. Winners will be given the opportunity to fund their proposals or concepts for potential development.

SUSTAINABILITY STATEMENT (CONT'D)

THEME 1: INNOVATION-LED GROWTH (CONT'D)

Industry Networking and Collaboration

As we strive to become the Solutions Provider of Choice, we build effective and collaborative relationships with industry players and suppliers from different segments of the semiconductor value chain. Our active participation in local and international trade exhibitions and events allows us to make successful business connections on top of creating better brand awareness. Since our inception, we are regular participants of the Semicon exhibition organised by the Semiconductor Equipment and Material International. The three-day exhibition brings together industry elites from the microelectronics industry to enhance cross-industry connection, collaboration and simultaneously drive technology innovation.

Year	Organiser	Trade Exhibition/Event	Location
2019	Semiconductor Equipment and Material International	Semicon SEA	Kuala Lumpur, Malaysia
		Semicon Taiwan	Taipei, Taiwan
2018		Semicon SEA	Kuala Lumpur, Malaysia
		Semicon Taiwan	Taipei, Taiwan
2017		Semicon SEA	Penang, Malaysia
		Semicon West	San Francisco, USA
		Semicon Taiwan	Taipei, Taiwan
2016		Semicon China	Shanghai, China
		Semicon SEA	Penang, Malaysia
		Semicon Taiwan	Taipei, Taiwan
	Semicon Taiwan	Taipei, Taiwan	

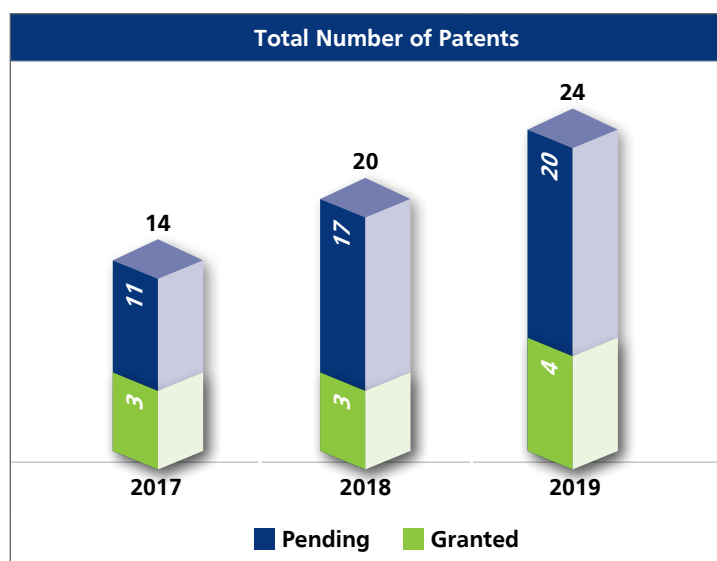
We endeavour to grow our presence in Taiwan, South Korea and China by building engineering centres in these three countries, with aims to accelerate our R&D in areas of advanced manufacturing technology and solutions, to remain relevant and competitive in the market and to address customers' business needs and objectives. Details are further set out in the "Business Growth & Continuity" section below.

Intellectual Property Management

Mi Technovation offers a broad range of inspection and testing machines for the semiconductor industry. As these technologies and solutions are designed, developed and manufactured by our in-house engineers and designers, we consider our proprietary information important assets to the Group. In safeguarding the intellectual property rights against third parties, we continuously file patent application when appropriate.

During the reporting year, we have a total of 4 patents granted and 20 patents pending grants contributed by Mi Technovation and Mi Equipment. The number of patents granted and pending are illustrated in the chart on the right.

As a testament to our efforts, there were no infringement cases reported by third parties in 2019.



SUSTAINABILITY STATEMENT (CONT'D)

THEME 1: INNOVATION-LED GROWTH (CONT'D)



BUSINESS GROWTH & CONTINUITY

While semiconductors are critical components and used extensively in electronic devices and applications across many industries, the semiconductor equipment business is rather seasonal and affected by the cyclical nature of the industry. In sustaining our business, we continuously seek to reduce the dependency on the semiconductor industry. As a result, we aim to be a player with multiple products across multiple industries by 2023.

As part of our plan towards achieving our goal, our Five-Year Blueprint guides our expansion plan to venture into automation and components sector. The plan will be carried out by our wholly owned subsidiary, Mi Autobotics to meet consumer's demands for sophisticated technology as well as superior performance and functionality. These efforts are to ease the cyclicity of the industry, and to prepare our business for the IR4.0 and the IoT.

During the reporting year, we have successfully moved into our new five-storey, 200,000 sq. ft. Bayan Lepas plant named Home 1. The new factory will increase production capacity by four folds from a maximum of 12 machines per month to maximum 45 machines per month. The construction of Home 2 located in Batu Kawan is currently underway, which will house Mi Autobotics' activities. The factory which has been completed in the first quarter of 2020 is expected to commence operations in the second quarter.

In line with the government's 2020 budget to encourage financing and capacity building for local businesses in areas of innovation and technology, we have plans to double research and development (R&D) spending to RM2 million, focusing on Mi Autobotics for the development of advanced automation and robotic solutions with artificial intelligence for the manufacturing sector in the Industry 4.0 era. Additionally, we have allocated a total of RM45 million from 2019 to 2023 to build and develop engineering centres, in line with our plans to deepen market penetration in Taiwan, South Korea and China. Please refer to the "Innovation and Intellectual Property Management" section for more details on our existing and future initiatives.

We foresee sustainability agenda to play a larger role in our day-to-day operations. In response to this, we are currently developing policies and guidelines to manage and monitor our environmental impacts. These policies and guidelines are expected to roll out in 2020. To understand our existing initiatives in managing our environmental impacts, please refer to the "Energy and Carbon Management" section of this Statement.



DATA SECURITY & IT GOVERNANCE

In light of the heightened security and network catastrophes worldwide, the call for data privacy and security have emerged as a top agenda for organisations regardless of the industry they operate in. As digital security remains a top priority to consumers, relevant regulators are amending regulations in relation to data protection to ensure organisations prioritise the privacy and security system as the foundation of digital transformation strategies.

IT Infrastructure and Controls

As a responsible organisation, it is our duty to protect the data of our employees and customers. Guided by our Information Security policy, we ensure our standard operating procedures of accessing, transferring and managing information and data are developed in a responsible manner. Accompanying this policy is the IT User Management procedure and IT Data Back Up and Recovery policy to further fortify the safety and resiliency of our internal systems and processes.

SUSTAINABILITY STATEMENT (CONT'D)

THEME 1: INNOVATION-LED GROWTH (CONT'D)

IT Infrastructure and Controls (Cont'd)

We have established and enhanced various IT infrastructures progressively over the years in compliance with the Personal Data Protection Act 2010 ("PDPA"). Examples of the infrastructures are described in the table below.

IT Infrastructures	Description
IT Asset and Management System	<ul style="list-style-type: none"> Ensure all IT Assets are managed properly in terms of documentation, maintenance, renewal and disposal Ensure all IT purchase align with the Group's needs and standards
Firewall	<ul style="list-style-type: none"> Provide advanced threat protection to secure network, wireless, web operations as well as email and web server
Antivirus	<ul style="list-style-type: none"> Provide protection for data stored on network file storage systems through rapid detection, quarantining and deleting of virus
Uninterrupted Power Supply ("UPS")	<ul style="list-style-type: none"> Reduce outages and accidents Improve energy efficiency Distribute minimal power to server in the event of power interruption
Scheduled Server and Database Backup	<ul style="list-style-type: none"> Retrieve lost, stolen or destroyed information and data in the event of failure or power shut down
Windows Server 2016 File Server	<ul style="list-style-type: none"> Prevent leakage and loss of confidential information and data
Surveillance and Security	<ul style="list-style-type: none"> Provide features such as live view, recording and playback to monitor activity of workers and visitors at site

Network Security Audits

Within the Group, we conduct bi-annual network security audits to evaluate the effectiveness of existing network security systems and processes. The audit performed is critical to understanding how well the Group is protected against security threats and to resolve underlying network security issues. Moving forward, we continue to practise this as a commitment to safeguarding the integrity and privacy of our employees' and customers' data.

Crisis Management and Disaster Recovery

As part of the Group's crisis management and disaster recovery efforts, we have rolled out the use of High Availability (HA) servers, on-site incremental and full back up as well as off-site disaster recovery servers. In the event of a disaster or impact, the HA servers ensure operations can be fully recovered with minimal interruptions and losses in revenues.

In view of the various IT infrastructures and internal controls in place, we are pleased to report zero cases of IT-related accidents and breaches for the past two years. Moving forward, we endeavour to establish encryption and proper folder access permission in strengthening data security and integrity.



PRODUCT QUALITY & CUSTOMER RELATIONSHIPS

In delivering high quality and reliability services and products, we place the emphasis on quality control with respect to our entire supply chain. This includes identification of defects during the entire product lifecycle, and ensuring our solutions remain as the customers' and market's main choice. This is accompanied with our professional after-sales and technical support to ensure successful deployment into our customers' facilities. In doing so, we are able to build and maintain long-term business relationships with our global customers. The data and information reported in this section only covers Mi Equipment due to its materiality. Mi Autobotics is in the progress of implementing such practices to follow suit Mi Equipment's practices. In terms of managing customer relationships, Mi Components does not have external customers, except for Mi Equipment and Mi Autobotics.

SUSTAINABILITY STATEMENT (CONT'D)

THEME 1: INNOVATION-LED GROWTH (CONT'D)

Embedding Quality Across Our Value Chain

Our stringent quality control and inspection procedure is carried throughout the procurement and manufacturing process. The incoming material supplies are required to undergo quality checks by the Incoming Quality Control (IQC) team before being processed at the designated assembly line to ensure correct specifications are met, and the defect components received are to be returned to suppliers. Please refer to 'Supply Chain Management' section for further information of how we assure the product quality during the procurement process.

Throughout the manufacturing process, we always ensure that our products are produced and maintained at high quality. To ensure this, we conduct quality checks and tests on our products. Our quality checks include visual and electrical inspection of the test boards, electrical wiring as well as the mechanical parts. Upon completion of each product, another series of mandatory quality test is conducted before the machine buy-off. This include module alignment setup, fine tuning, debug and testing, and test run for every machine.

We are ISO 9001:2015 certified organisation. We are currently in the process of obtaining the "Conformite Europeenne" (CE)⁹ certification and the Semiconductor Equipment and Materials International (SEMI) S2/S8 certification for our future expansion into European markets.

This year, we have established the Project Management Office (PMO) to streamline and coordinate the existing and new product introduction (NPI) projects. Among functions carried out by the PMO include monitoring project delivery and execution according to the timeline, as well as coordinating effective contingency plans in the event of delays or disruption to the manufacturing process.

The table below describes the internal controls in place to ensure that our product quality and safety are not compromised.

Internal Controls	Description	Benefits
Random Audit Inspection	Conduct daily In Process Quality Control (IPQC) activities, weekly inspections or random checks by QA team.	To ensure quality consistency and prevent repeated findings which were detected in the previous daily/weekly IPQC activities.
Scheduled Audit Inspection	Audit inspection carried out on a yearly basis in alignment to ISO 9001:2015 standards	To ensure effective implementation, maintenance and conformance to the requirements of the Quality Management System and ISO standards, as well as to identify opportunities for improvement for the betterment of existing systems and controls.
Orientation for New Subcontractors	Orientation programme to educate new subcontractor with the Group's general disciplines, safety and health procedures and quality standards	To familiarise new joiners with the Group's safety culture, policies as well as procedures to maintain and uphold working culture and values.
3-Month Probation for New Subcontractors	A 3-month probation period whereby new subcontractors are monitored by supervisor on the job	To guide new subcontractors on the Group's performance requirements and safety standards
Periodic Recalibration on Measurement Tools	A system to identify, maintain and control measuring and test equipment	To ensure measuring and test equipment are controlled, calibrated and well maintained
Two Rounds of Machine Buyoff	Set-up and machine buy-off inspection procedures conducted by engineering team with customer representative before final delivery	To ensure product quality meet customer's standards and requirements before shipment

⁹ "CE" is sometimes indicated as an abbreviation of "Conformite Europeenne" (French word for "European Conformity"). The CE mark indicates that the product may be sold freely in any part of the European Economic Area, irrespective of its country of origin.

SUSTAINABILITY STATEMENT (CONT'D)

THEME 1: INNOVATION-LED GROWTH (CONT'D)

Fostering Successful Customer Relationships

Our expanding customer base requires a dedicated sales and service task force to cater the after sales and technical support of our global customers. The sales and service teams under Mi International Pte. Ltd. and its subsidiaries in overseas render support to our international customers, whilst domestic support in Malaysia is covered by customer service and support team under Mi Equipment.

Our sales and service teams are trained professionals with vast experience in customer service and technical support. In addressing customer complaints and grievances on products, the sales and customer service personnel will escalate to the service support and Customer Quality Engineering (CQE) team to resolve the respective issues.

As a platform to engage with our customers, we conduct an annual customer satisfaction survey to gauge the understanding on cost, lead time, machine performance, product quality and delivery time. In 2019, 96% customer satisfaction rate is recorded. Amongst other customer engagement initiatives include 24-7 customer service, on-site technical support, 2-year warranty and site visits by the sales and service team when requested by customers.

Based on the results of customer satisfaction survey, we summarise the key corrective actions based on feedback received.

Assessment Criteria	Summary of key corrective actions
Pricing	<ul style="list-style-type: none"> Offer yearly or fixed discount rates to returning customers
Lead Time	<ul style="list-style-type: none"> Reduce lead time through higher production capacity and larger warehouse
Machine Performance	<ul style="list-style-type: none"> Regular follow-up on machine performance by sales and service team
Product Quality	<ul style="list-style-type: none"> Perform final quality check on products before shipment
Delivery Time	<ul style="list-style-type: none"> Monitor and track progress against committed shipment data and logistic arrangements

THEME 2: ETHICAL & RESPONSIBLE OPERATIONS



ETHICS & COMPLIANCE

We have robust internal policies, controls and procedures to ensure that good corporate governance forms the bedrock of our corporate culture. As an ethical and responsible organisation, we ensure accountability and transparency across all employee groups because we believe this will yield beneficial governance outcomes such as sustainable performance and value to the Group.

Code of Conduct

The Group is governed by the Code of Conduct for Directors¹⁰ and the Code of Conduct for Management and Employees¹¹ or collectively known as the Code. Enforced this year, the Code outlines underlying values and commitment to maintaining the standards of integrity, fairness, responsibility, commitment, diligence and professionalism as a foundation for basic standards of ethical and legal behaviour within the Group.

The Code states explicitly that all forms of insider information and securities trading, bribery and corruption are prohibited. The Code also forbids employees and Directors from offering and accepting gifts or any form of benefits from third parties. In conjunction to the Malaysian Anti-Corruption Commission ("MACC") (Amendment) Act 2018, the Group has conducted a training on Corporate Liability Provision for employees in the Finance and Human Resources department and the Executive Directors.

¹⁰ Code of Conducts for Company Directors. https://miequipment.listedcompany.com/misc/Code_of_Conduct_for_director_v2.pdf

¹¹ Code of Conducts for Management and Employees. https://miequipment.listedcompany.com/misc/Code_of_Conduct_and_Ethics_for_Management_and_Employees_v2.pdf

SUSTAINABILITY STATEMENT (CONT'D)

THEME 2: ETHICAL & RESPONSIBLE OPERATIONS (CONT'D)

Whistle Blowing

The Whistle Blowing Policy¹² stipulates the process and procedures for employees to report any improper conduct and malpractice existing within the Group. All complaints are investigated in accordance with the principles stipulated in the policy below.

- All concerns raised will be treated fairly and appropriately;
- The Group will not tolerate harassment or victimisation of anyone raising a genuine concern;
- The Group will ensure no Whistle Blower will be at risk of suffering some form of reprisal as a result of raising a concern even if he is mistaken. The Group, however, does not extend this assurance to someone who maliciously raises a matter he knows is untrue or is acting for personal gain; and
- Submission of a false or frivolous report may have consequences for Whistle Blower and he may be liable for damages towards anyone who suffered from such false report.

Compliance to Rules and Regulations

In ensuring compliance to the relevant rules and regulations of our business operations, we communicate and engage regularly with legal advisors and professional consultants to keep updated with the latest changes to applicable rules and regulations. Additionally, we extend opportunities to employees to attend relevant seminars and trainings on new rulings and legal requirements. Seminar and trainings participated in the past focused on legal topics such as the Sales and Service Tax (SST), the Employees Provident Fund (EPF), the Social Security Organisation (SOCSSO), the Malaysian Financial Reporting Standards (MFRSs) and the Occupational Safety and Health Act 1994 (Act 514). As an ISO certified company, Mi Equipment maintains and keeps documentation to ensure conformance to the ISO 9001:2015.

We continue to engage the Malaysian Employers Federation (MEF) on a regular basis to ensure our employment practices are in accordance with the applicable Malaysian employment regulations. Additionally, we have also established a legal register which details a list of legal requirements of the jurisdiction of our business operations. The register which include, but not limited to regulations under the Occupational Safety and Health Act 1994, Factories and Machinery Act 1967, Gas Supply Act 1993, Electricity Supply Act 1990, Uniform Building By-Laws 1984 and Fire Services Act 1998 – are updated regularly to reflect changes to the applicable rules and regulations and used as a point of reference in day-to-day business operations.



SUPPLY CHAIN MANAGEMENT

As the Group looks to expand its product portfolio and operating footprint worldwide, our supply chain system has grown alongside with equal complexity. The performance of our supply chain is linked to the success of the business. In applying proven sourcing strategies and close collaborations between business functions of the Group, we continuously deliver high quality products in a timely manner to our customers. The data and information reported in this section mainly covers Mi Equipment due to its materiality, unless otherwise stated. Mi Autobotics is in the progress of setting up and implementing a structured supply chain mechanism to follow suit Mi Equipment's practices.

Supply Chain Governance

Our supply chain practices are governed by the Supplier Code of Conduct. Established in 2018, the Code details requirements and obligations of suppliers on social and environmental responsibility such as human rights, prohibition of corruption and bribery as well as health, safety and environmental protection.

This is accompanied by the Procurement Purchasing Procedure which outlines strict checks and measures along the procurement and purchasing process. In ensuring the quality of supplies are upheld, the Internal Quality Control (IQC) department conducts a series of stringent quality checks to identify defects and ensure materials and supplies are within the specifications for the final product. For defective materials and supplies, the Incoming Inspection and Management of Non-Conformity (IIMNC) procedure guides the appropriate steps required in resolving the issues. In supporting a smooth manufacturing process, items are monitored against delivery schedules, inventory levels and project delivery by our production planning personnel and engineers. Refer to "Product Quality and Customer Relationships" section for more details on how the Group ensure product quality across its value chain.

¹² Whistle Blowing Policy. https://miequipment.listedcompany.com/misc/Whistle_Blowing_Policy_v2.pdf

SUSTAINABILITY STATEMENT (CONT'D)

THEME 2: ETHICAL & RESPONSIBLE OPERATIONS (CONT'D)

New Supplier Screening

In ensuring our new suppliers meet the quality standards, the New Vendor Selection evaluates criteria such as the ISO certification qualification, lead time, pricing, and credit terms. The assessment is carried out as a collective effort between the engineering, quality assurance and manufacturing departments. New suppliers with a rating above 10 are qualified to be included in the Approved Vendor List (AVL). Depending on the category of supplier assessed, each criterion is unique to cater to our quality requirements and production needs.

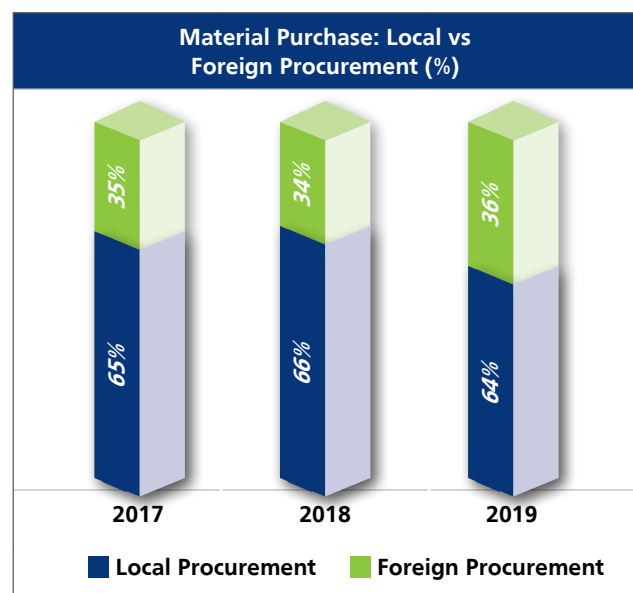
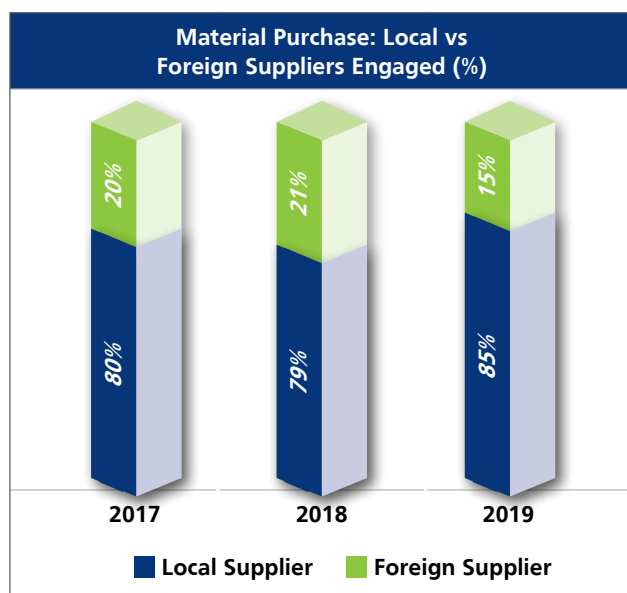
Annual Supplier Evaluation

In fulfilling our goal to improve the supplier management process, we have embarked on a Vendor Development programme this year to enhance supplier capability and encourage them to adopt industry best practices. As the first initiative under this programme, we have initiated an annual supplier evaluation for existing suppliers to continually drive positive supplier performance and reduce supply chain risks. We have a Supplier Performance Evaluation Procedure in place to assess suppliers on their technical capability, cost, quality, flexibility to support modification request and on-time-delivery performance. Suppliers with poor performance during the evaluation will be identified for further improvement actions.

Similarly, subcontractors are required to undergo a yearly evaluation review conducted by the production team. The criteria assessed include safety, quality of work, technical capability, productivity, punctuality and support overtime capability. For the underperforming subcontractors, a Supplier Corrective Action Report (SCAR) will be issued and subsequently followed up with measures in accordance to the Corrective Action procedures.

Supporting the Local Economy and Supplier Engagement

Since our inception in 2012, we always support the local economy. In 2019, our supplier engagement was approximately 85% from local vendors, with material purchase value reported at 64% of total procurement made during the year. We benefit tremendously from sourcing domestically, ranging from a more streamlined procurement process and cost benefits to reduced exposure to supply chain risks.



Note: The data for 2019 for both graphs include data for the entire Group.

SUSTAINABILITY STATEMENT (CONT'D)

THEME 2: ETHICAL & RESPONSIBLE OPERATIONS (CONT'D)

Supporting the Local Economy and Supplier Engagement (Cont'd)

We also believe in building long term relationships with suitable suppliers based on mutual trust and respect. Regular face-to-face meetings and site visits held with suppliers ensure continuity of service and successful collaboration. Our successful partnerships are demonstrated in table below.

	Average years or relationship	2017	2018	2019**
Suppliers*	5	237	235	285
Subcontractors	6	2	2	2

* Only applies to material suppliers, excluding non-trade suppliers.

** The data for 2019 for both graphs includes data for the entire Group.

This year, two supplier capability trainings were provided to our standard part vendors. The training programmes conducted are detailed below:

- Vendor Managed Inventory: A training programme to educate best practices to vendors on inventory management based on forecasted data; and
- Inventory Planning: A training programme to educate best practices to store basic module items with a lead time of more than 4 weeks.

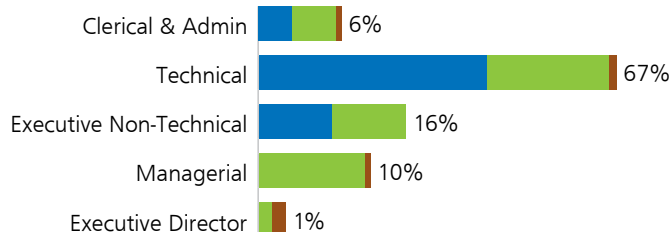
To strengthen our supply chain practices, we aim to establish assessment criteria to evaluate governance, social and environmental aspects of both new and existing suppliers. For new suppliers, we plan to create a self-assessment form prior to signing declaration form. We are also preparing to kick start supplier audits for our existing suppliers in first quarter of 2020 under the Supplier Quality Engineer (SQE) and to establish a dual source supplier strategy for critical material supplies as part of our Procurement initiatives.



FAIR EMPLOYMENT & TALENT DEVELOPMENT

We believe that the investment in our people is key to delivering our business strategy and improving our competitive edge across the markets in which we operate. For this reason, we are committed to creating a workplace that champions diversity and inclusiveness, whilst emphasising on talent development and career growth for our employees to reach their highest potentials. We have in place the Employee Handbook and various policies and procedures in relation to career development, recruitment, training and development, compensation and benefits, and performance management and disciplinary – in providing fair employment practices and professional career growth to our employees.

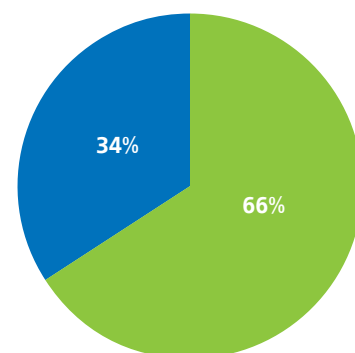
Workforce Statistics



	Executive Director	Managerial	Executive Non-technical	Technical	Clerical & Admin
Below 30	0.0%	0.0%	8.0%	51.2%	2.4%
30-50	0.4%	9.6%	8.0%	15.6%	3.2%
Over 50	0.4%	0.4%	0.0%	0.4%	0.4%

Below 30 years 30 - 50 years Over 50 years

Male to Female Employees Ratio



Female Male

SUSTAINABILITY STATEMENT (CONT'D)

THEME 2: ETHICAL & RESPONSIBLE OPERATIONS (CONT'D)

Diversity and Inclusion

We embrace a primarily young and dynamic workforce. Our workforce demography includes 61.6% of employees which are aged below 30 years old, followed by 36.8% aged between 30 and 50 years old and 1.6% aged above 50 years old. Currently, our workforce has a male to female employee ratio of 7:3.

Local Recruitment

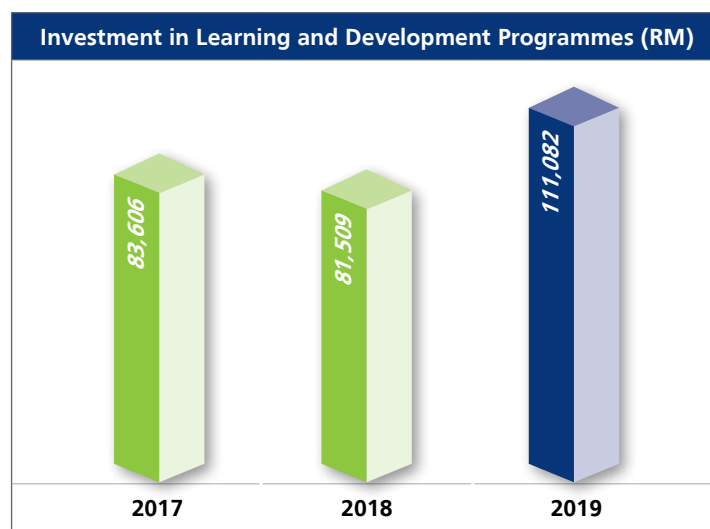
As we continue to grow our workforce population, we prioritise local recruits based on their skills and competencies. Currently, 99% of our workforce are local hires. We further our efforts to tap into the local talent pool by offering internship programmes to train local undergraduate students from different academic disciplines and achievements. For high performing talents, permanent positions with the Group will be offered.

Additionally, we scout for potential recruits through participating in Career Fairs organised by higher education institutions. Career fairs we have participated in 2019 include those of Universiti Teknologi Petronas, Universiti Teknologi Malaysia Johor, Universiti Sains Malaysia Nibong Tebal and Penang, Universiti Malaysia Perlis, and Institut Teknikal Jepun Malaysia. Similarly, this provides us recruitment opportunities to hire high performing students who can contribute positively to the organisation.

Learning and Development

As a technology company, innovative and technical competencies are crucial to the success of our business. Annually, the Human Resource department conducts a Training Needs Analysis (TNA) to evaluate core competencies of employees and identify skill gaps to better align with industry demands and needs. The TNA outcomes will be used to roll-out relevant internal and external trainings as part of our employees' career development and progression.

For the reporting year, the TNA results suggest a continuous upskill of industry knowledge and technical skills among our employees. As such, we have increased our learning and development investment to RM111,082 to provide both technical and non-technical training programmes.



SUSTAINABILITY STATEMENT (CONT'D)

THEME 2: ETHICAL & RESPONSIBLE OPERATIONS (CONT'D)

Learning and Development (Cont'd)

The table below details the list of training programmes conducted in 2019.

Name of Training Programmes	Description	Employee Category
C# Programming (Advanced)	Overview of C# syntax and control structure and data structures	Engineers
SolidWorks Essential	Build parametric models of parts and assemblies, and how to make drawings of those parts and assemblies	Mechanical Engineers
Calibration & Maintenance of Measuring & Test Equipment	Provide technical knowledge on specialised areas such as metrology, laboratory management system, calibration and traceability of measuring & test equipment	QC Technician & Engineers
2019 Semiconductor Advanced Packaging Workshop	Introduction to intelligent digital convergence for AI, 5G and fan-out wafer/ panel- level packaging and heterogeneous integrations ("SiPs")	Specialist / Managers, Director
Electro Pneumatic and Pneumatic Training	Provide technical knowledge on design, construction and application of Pneumatic systems and components	Engineers
General Dimensioning Technology ("GD&T") (Part 1)	Introduction to systems of GDT, related principles and symbology	Engineers
Microsoft Excel - Intermediate	Provide essential skills of utilising spreadsheet software in a day-to-day business environment	Employees
Licensing Manufacturing Warehouse (LMW)	Overview of the latest amendments on the Royal Malaysian Customs Department ("RMCD") legislation & customs procedures	Finance & Logistic
Employment Act 1955 & Proposed Amendments	Overview of employment termination process and other proposed amendments to the Act	Human Resource ("HR")
Corporate Liability Provision	Overview of the amendments the Malaysian Anti-Corruption Commission ("MACC") Act 2009	Finance, HR, General Manager & Executive Director
FMM Trade & Investment Mission Industrial Transformation Asia-Pacific 2019	Trade & Investment Mission	General Managers

In promoting learning environment and culture, our employees are encouraged to conduct a post-training knowledge sharing session upon completion of training programmes. In addition, employee competency levels are assessed by the Head of Department within three months of completing training programmes. Results will serve as improvement opportunities to enhance quality of our training programmes.

SUSTAINABILITY STATEMENT (CONT'D)

THEME 2: ETHICAL & RESPONSIBLE OPERATIONS (CONT'D)

Career Development and Progression

We believe supporting the career growth of our employees is essential in attracting and retaining high performing employees who contribute positively towards the Group. For management positions, we provide various career development programmes with an emphasis to develop the high performing employees with required management and communication skills. Similarly, we provide a range of career development programmes and opportunities for the non-management employees. Figures below depict career development opportunities available within our Group.



Succession Planning

A process to groom high performing employees through taking the lead of various operations within the Group and active participation in discussions for decision making



Formal Induction Programme

A comprehensive programme for new joiners, covering topics such as company profile, fundamental of Human Resources, Quality, Safety and IT-related modules



Career Path Matrix

Availability of structured career path matrix for potential employee's progression opportunity



Mentoring/Coaching

A programme where a junior member is mentored by a senior employee through on-the-job learning and training



Education Assistance Scheme ("EAS")

A programme to sponsor employees pursuing postgraduate studies/ professional qualifications

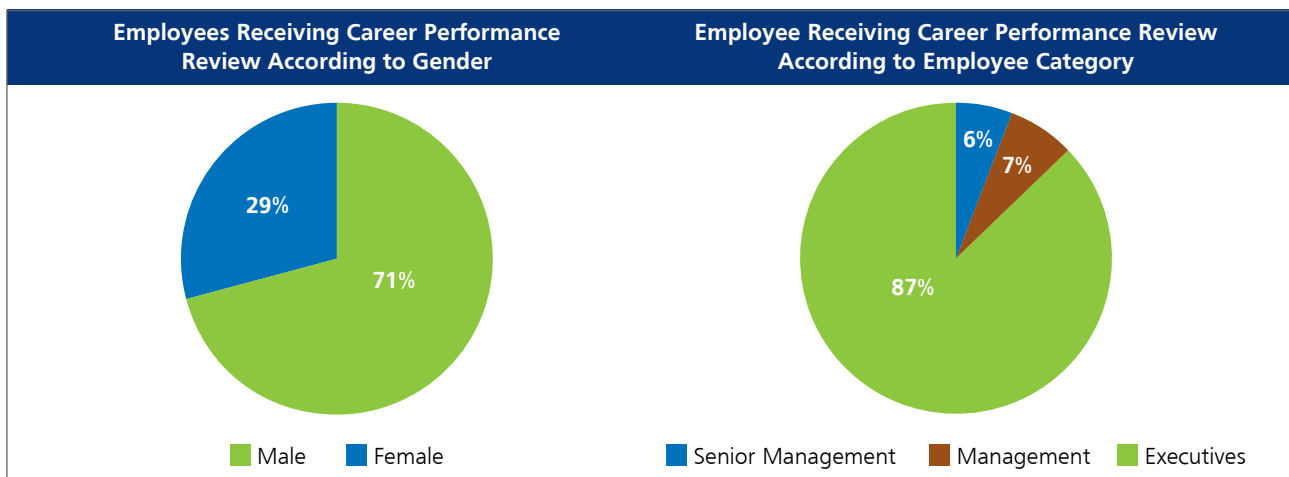


Group Sponsored Training

In-house and external training programmes for employees to acquire relevant industry knowledge and technical skills

Employee Engagement

Our year-end performance appraisal review provides an excellent platform for feedback and discussion between employees and Head of Departments in determining career aspirations, areas of improvement and fair treatment practices among others in relation to the market-rate salary schemes and well-beings. The table below provides statistics of employees receiving regular career performance and development reviews based on gender and employee category.



SUSTAINABILITY STATEMENT (CONT'D)

THEME 2: ETHICAL & RESPONSIBLE OPERATIONS (CONT'D)

Employee Engagement (Cont'd)

Other platforms available for employee communication are illustrated in the table below.

Employee Engagement and Communication Platforms at Mi Technovation



New employee Confirmation Review

Sharing session between Human Resource and new recruits to understand concerns or issues faced with regard to job scope, working environment and employee welfare



Exit Interview

1-on-1 interview session between Human Resource and employee to obtain feedbacks and discuss areas of improvement for the organisation



HR Newsfeed

e-newsletter on the latest HR related news such as announcements, past and future corporate events and useful links to Group policies and procedures.



Display Board

Announcements on latest corporate initiatives such as community service engagements, festival celebrations and other internally-organised events



Corporate HR Helpdesk

A centralised platform to communicate with the HR personnel via phone call or Group HR email



Employee Gatherings

Corporate-organised initiatives such as festival celebrations, community service engagements and social gatherings

This year, we reported a 27.2% attrition rate, as compared to 12% in FY2018. The higher attrition rate is mainly attributed to nature of the industry and the mismatch between employees and skillsets required. As we are striving to be the market leader in this competitive industry, it had been a busy year for us due to our business expansion towards serving a larger diversity of customers across various industries, in line with our business strategy.

Employee Health and Wellness

During the reporting year, we have organised a Health Body Composition Programme as part of our on-going wellness initiative. We invited a professional nutritionist in providing our employees the body composition measurement and nutrition consultation to promote healthy dietary habits and lifestyle. We have also kickstarted the Restriction of Overtime Work on Sunday programme to encourage work-life balance among our employees.

We are in the midst of completing our indoor and outdoor dining area within our Home 1 facility to promote better work culture and relationships between employees. Our Home 1 is built with an eco-conscious design in mind, with the objective to provide a greener space for employees and to promote work-life balance amongst employees. It is equipped with more plants at the surrounding and hanging gardens at each level, as well as a sports complex and gym facilities.

SUSTAINABILITY STATEMENT (CONT'D)

THEME 2: ETHICAL & RESPONSIBLE OPERATIONS (CONT'D)

The diagram below illustrates other health benefits enjoyed by our employees Group wide.



Hospitalisation Coverage



Medical Health Screening for Employees and Family Members



Group Personal Accident Plan



Panel Clinic Coverage



Dental Treatment and Optical Care



Sports Complex & Gym Facilities



OCCUPATIONAL HEALTH & SAFETY

Our employee health & safety is our utmost priority. We are committed to provide a safe working environment to all employees and contractors through rigorous internal processes and procedures, and instilling awareness of a safe work culture. Alongside safe work practices, we provide for our employees' welfare and benefits to support them.

Our Safety and Health Committee continues to uphold their roles and responsibilities to ensure effectiveness of safety and health policies and procedures, programmes and oversees the performance tracking. Amongst our safety measures and efforts include compliance to the applicable legal requirements, providing fire emergency and medical preparedness equipment, and conducting quarterly workplace safety inspections.

We have developed Emergency Preparedness and Response Plan for the Group and conducted Hazard Identification Risk Assessment and Risk Control (HIRARC) for Mi Equipment. Moving forward, we are planning to conduct HIRARC for Mi Autobotics. During the year, we also conducted various awareness trainings to ensure our employees are familiar and well-versed with the importance of occupational health and safety. As a result, we are pleased to report that there were zero cases of occupational health and safety accidents and fatality reported in 2019 at Group level.

Apart from occupational health and safety, we also emphasise the well-being of our employees. At Home 1, we have a vast sports complex where we encourage our employees to participate in various kinds of sports in the hope to promote work-life balance amongst employees. We also provide a medical / lactation room for the mothers and sick employees.

As part of our plans to provide a healthy and safe environment for our employees, we have plans to continue to improve our features of facilities within the premise. Please refer to the "Fair Employment Practices and Talent Development" section of this Statement for employee health and wellness.

SUSTAINABILITY STATEMENT (CONT'D)

THEME 2: ETHICAL & RESPONSIBLE OPERATIONS (CONT'D)



ENERGY & CARBON MANAGEMENT

Due to our nature of business, it is inevitable that we consume a considerable amount of energy. This is mainly contributed by the electricity consumption of the office buildings and plants. We acknowledge that energy management is important not only to strengthen our financial bottom line through the increased energy efficiency, but also to reduce our carbon footprints in addressing climate related risk.

In 2019, our electricity consumption has increased to 2,111,368 kWh as compared to the previous year in which the electricity consumption was only 902,581 kWh. This is an increase of 133% in electricity consumption, which is mainly due to the operation of the new Bayan Lepas plant namely Home 1 coupling with the increase of production since we moved to Home 1 in June 2019.

On top of that, the old plant is currently taken over by Mi Autobotics. We expect that there would also be an increase in the electricity consumption in 2020 at our Batu Kawan plant namely Home 2 which would house Mi Autobotics activities.



As part of our electricity saving initiatives, we encourage our employees to switch-off lights and air conditioning systems when not in use such as during lunch hours. Furthermore, we adopt timer control and temperature setting for air-conditioning to reduce air-conditioning system loading at the production floors and office areas. At the production floors, the compressed air valve is also closed to reduce air compressor system loading. Other initiatives include scheduled maintenance for facilities equipment such as genset, air conditioning system and compressor system to ensure equipment operates optimally.



COMMUNITY INVESTMENTS

This year, we continue to engage with community activities that contribute positively towards social development and community welfare. We have donated a total of RM38,000 to various charitable causes and organisations during the reporting year.

In addition to the cash donation, we have also carried out corporate social responsibility (CSR) programmes in 2019. The key CSR programmes are detailed in the table below.

CSR Programme	Description	Amount of Contribution
<p>Technoplex Clean-Up Day</p> 	<p>A community clean-up programme in collaboration with Majlis Bandaraya Pulau Pinang. A total of 115 participants from the community of the Group attended to complete the cleaning, weeding and repainting of road curb and waste segregation found at the roadside.</p>	<p>RM21,000</p>
<p>Penang Science, Technology, Engineering and Mathematics ("STEM") Step Up Initiative</p> 	<p>A collaborative effort between the Penang STEM Sdn. Bhd. and Pejabat Pendidikan Daerah Timur Laut, ("PPDTL"). Step Up is a programme aiming to inspire lower secondary students in pursuing higher education and careers in science, technology, engineering and mathematics.</p>	<p>RM25,000</p>

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“The Board”) of Mi Technovation Berhad (the “Group” or the “Company”) recognises the importance to conduct good corporate governance practice and is committed to ensure the sustainability of the Group’s business and operation by integrating good governance ethics and business integrity into the operations and strategies of the Group.

This Corporate Governance Overview Statement (“the Statement”) is made pursuant to paragraph 15.25(1) of Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), and guided by the principles of the Malaysian Code on Corporate Governance (“MCCG”) and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia.

The Statement provides an overview of the Company’s corporate governance practices throughout the financial year ended 31 December 2019 (“FYE 2019”) and is to be read together with the Corporate Governance Report which is available on the Company’s website at www.mi-eq.com and via an announcement on Bursa Malaysia’s website. The Statement should also be read in conjunction with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Audit Committee Report and Sustainability Statement) as the depth or relevance of applying certain corporate governance promulgations may be better explained in the context of the respective statements.

CORPORATE GOVERNANCE APPROACH

The Board firmly believes that dynamic corporate governance framework is crucial to provide a solid foundation and structure for effective and responsible decision-making of the Group.

The Group’s overall approach to corporate governance is to:

- ≈ have the appropriate people, processes and structures driven by good corporate governance practices to support the Group in achieving its long-term sustainability and profitability;
- ≈ meet shareholders and relevant stakeholders’ expectation that comprehensive corporate governance is in place to safeguard their interests.

In driving high standards of corporate governance, the Board regularly reviews the Group’s corporate governance policies and procedures to ensure its relevance, effectiveness and sustainability in conducting the business and addressing the needs/challenges of the Group.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The Company acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholders value. The Board assumes, amongst others, the following duties and responsibilities:

- ≈ Review and adopt strategic plans for the Group to ensure the strategies promote sustainability within the aspects of environment, social and economy;
- ≈ Oversee the conduct of the Group’s business and build sustainable value for the shareholders;
- ≈ Identify principal risks on a continuous basis and ensure implementation of appropriate internal controls, risk management framework and effective mitigation measures; and
- ≈ Direct and review the anti-corruption compliance programme and whistleblowing policy and procedure.

The governance structure of the Group is illustrated below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

BOARD RESPONSIBILITIES (cont'd)

The Board is guided by a Board Charter, which set out the duties and responsibilities of the Board. The Board Charter further defines the respective roles of the Chairman of the Board, the Chief Executive Officer ("CEO") and the Non-Executive Directors.

The Company recognises the importance of roles separation between the Independent Non-Executive Chairman, the CEO and Non-Executive Directors to promote accountability and ensure a balance of power and authority.

The Chairman leads the Board effectively on all aspects of its role and setting the overall Board agenda.

The CEO is responsible for the vision and strategic directions of the Group as well as initiating innovative ideas to create competitive edge and development of business and corporate strategies. The CEO has the executive responsibility for the day-to-day operation of the Company's business and is assisted by Executive Directors and senior management in implementing the policies, strategies and decisions adopted by the Board.

The Independent Non-Executive Directors are not involved in the day-to-day business operation of the Group but they provide unbiased and independent judgement, experience and objectivity without being subordinated to operational considerations. This is to ensure that the interests of all shareholders, and not only the interests of a particular group, are indeed taken into account by the Board and that the relevant issues are subject to objective and impartial consideration by the Board.

Board Committees

In facilitating the Board to discharge its duties and responsibilities, the Board appoints the following Board Committees, all of whom are Independent Non-Executive Directors ("INEDs"):

≈ Audit Committee

Audit Committee ("AC") is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices. The AC oversees the integrity of the financial statements in compliance with legal and regulatory requirements and applicable accounting records, and financial reporting practices of the Company and its subsidiaries. The AC also assists the Board, among others, to oversee the Group's external and internal audit functions, review any related party transactions and the relevant procedures to ensure compliance with the Listing Requirements.

≈ Nomination Committee

Nomination Committee ("NC") is to ensure that the Directors of the Board bring characteristics to the Board, which provide a right mix of skills, knowledge, experience and other attributes that are relevant and contribute to the effective functioning of the Board. The NC will also assist the Board in reviewing on an annual basis the appropriate balance and size of Non-Executive participation and establishing assessment procedures to evaluate the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee member.

≈ Remuneration Committee

Remuneration Committee ("RC") is to establish formal and transparent remuneration policies and procedures. The RC is also entrusted with the role of determining and recommending the Board in respect of remuneration package, terms of employment, variable performance incentive and fringe benefits for Executive Directors, Chief Executive and other selected top management positions with the aim to attract, motivate and retain talent in a competitive environment.

The Board Committees are authorised to act on behalf of the Board in accordance with their respective Terms of Reference ("ToR"). The Board reviews the functions and ToR of the Board Committees from time to time to ensure that they are relevant and updated in line with the MCGG and other related policies or regulatory requirements. The ToR of the Board Committee are available on our Company's website. Notwithstanding this, the ultimate responsibility for decision making still lies with the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

BOARD RESPONSIBILITIES (cont'd)

Board Committees (cont'd)

Further, the Company has in place the Whistleblowing Policy, Code of Conduct for Company Directors, Code of Conduct and Ethics for Management and Employees, Anti-bribery and Corruption Policy to govern the integrity and ethical behaviour expected from Board of Directors to Management and employees as a whole. These documents are available on the Company's website at www.mi-eq.com. The Board conducts regular review of the policies to ensure it remains consistent with the Board's objectives and in line with the applicable rules, laws and regulations.

BOARD COMPOSITION

The Board consists of qualified individuals with a broad balance of skills, knowledge, experience, background, independence and diversity. The Board comprised six (6) members, i.e. the Independent Non-Executive Chairman, three (3) Executive Directors and two (2) Independent Non-Executive Directors. Based on the review of the Board composition in 2019, the Board agreed to maintain the right Board size at six (6).

The profiles of each Board member are set out on pages 7 to 12 of the Annual Report.

The present composition of the Board is in compliance with paragraph 15.02 of the MMLR which requires at least one third (1/3) of the Board members to be Independent Director, and in compliance with Practice 4.1 of the MCGG as the Board has a composition which comprises 50% Independent Directors. Appointment of Board member are based on objective criteria, merit and with due regard for diversity in skills, experience, age, nationality, cultural background and gender which comply with Practice 4.4 of MCGG.

Pursuant to Paragraph 7.26 of the MMLR, an election of Directors shall take place each year and all Directors shall retire from office once at least in each 3 years, but shall be eligible for re-election.

During the FYE 2019, all Directors were provided with appropriate briefings on the Company's affairs and up-to-date corporate governance materials published by the relevant bodies. The directorships held by any Board member at any one time do not exceed five (5) in listed companies pursuant to paragraph 15.06(1) of the MMLR.

Board Meetings, Meeting Materials & Access to Information

To discharge the Board's duties and responsibilities, the Board met seven (7) times during FYE 2019. When urgent and important decisions need to be taken between the scheduled Board meetings, Board approvals will be sought via circular resolutions of the Directors.

Prior to the meetings of the Board and the Board Committees, agenda and Board papers are circulated to all the members for meeting preparation. The Board papers, among others, include the minutes of previous meetings, Group's quarterly financial statements, all relevant information on matters requiring its consideration, Directors' share-dealings, and regulatory compliance matters.

The Chairman, with the assistance of the Company Secretary, ensures that all Directors have full and timely access to information with Board papers distributed in advance of meetings. Directors also have unrestricted access to senior management for information and updates regarding the Group and unhindered access to the advice and services of the Company Secretary. All proceedings from Board meetings are recorded and the minutes thereof signed by Chairman of the meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

BOARD COMPOSITION (cont'd)

Board Meetings, Meeting Materials & Access to Information (cont'd)

The attendance at Board Committee Meeting for the FYE 2019 are outlined below:

Directors	AGM/EGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Oh Kuang Eng	2/2	7/7			
Mr. Koay Huck Khim	2/2	7/7			
Ms. Ong Tee Ni (Retired on 11 June 2019)	1/1	3/4			
Madam Yong Shiao Voon (Appointed on 22 August 2019)	1/1	2/2			
Independent Non-Executive Directors					
Mr. Foo Hee Chaik	2/2	7/7	5/5	1/1	3/3
Mr. Lee Boon Leng	2/2	7/7	5/5	1/1	3/3
Mr. Tan Boon Hoe	2/2	7/7	5/5	1/1	3/3

Annual Assessment

Annual assessment has been conducted by the Nomination Committee ("NC") on 20 February 2020 towards the effectiveness and independence of the Board and Board Committees. The evaluation involves individual Director completing separate evaluation questionnaires regarding the processes of the Board and its Board Committees, their effectiveness and improvement opportunities, where necessary. Further, a peer assessment is conducted where Directors assess the performance of their fellow Directors as a whole, and the contribution of each individual Director including his time commitment, skills, knowledge, character, experience, professionalism and integrity. These assessments and comments by all Directors were summarised and discussed at the NC meeting which were then tabled at the Board Meeting held thereafter. All assessments and evaluations carried out by the NC are properly documented.

The Board, through the NC, has assessed the independence of its Independent Non-Executive Directors on annual basis based on criteria set out in the MMLR. The present Independent Directors namely Foo Hee Chaik, Tan Boon Hoe and Lee Boon Leng, have fulfilled the criteria of "independence" as prescribed under Chapter 1 of the MMLR. None of them have served the Board for a term of more than nine (9) years.

Directors' Training

The Company has arranged training programs to update the Board in relation to new developments pertaining to the laws and regulations and changing commercial risks which may affect the Board and/or the Company. In addition to the Mandatory Accredited Program ("MAP") as required by the Bursa Malaysia, Board members are also encouraged to attend training programs which are relevant to the Company's operations and business.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

BOARD COMPOSITION (cont'd)

Directors' Training (cont'd)

The following training programmes were attended by the Directors during the FYE 2019:

Directors	Details of Programme
Mr. Foo Hee Chaik	Corporate Liability Provision MFRS 2 <i>Share Based Payment</i>
Mr. Oh Kuang Eng	SEMICON SEA 2019 Corporate Liability Provision MFRS 2 <i>Share Based Payment</i>
Mr. Koay Huck Khim	Corporate Liability Provision MFRS 2 <i>Share Based Payment</i> Reading, Analysing And Interpretation of Financial Statements for Better Decision Making for Corporate Managers
Ms. Ong Tee Ni (Retired on 11 June 2019)	Corporate Liability Provision
Madam Yong Shiao Voon (Appointed on 22 August 2019)	Mandatory Accreditation Programme Corporate Liability Provision MFRS 2 <i>Share Based Payment</i>
Mr. Tan Boon Hoe	Corporate Liability Provision MFRS 2 <i>Share Based Payment</i> Latest development in MFRS/IFRS and IC Interpretation - An Overview MFRS Application and Implementation Committee Awareness Programme
Mr. Lee Boon Leng	Corporate Liability Provision MFRS 2 <i>Share Based Payment</i>

Remuneration

The Remuneration Committee ("RC") is responsible for reviewing and recommending to the Board the Remuneration Policy which is tailored to serve as the guiding document for the Board and RC to set an appropriate level of remuneration that allows the Group to attract, motivate, retain talent and align the well-qualified individuals, Directors and selected top management with the long-term business strategies of the Group.

The RC is empowered to make quantitative and qualitative assessment of performance in reaching its recommendations. Executive Directors ("EDs") do not form part of the composition of the RC. As such, EDs play no part in the deliberation or decision-making of their own remuneration matters. The RC is responsible for determining the level and make-up of EDs' (including the CEO) remuneration for approval by the Board.

The Board Chairman and Independent Non-Executive Directors are paid fixed annual Directors' fees as members of the Board and Board Committees. A meeting allowance is paid for attendance of Board meetings as well as general meetings. Apart from the abovementioned, no other benefits or bonus is paid. The Company has in force Directors and Officers Insurance Policy essentially covering the acts of Directors and Officers.

On 20 February 2020, the RC undertook a review of the Board's remuneration in respect of FYE 2019. The Board approved the recommendation by the RC in respect of the revisions to the Board Remuneration which include Directors' fees and meeting attendance allowance payable to Directors. The Board Remuneration will be put forth to the shareholders at the forthcoming Annual General Meeting for their approval.

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) and categorized into appropriate components for the FYE 2019 were set out in the Corporate Governance Report 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Audit Committee ("AC") is established by the Board to provide a robust and comprehensive oversight on the financial matters and comprises three (3) members, all of whom are Independent Non-Executive Directors. This meets the requirements of paragraph 15.09(1)(a) and (b) of the MMLR. The Chairman of AC, Mr Tan Boon Hoe is appointed by the Board and is not the Chairman of the Board. The composition, authority as well as the duties and responsibilities of the AC are set out in its Terms of Reference ("ToR") approved by the Board and is available on the Company's website. A review on the terms of office and performance of the AC for FYE 2019 had been conducted by the Board, through the Nomination Committee on 20 February 2020. The Board was satisfied that the AC had discharged its duties in accordance with the ToR.

An AC Report detailing its composition and a summary of activities during the FYE 2019 was set out on pages 57 to 60 of this Annual Report.

Assessment of External Auditors

The Board, through the AC, maintains a transparent and professional relationship with the external auditors. In respect of FYE 2019, the AC had held three (3) meetings with the external auditors on their audit plan & scope, key audit matters, the result of the audit, and the Auditors' Report. In addition, the AC held one private session with the external auditors without the presence of the Executive Directors and Management to enable exchange of views on issues requiring attention.

The AC conducted an annual assessment and evaluation of the External Auditors including the integrity, capability, professionalism, work ethics, and determined whether to re-appoint the current External Auditors. In support of the assessment on independence, the External Auditors assured their independence throughout the conduct of audit engagement in accordance with the relevant professional and regulatory requirements. With due consideration, the AC satisfied with the External Auditors' performance and will continue recommending the Board to seek shareholders' approval at the forthcoming AGM, to ratify the re-appointment of BDO PLT as the External Auditors for financial year 2020.

Further details of the activities of External Audit function are set out on page 57 to 60 under the AC Report of this Annual Report.

Risk Management and Internal Control Framework

The Board recognizes its responsibility for maintaining and reviewing the adequacy and integrity of the risk management framework and internal control system to safeguard its stakeholders' interests. The AC assists the Board in discharging its statutory duties and responsibilities relating to management of principal risks and determines the adequacy and effectiveness of the control environment of the Group.

During the FYE 2019, the Group outsourced the internal audit function to KPMG Management & Risk Consulting Sdn Bhd ("KPMG") with the risk based internal audit plan which has been approved by AC. The internal audit work was carried out in accordance with a framework set by a recognised professional body i.e. International Professional Practices Framework ("IPPF") issued by Institute of Internal Auditors, of which final communication of internal audit plan, processes and results of the internal audit assessment are supported by sufficient, reliable and relevant information which signifies a satisfactory conclusion of the internal audit work. All the personnel deployed by KPMG are free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of the work.

A Statement on Risk Management and Internal Control of the Group detailing the activities and the state of Risk Management and Internal Control Framework during the FYE 2019 was set out on pages 61 to 64 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Group is committed to maintain a quality, timely, clear and accurate dissemination of relevant and material information on the Group's performance, financial position and development of the Group to the stakeholders and investment community.

The Group has in place an investor relations function. All communications with analysts, investors and media briefings are channelled through the investor relations section. Currently, the Group is making use of various communication channels which includes the quarterly results announcements, quarterly investor's briefing, relevant announcements and circulars, meeting with shareholders, and Annual Report.

In addition, stakeholders may through the Company's website gain easy and immediate access to the Company's corporate information such as the corporate profile, corporate structure, Board Charter, ToR of the Board Committees, Company Policies, financial information, Company announcements, investors' briefing summary and others. This is to enable the investing public and other stakeholders keep updated on the progress and development of the business of the Company. This is further testimony to the Company's continued commitment on transparency.

Different stakeholders have different interests and priorities. Through these channels of communication, stakeholders will receive information that is relevant to their needs, build positive attitudes and promote clear understanding of the business and operations of the Group.

Conduct of General Meetings

The Company acknowledges that good corporate governance requires active participation of the shareholders at the Company's AGM, in questioning and understanding the resolutions set out and thereafter to vote on them. The Company's AGM is the principal forum for dialogue and communication between the shareholders and the Board.

The Notice of the upcoming AGM in 2020 together with the Form of Proxy will be provided to shareholders twenty-eight (28) days prior to the AGM, which enable shareholders to have sufficient time to make the necessary arrangements to attend the AGM or to appoint a proxy to attend and vote on their behalf.

The summary of the minutes of general meeting (including the attendance of Directors, questions raised by shareholders and the respective responses and outcome of the voting results) is made available to the shareholders.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved the Statement on Corporate Governance in line with the principles of the MCCG. The Board is satisfied that the Company has fulfilled its obligation under the Code, MCCG, Bursa Malaysia and all applicable laws and regulations throughout the FYE 2019.

This Statement is made in accordance with a resolution of the Board of Directors passed on 5 May 2020.

AUDIT COMMITTEE REPORT

The Board of Directors of Mi Technovation Berhad (the "Group" or the "Company") is pleased to present the Audit Committee Report which provides insights as to the manner the Audit Committee ("AC" or the "Committee") discharged its functions for financial year ended 31 December 2019 ("FYE 2019").

The Audit Committee was formed by the Board of Directors ("the Board") on 29 August 2017 in line with the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR"). The AC adopted practices aim at maintaining appropriate standards of responsibility, integrity and accountability.

MEMBERS

The AC comprises the following three (3) members, all of whom satisfy the test of independence under MMLR. This meets the requirements of paragraph 15.09(1)(a) and (b) of the MMLR:

Tan Boon Hoe

Chairman

Independent Non-Executive Director

Lee Boon Leng

Member

Independent Non-Executive Director

Foo Hee Chaik

Member

Independent Non-Executive Chairman

The AC Chairman, Mr. Tan Boon Hoe is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. Accordingly, the Group complies with paragraph 15.09(1)(c)(i) of the MMLR.

NUMBER OF MEETINGS AND DETAILS OF ATTENDANCE

During FYE 2019, the AC convened five (5) meetings and the attendance record of its member is set out below:

AC Members	Position	Attendance
Tan Boon Hoe	Chairman	5/5
Lee Boon Leng	Member	5/5
Foo Hee Chaik	Member	5/5

The Company Secretary acts as secretary to the AC. Notice of meetings and supporting documents were circulated to the AC members at least seven (7) days prior to the meeting, providing the AC with relevant and timely information for effective discussions during the meeting. The minutes of each meeting are kept and distributed electronically to the AC members and Board of Directors.

AUTHORITY

The Audit Committee is governed by its Terms of Reference ("ToR") and is authorised by the Board:

- ≈ to investigate any matter within its ToR;
- ≈ to have the resources in order to perform its duties as set out in its ToR;
- ≈ to have full and unrestricted access to any information pertaining to the Company and the Group;
- ≈ to have direct communication channels to the internal and external auditors;
- ≈ to obtain, at the expense of the Company, external legal or other independent professional advice if it considers necessary; and
- ≈ to meet with the external auditors, excluding the attendance of the Executive Directors and Management of the Company, whenever deemed necessary.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF KEY SCOPE OF RESPONSIBILITIES

The principal objective of the Committee is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company and each of its subsidiaries. In addition, the Committee shall:

- ≈ oversee and appraise the quality of the audit conducted by the internal and external auditors;
- ≈ oversee compliance with laws and regulations and observance of a proper code of conduct; and
- ≈ determine the adequacy of the control environment of the Group.

The roles and responsibilities of the AC are clearly defined in the ToR, addressing the Listing Requirements imposed by Bursa Malaysia. The ToR of the AC is available for viewing under Corporate Governance section of the Company's website at www.mi-eq.com.

The key duties and responsibilities of the AC include, among others:

- ≈ review with the external auditors, the nature, scope and plan of the audit before the audit commences, their audit report and evaluation of the system of internal controls and risk management and report to the Board;
- ≈ review the adequacy of the scope, functions, competency and resources of the internal audit function, the necessary authority to carry out its works, internal audit program, processes and the results of the internal audit program;
- ≈ review the effectiveness of internal control systems deployed by the key management to address those risks and recommend corrective measures undertaken to remedy failures and/or weaknesses;
- ≈ review and further monitor principal risks that may affect the Group directly or indirectly that, if deemed necessary, recommend additional course of action to mitigate such risks;
- ≈ maintain and keep under review the whistle-blowing mechanism as well as anti-corruption policies and procedures; and
- ≈ make recommendations to the Board, review the quarterly and year-end financial statements, focusing particularly on:
 - o any changes in or implementation of major accounting policies;
 - o significant matters highlighted including financial reporting issues, significant judgement made by the management, significant and unusual events or transactions, and how these matters are addressed;
 - o significant adjustments arising from the audit;
 - o the going concern assumption; and
 - o compliance with accounting standards and other legal requirements.

SUMMARY OF WORK OF THE COMMITTEE

Summary of work undertaken by the AC during the FYE 2019 are described below:

1. Financial Reporting

- ≈ Monitored the Group's financial reporting processes, which included reviewing reports from, and discussing these with management and the external auditors.
- ≈ Reviewed the Group's unaudited quarterly financial results including announcements with the management, in particular on any significant changes to the items or transactions that would affect the financial position of the Group prior to recommending to the Board for approval and subsequent release of the Group's financial results to Bursa Malaysia.
- ≈ Reviewed the Group's unaudited quarterly financial results to ensure that the quarterly financial reporting and disclosures present a true and fair view of the Group's financial performance in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), as well as the applicable disclosure provisions of the MMLR.
- ≈ Reviewed the Group's audited financial statements for FYE 2019 prior to recommending to the Board for consideration and approval, to ensure that the statements and disclosures presented a true and fair view of the Group's financial performance in accordance with regulatory requirements.
- ≈ Received and reviewed regular updates from management on the status and implications of major accounting policies and financial reporting standards of the Group. The effect of new MFRSs adopted during the FYE 2019 on the financial performance or position of the Group have been assessed and disclosed in the audited financial statements accordingly.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF WORK OF THE COMMITTEE (cont'd)

Summary of work undertaken by the AC during the FYE 2019 are described below (cont'd):

2. External Audit

- ≈ Discussed and reviewed the External Auditors, BDO PLT ("BDO")'s audit planning memorandum for the FYE 2019 outlining the auditors' engagement and reporting responsibilities, audit approach, materiality and performance materiality, areas of significant auditors' attention, engagement team, as well as reporting, deliverables and audit fees.
- ≈ Prior to the issuance of the Group's audited financial statements, the AC had reviewed the audit completion updates presented by BDO which covered the auditors responsibilities, audit status and significant changes to audit plans, findings on areas of significant auditor attention, summary of misstatements, key audit matters, going concern assumption and impairment arising from the audit during the year under review.
- ≈ AC had discussed and reviewed with BDO the audit findings and opinions, the Auditors' Report and confirmed that full co-operation and unrestricted access to the Group's records had been granted by the Management during the course of audit. The AC held a dialogue session with BDO, without the presence of Executive Directors and Management of the Group.
- ≈ Following the input from management and BDO's comments, the AC was satisfied that the accounting treatments applied under the financial reporting standards, the significant judgements, key assumptions and conclusions reached were appropriate.
- ≈ The AC also reviewed and discussed with BDO the effectiveness of the Company's internal controls and their recommendations for improvement on deficiencies noted in the course of audit. There were no significant findings highlighted by BDO.
- ≈ The AC was satisfied that the level of fees paid/payable in respect of the services provided by BDO was appropriate. The amount of external audit fees and non-audit fees incurred for the FYE 2019 are set out on page 66 under the Additional Compliance Information of this Annual Report.
- ≈ The AC assessed and evaluated the integrity, capability, professionalism, independence and work ethics of the External Auditors and determined whether to re-appoint the current External Auditors. With due consideration, the AC was satisfied with BDO's performance and therefore, would recommend to the Board for seeking shareholders' approval at the forthcoming AGM, on the re-appointment of BDO as the External Auditors.

3. Risk Management and Internal Audit

- ≈ During FYE2019, the internal audit function was outsourced to KPMG Management & Risk Consulting Sdn. Bhd. ("KPMG"). This approach ensures a high level of independence and gives access to more skilled and specialised resources to conduct the internal audit function efficiently and effectively.
- ≈ KPMG assisted the AC in reviewing the effectiveness of the Company's internal control and processes and ensuring that there is an appropriate balance of risk and control in achieving its business objectives.
- ≈ Based on the approved internal audit plan, KPMG conducted two cycles of internal audit during FYE 2019 with focus areas on "Purchasing and Payment" and "Credit Control and Collection". The internal audit findings and recommendations for improvement, including action plans agreed with operation level management, were reported to the AC.
- ≈ Further details of the activities of internal audit function are set out under the Statement on Risk Management and Internal Control of this Annual Report.
- ≈ The total costs incurred on the outsourced internal audit function for FYE 2019 amounted to RM72,000 (FYE2018: RM75,000).
- ≈ The AC reviewed and assessed Internal Auditors based on staff strength, resources, professional integrity, independence, familiarity with Group's operation as well as reputation and recommended to the Board to continue outsourcing the internal audit function to KPMG.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF WORK OF THE COMMITTEE (cont'd)

Summary of work undertaken by the AC during the FYE 2019 are described below (cont'd):

4. Corporate Governance

- ≈ The AC has reviewed the impact of relevant regulatory changes and ensured compliance by the Group.
- ≈ The AC has reviewed and recommended the Statement of Risk Management and Internal Control report to the Board for approval.

ANNUAL PERFORMANCE ASSESSMENT

A review on the terms of office and performance of the AC for FYE 2019 had been conducted by the Board, through the Nomination Committee on 20 February 2020. The Board was satisfied that the AC has discharged its duties in accordance with the ToR.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

The Board of Directors (the "Board") of Mi Technovation Berhad ("the Group" or "the Company") is pleased to present the Statement on Risk Management and Internal Control (the "Statement" or "SORMIC"), which outlines the nature and scope of risk management and internal control of the Group for the financial year ended 31 December 2019 ("FYE 2019").

The Statement is issued in compliance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), Principal B of the Malaysian Code on Corporate Governance 2017, with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the "Guidelines").

BOARD'S RESPONSIBILITY

The Board acknowledges the importance of its responsibility for maintaining a sound risk management framework and internal control system to safeguard its stakeholders' interests, shareholders' investment and the Group's asset.

In acknowledging that having a sound risk management and internal control system is imperative, the Board has established a governance structure that ensures effective oversight of risks and internal control within the Group at all levels. In view of the limitations inherent in any system of risk management and internal controls, the system is designed to manage the Group's key risk areas within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the Group's business and corporate objectives. The system provides reasonable but not absolute assurance against the occurrence of any material misstatement of management and financial information and records, financial losses or fraud.

The Board has established an on-going process for identifying, evaluating and managing the principal risk encountered by the Group.

The Board, through its Audit Committee ("AC") which comprises solely Independent and Non-Executive Directors, regularly reviews the results of this process, including risk mitigating measures taken by the Management to address key risks identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Group.

The AC assists the Board in discharging its statutory duties and responsibilities relating to management of principal risks and review of the adequacy and effectiveness of the Group's risk management and internal control system to ensure that appropriate measures are carried out by the Management to obtain the level of assurance required by the Board.

RISK MANAGEMENT

The Group has established and adopted an Enterprise Risk Management ("ERM") framework, which includes an on-going risk management process in identifying, evaluating, managing, monitoring and communicating the risks faced by the Group throughout the financial year.

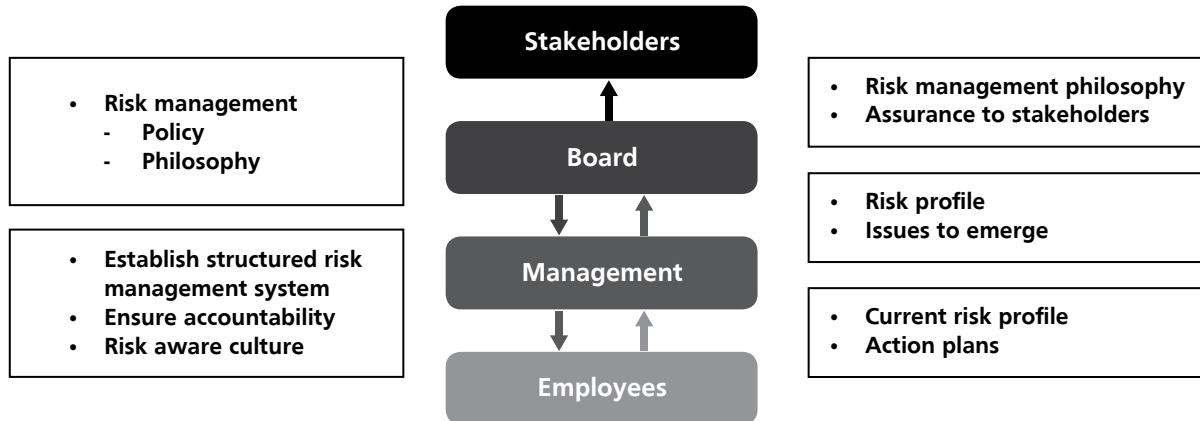
The objectives of the Group's risk management are to:

- ≈ Outline the Group's risk context which comprises Group's philosophies, strategies and policies, and operating system so as to better manage risks faced by the Group;
- ≈ Provide guiding ERM principles to Heads of Department / Business Unit to govern the actions of their operating personnel pertaining to risks; and
- ≈ Provide assurance to the Board that a sound risk management and effective internal control system is in place.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (CONT'D)

RISK MANAGEMENT (cont'd)

Risk management activity is not only concerning the Group but also to all related stakeholders of the Group. Each level of the Group contributes and corporates with each other to monitor and manage risks. The roles and responsibilities of each level of the Group are illustrated in the diagram below:



The Executive Directors, Senior Management together with other relevant personnel have regularly reviewed the risk profiles and key processes for FYE 2019. Throughout the process, underlying risks related to the key processes and controls thereof were reassessed and additional controls were deployed to mitigate or reduce the risk impact.

The Board provides full support to implement the risk management framework with an appropriate organisational structure and ensures that roles, responsibilities and accountabilities are clearly defined and communicated at all levels.

INTERNAL AUDIT FUNCTION

During the FYE 2019, the internal audit function was outsourced to KPMG Management & Risk Consulting Sdn. Bhd. ("KPMG") in accordance with the risk based internal audit plan which has been approved by AC. The internal audit work is conducted based on KPMG Internal Audit Methodology, which is closely aligned with the International Professional Practices Framework ("IPPF") of the Institute of Internal Auditors to provide independent, clear and practical advice for the right processes and internal controls to be in place.

The internal audit function assessed the internal controls of selected business processes as approved by the AC. It highlighted significant findings and corrective measures in respect of any non-compliance to Management and AC on a timely basis. During the financial year under review, two cycles of internal audit were carried out to assess the internal control systems:

Internal Audit	Audited areas	Reporting Month
Cycle 1	Purchasing and payment	August 2019
Cycle 2	Credit control and collection	February 2020

The cost incurred for the internal audit function carried out in respect of FYE 2019 was RM72,000.

The internal audit engagement by KPMG is headed by an Executive Director, namely Dato' Ooi Kok Seng. Dato' Ooi is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. Dato' Ooi has accumulated over 30 years of experience in a wide range of audit, risk and internal audit work.

The AC reviews the adequacy of the scope, function, competency and resources of the internal audit functions, and ensures that it has the necessary authority to carry out its work. The AC and Management work closely with the outsourced internal audit function to review the internal control issues and ensure that significant issues are brought to the attention of the Board.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (CONT'D)

OTHER KEY ELEMENTS OF INTERNAL CONTROL SYSTEM

In addition to the risk management and internal audit function, the other key elements of the Group's internal control system are described below:

Integrity and Ethical Values

The Group is committed to upholding a strong culture of integrity and ethical values, as emphasized in the Code of Conduct for Company Directors and Code of Conduct and Ethics for Management and Employees ("the Code"), which reflect the underlying values and commitment to maintaining the standards of integrity, fairness, responsibility, commitment, diligence and professionalism contributing towards the social and environmental growth of the surroundings in which the Group operates. All employees are required to acknowledge that they have read and understood the Code upon commencement of employment. It is updated as and when necessary to ensure that it remains current and relevant in addressing any ethical issues that may arise within the organisation.

Lines of Responsibility

The Group has a formal organisational structure which clearly define the framework for the line of reporting and hierarchy, as well as the accountabilities and responsibilities for all business units within the Group. In addition, the Board of Directors and its various Board Committees are all governed by clearly defined terms of reference.

Limits of Authority

The Group has established a clear authorisation limit at appropriate levels which defines the financial authority matrix to all business units for controlling and approving capital expenditure, operating expenditure and matters on financial, treasury and related party transactions so as to keep potential risk exposures under control. The limits of authority will be reviewed periodically and updated in line with changes in the organisation.

Policies and Procedures

Elements of internal control have been embedded and documented in the form of policies and operating procedures which are continually reviewed and updated to ensure the effectiveness and to reflect changes in the business environment. Accountability and responsibility for key processes have been established in the standard operating procedures and made available to all employees within the organisation. Safety & Health Committees are assigned to address and ensure occupational safety and health policies and procedures are in compliance with the regulations.

Performance Review

Quarterly Board meetings are held to discuss the Group's financial performance, business development, operational and corporate issues. Additionally, progress update of key projects will also be communicated to the Board during the quarterly meetings.

Annual Operational Plan and Budgeting Process

Annual Operational Plan was prepared by the Group's business units prior to the commencement of financial year. Resources and budget allocation are subject to review by the CEO before tabling to the Board for approval. Analysis of variances against budget with detailed explanations for significant deviations are presented and communicated to Management for monitoring and improvement purposes.

Investor Relations

Briefings are conducted regularly to fund managers, investment analysts, bankers and other investors on the Group's financial performance. Briefing summaries are available on the Company's website and investors are given opportunities to seek further clarification from the Company through the IR Consultant.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (CONT'D)

OTHER KEY ELEMENTS OF INTERNAL CONTROL SYSTEM (cont'd)

In addition to the risk management and internal audit function, the other key elements of the Group's internal control system are described below (cont'd):

Whistle Blowing Policy

The Group has established a Whistle Blowing Policy which allows, supports and encourages its employees and third parties to report and raise genuine concerns about possible improprieties in matters of financial reporting, compliance, malpractices and unethical business conduct within the Group at the earliest opportunity and in an appropriate way. The Group is committed to investigate any suspected misconduct or breach reported, the investigation of which will be led by the AC, as well as to protect those who come forward to report such activities.

REVIEW BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the external auditors, BDO PLT, Chartered Accountants has reviewed this Statement for inclusion in this Annual Report of the Group for the FYE 2019.

The review of this Statement by external auditors was performed in accordance with the scope set out in the Audit and Assurance Practice Guide ("AAPG 3"), Guidance for Auditors on Engagements to Report on the SORMIC included in the Annual Report, issued by the Malaysian Institute of Accountants ("MIA") and reported to the Board that nothing has come to their attention that caused them to believe that the Statement intended to be included in the Annual Report of the Group, in all material aspects:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon.

The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

CONCLUSION

The Board is of the view that the system of risk management and internal control in place with the key elements listed above during the financial year are adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

In line with the Guidelines, the Chief Executive Officer and Chief Financial Officer have provided reasonable assurance to the Board stating that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management and internal control framework of the Group.

The Board assures that there is a continuous process for identifying, evaluating and managing significant risks in order to assess, take necessary measures to mitigate the risks and continue to enhance the adequacy and effectiveness of the risk management and internal control systems of the Group.

The Board is not aware of any material losses or fraud during the year under review as a result of weaknesses in internal control.

This Statement is made in accordance with the resolution of the Board dated 5 May 2020.

DIRECTORS' RESPONSIBILITY STATEMENT IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

Pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, the Board of Directors is required to issue a statement explaining its responsibility for preparing the annual audited financial statements.

Further, the Directors are required by the Companies Act 2016 to ensure that financial statements give a true and fair view of the state of affairs of the Group and of the Company as at the end of each financial year, and of the results and cash flow of the Group and of the Company for that financial year then ended.

The Directors consider that in preparing the financial statements:

- ≈ appropriate accounting policies have been adopted and applied consistently;
- ≈ reasonable and prudent judgements and estimates have been made;
- ≈ all applicable approved accounting standards in Malaysia have been adhered to; and
- ≈ the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company maintains proper accounting records that disclose with reasonable accuracy the financial positions of the Group and of the Company, and that the financial statements comply with the regulatory requirements.

The Directors have general responsibility for taking reasonably available steps to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

The information disclosed below is in compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

1. Status on Utilization of Proceeds

The Company was listed on the Main Market of Bursa Malaysia Securities Berhad (“Listing”) on 20 June 2018. In conjunction with the Listing, the Company undertook a public issue of 134,428,000 new ordinary shares at an issue price of RM1.42 per share, raising gross proceeds of RM190.9 million (“IPO proceeds”).

As at 31 December 2019, the status of the utilization of the IPO Proceeds is as follows:

No	Details of Utilization	Estimated utilization timeframe upon Listing	Amount (RM'000)	Actual utilization (RM'000)	Utilized %
1	Construction of new factory cum office in Bayan Lepas, Penang	Within 12 months	65,000	65,000	100%
2	Construction of new factory cum office in Batu Kawan, Penang	Within 30 months	30,000	6,683	22%
3	Set up of new engineering centres in Taiwan, China & Korea	Within 30 months (i.e. until 10 March 2022)	45,000	1,426	3%
4	R&D	Within 24 months	6,000	1,500	25%
5	Working capital	Within 36 months	36,788	21,036	57%
6	Listing expenses	Within 1 month	8,100	8,100	100%
	TOTAL		190,888	103,745	54%

The utilization of gross proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 28 May 2018 as well as the announcement on Variation and Extension of Timeframe of the Utilization of Proceeds from the Initial Public Offering dated 11 September 2019.

2. Audit and Non-Audit Services

During the financial year ended 31 December 2019 (“FYE 2019”), the audit fees and non-audit fees paid/payable to the external auditor or a firm or corporation affiliated to the auditor firm by the Company and the Group were as follows: -

Type of Fees	The Company (RM)	The Group (RM)
Audit Fees	32,000	113,727
Non-Audit Fees	7,000	42,643

3. Material Contracts and Contracts Relating to Loans

There were no material contracts and/or contracts relating to loans entered into by the Company and its subsidiaries involving Directors’ and major shareholders’ interest during FYE 2019.

4. Recurrent Related Party Transactions

The Company and its subsidiaries did not have any recurrent related party transactions during FYE 2019.



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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 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and details of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year, attributable to owners of the parent	<u>59,166,348</u>	<u>28,348,980</u>

DIVIDENDS

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

RM

In respect of financial year ended 31 December 2019:

First single tier interim dividend of RM0.01 per ordinary share, paid on 12 July 2019	<u>4,980,000</u>
---	------------------

On 20 February 2020, the Directors declared a second single tier interim dividend of RM0.03 per ordinary share in respect of the financial year ended 31 December 2019, which was paid on 20 March 2020. This dividend shall be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2020.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The shareholders of the Company, by an ordinary resolution passed at the Extraordinary General Meeting held on 20 November 2019, approved the bonus issue of 250,000,000 new ordinary shares on the basis of one (1) bonus share for every two (2) existing ordinary shares held. The issued and fully paid-up ordinary share capital of the Company was increased from 500,000,000 to 750,000,000. The bonus shares were issued as fully paid, at nil consideration and without capitalisation of the Company's reserves.

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

There were no other issuance of shares and debentures during the financial year.

DIRECTORS' REPORT (CONT'D)

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.

REPURCHASE OF OWN SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 11 June 2019, renewed the approval for the Company to repurchase its own shares, amongst others, on the following terms:

- (i) the aggregate number of treasury shares in the Company which may be purchased and/or held by the Company shall not exceed five percent (5%) of its total number of issued ordinary shares at any point in time;
- (ii) the maximum funds to be allocated by the Company for the purpose of purchasing the treasury shares shall not exceed the aggregate of the retained earnings of the Company; and
- (iii) the Directors be and is hereby authorised to act and to take all steps and do all things as they may deem necessary or expedient to implement, finalise, complete and/or give effect to the purchase of the treasury shares of the Company.

During the financial year, the Company repurchased 3,000,000 of its issued ordinary shares from the open market at an average price of RM1.75 per share. The total consideration paid, net of transaction costs, for the repurchased shares was RM5,246,963. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2019, the Company held a total of 4,000,000 ordinary shares (included 1,000,000 new ordinary shares from bonus issue) as treasury shares out of its 750,000,000 issued and fully paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM5,246,963 and further relevant details are disclosed in Note 13(b) to the financial statements.

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 (Appointed on 22 August 2019)
Koay Huck Khim
Foo Hee Chaik
Tan Boon Hoe
Lee Boon Leng
Ong Tee Ni (Resigned on 11 June 2019)

Subsidiaries of Mi Technovation Berhad

Oh Kuang Eng
Teo Chee Kheong (Appointed as Director of Suzhou Mi Equipment Co., Ltd. on 18 March 2019)
Yong Shiao Voon# (Appointed on 12 June 2019)
Ong Tee Ni* (Resigned on 12 June 2019)

Madam Yong Shiao Voon was appointed as the Director of all subsidiaries of the Company on 12 June 2019, except for Mi Equipment USA Inc., Suzhou Mi Equipment Co., Ltd. and Mi Equipment (Taiwan) Co., Ltd..

* Ms. Ong Tee Ni resigned as the Director of all subsidiaries of the Company on 12 June 2019.

DIRECTORS' REPORT (CONT'D)

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 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares				Balance as at 31.12.2019
	Balance as at 1.1.2019/ date of appointment [#]	Bonus issue	Bought	Sold	
Shares in the Company					
<u>Direct interests</u>					
Oh Kuang Eng	340,250,394	171,050,021	1,899,585	0	513,200,000
Koay Huck Khim	500,000	290,000	80,000	0	870,000
Foo Hee Chaik	300,000	150,000	0	0	450,000
Tan Boon Hoe	200,000	100,000	0	(20,000)	280,000
Lee Boon Leng	65,000	32,500	0	0	97,500
<u>Indirect interests</u>					
Yong Shiao Voon*	342,100,000 [#]	171,050,021	49,979	0	513,200,000

* These are shares held in the name of spouse and being treated as interest of the Director.

By virtue of their substantial interest in the shares of the Company, Mr. Oh Kuang Eng and Madam Yong Shiao Voon are deemed to have interest in the shares of all the subsidiaries to the extent that the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit 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 26 to the financial statements.

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS' REMUNERATION

Benefits of the Directors who held office during the financial years ended 31 December 2019 and 31 December 2018 are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors of the Company:				
Fees	144,000	144,000	144,000	144,000
Salaries and bonuses	1,155,597	1,246,336	414,548	655,500
Contributions to defined contribution plans	123,787	196,020	52,512	116,280
Social security contributions	1,801	2,309	1,539	1,770
Other benefits	77,591	27,000	76,500	27,000
	<u>1,502,776</u>	<u>1,615,665</u>	<u>689,099</u>	<u>944,550</u>

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected liability insurance of the Directors and officers during the financial year to protect the Directors and the officers of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors. The total amount of indemnity coverage and insurance premium paid by the Company during the financial year ended 31 December 2019 was RM18,000,000 and RM21,800 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.

DIRECTORS' REPORT (CONT'D)

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

(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
 - (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 SUBSEQUENT TO THE END OF REPORTING PERIOD

Significant events subsequent to the end of reporting period are disclosed in Note 30 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2019 are disclosed in Note 22 to the financial statements.

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

Oh Kuang Eng
Director

Yong Shiao Voon
Director

Penang
5 May 2020

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 78 to 129 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 2019 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

Penang
5 May 2020

Yong Shiao Voon
Director

STATUTORY DECLARATION

I, Wong Ming Nee (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 78 to 129 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 5 May 2020

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 2019 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 78 to 129.

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 2019, 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' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Impairment of trade receivables

As at 31 December 2019, the carrying amount of trade receivables of the Group amounted to RM96,126,549, which were net of impairment losses of RM141,900. The details of trade receivables have been disclosed in Note 9 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Mi TECHNOVATION BERHAD Registration No. 201701021661 (1235827-D) (Incorporated in Malaysia) (CONT'D)

Key Audit Matters (continued)

(b) Valuation of inventories

As at 31 December 2019, the Group had inventories amounted to RM48,661,010. The details of inventories have been disclosed in the Note 10 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in identifying inventories with net realisable values that are lower than their costs and obsolescence, with reference to the condition of the inventories, as well as the ageing of inventories to ascertain the amount of inventories written down.

Audit response

Our audit procedures included the following:

- (i) Obtained an understanding of the procedures in relation to the assessment by the management on the identification and write down of slow moving and obsolete inventories;
- (ii) Tested samples of inventories items to ensure they were held at the lower of cost and net realisable value;
- (iii) Tested the reliability of the ageing report of inventories provided by management on sampling basis; and
- (iv) Evaluated management judgement with regards to the application of the written down policy of the inventories.

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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Mi TECHNOVATION BERHAD Registration No. 201701021661 (1235827-D) (Incorporated in Malaysia) (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Mi TECHNOVATION BERHAD Registration No. 201701021661 (1235827-D) (Incorporated in Malaysia) (CONT'D)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Penang
5 May 2020

Koay Theam Hock
02141/04/2021 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	90,872,976	57,590,753	121,267	30,552
Right-of-use assets	5	24,069,817	0	649,185	0
Intangible assets	6	2,884,713	0	2,084,611	0
Investments in subsidiaries	7	0	0	145,761,551	66,802,953
Deferred tax assets	8	50,075	3,838	0	0
Other receivables	9	0	0	0	5,457,279
		<u>117,877,581</u>	<u>57,594,591</u>	<u>148,616,614</u>	<u>72,290,784</u>
Current assets					
Inventories	10	48,661,010	43,354,252	0	0
Trade and other receivables	9	100,559,488	74,478,718	20,389,724	43,950,440
Current tax assets		66,404	86,773	0	0
Short term funds	11	92,981,286	183,605,895	92,981,286	139,064,899
Cash and bank balances	12	69,977,383	19,799,116	15,594,866	1,445,901
		<u>312,245,571</u>	<u>321,324,754</u>	<u>128,965,876</u>	<u>184,461,240</u>
TOTAL ASSETS		<u>430,123,152</u>	<u>378,919,345</u>	<u>277,582,490</u>	<u>256,752,024</u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	13	252,615,378	252,615,378	252,615,378	252,615,378
Treasury shares	13(b)	(5,246,963)	0	(5,246,963)	0
Reserves	14	132,398,831	78,233,782	26,937,132	3,568,152
TOTAL EQUITY		<u>379,767,246</u>	<u>330,849,160</u>	<u>274,305,547</u>	<u>256,183,530</u>
LIABILITIES					
Non-current liabilities					
Borrowing	15	1,584,670	4,369,945	0	0
Provisions	16	522,998	2,557,893	0	0
Other payable	17	227,903	0	0	0
Lease liabilities	5	123,758	0	521,501	0
		<u>2,459,329</u>	<u>6,927,838</u>	<u>521,501</u>	<u>0</u>
Current liabilities					
Trade and other payables	17	43,184,664	35,769,100	2,620,650	568,494
Borrowing	15	2,492,989	2,382,736	0	0
Provisions	16	1,785,254	2,974,821	0	0
Lease liabilities	5	202,398	0	134,792	0
Current tax liabilities		231,272	15,690	0	0
		<u>47,896,577</u>	<u>41,142,347</u>	<u>2,755,442</u>	<u>568,494</u>
TOTAL LIABILITIES		<u>50,355,906</u>	<u>48,070,185</u>	<u>3,276,943</u>	<u>568,494</u>
TOTAL EQUITY AND LIABILITIES		<u>430,123,152</u>	<u>378,919,345</u>	<u>277,582,490</u>	<u>256,752,024</u>

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	19	191,134,590	160,392,052	30,897,000	32,554,702
Cost of sales		(98,209,800)	(86,217,872)	0	0
Gross profit		92,924,790	74,174,180	30,897,000	32,554,702
Other operating income		5,309,781	5,999,920	3,426,910	3,048,856
Sales and marketing expenses		(7,289,978)	(12,371,027)	0	0
General and administrative expenses		(31,177,217)	(23,028,710)	(5,955,563)	(6,997,699)
Profit from operations		59,767,376	44,774,363	28,368,347	28,605,859
Finance costs	20	(236,853)	(293,845)	(19,367)	0
Profit before tax	22	59,530,523	44,480,518	28,348,980	28,605,859
Tax expense	23	(364,175)	(131,518)	0	0
Profit for the financial year, attributable to owners of the parent		59,166,348	44,349,000	28,348,980	28,605,859
Other comprehensive loss, net of tax:					
Item that may be subsequently reclassified to profit or loss					
Foreign currency translations, net of tax	23(d)	(21,299)	(67,034)	0	0
Total comprehensive income, attributable to owners of the parent		59,145,049	44,281,966	28,348,980	28,605,859
Earnings per share attributable to owners of the parent:					
Basic and diluted (sen)	24	7.91	6.77		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Note	Non-distributable			Distributable		Total equity RM
		Share capital RM	Legal reserve RM	Exchange translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM	
Balance as at 1 January 2018		65,803,001	6,244	291,200	(63,557,909)	122,212,281	124,754,817
Profit for the financial year		0	0	0	0	44,349,000	44,349,000
Other comprehensive loss, net of tax		0	0	(67,034)	0	0	(67,034)
Total comprehensive income		0	0	(67,034)	0	44,349,000	44,281,966
Transfer to legal reserve		0	35,652	0	0	(35,652)	0
Transactions with owners:							
Issuance of ordinary shares	13	190,887,760	0	0	0	0	190,887,760
Share issue expenses	13	(4,075,383)	0	0	0	0	(4,075,383)
Dividends paid	25	0	0	0	0	(25,000,000)	(25,000,000)
Total transactions with owners		186,812,377	0	0	0	(25,000,000)	161,812,377
Balance as at 31 December 2018		252,615,378	41,896	224,166	(63,557,909)	141,525,629	330,849,160

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

Group	Note	Non-distributable				Distributable		Total equity RM
		Share capital RM	Treasury shares RM	Legal reserve RM	Exchange translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM	
Balance as at 1 January 2019		252,615,378	0	41,896	224,166	(63,557,909)	141,525,629	330,849,160
Profit for the financial year		0	0	0	0	0	59,166,348	59,166,348
Other comprehensive loss, net of tax		0	0	0	(21,299)	0	0	(21,299)
Total comprehensive income		0	0	0	(21,299)	0	59,166,348	59,145,049
Transactions with owners:								
Purchase of treasury shares	13(b)	0	(5,246,963)	0	0	0	0	(5,246,963)
Dividend paid	25	0	0	0	0	0	(4,980,000)	(4,980,000)
Total transactions with owners		0	(5,246,963)	0	0	0	(4,980,000)	(10,226,963)
Balance as at 31 December 2019		252,615,378	(5,246,963)	41,896	202,867	(63,557,909)	195,711,977	379,767,246

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Note	Share capital RM	Non-distributable	Distributable	Total equity RM
			Treasury shares RM	(Accumulated losses)/ Retained earnings RM	
Balance as at 1 January 2018		65,803,001	0	(37,707)	65,765,294
Profit for the financial year		0	0	28,605,859	28,605,859
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	28,605,859	28,605,859
Transactions with owners:					
Issuance of ordinary shares	13	190,887,760	0	0	190,887,760
Share issue expenses	13	(4,075,383)	0	0	(4,075,383)
Dividends paid	25	0	0	(25,000,000)	(25,000,000)
Total transactions with owners		186,812,377	0	(25,000,000)	161,812,377
Balance as at 31 December 2018		252,615,378	0	3,568,152	256,183,530
Balance as at 1 January 2019		252,615,378	0	3,568,152	256,183,530
Profit for the financial year		0	0	28,348,980	28,348,980
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	28,348,980	28,348,980
Transactions with owners:					
Purchase of treasury shares	13(b)	0	(5,246,963)	0	(5,246,963)
Dividend paid	25	0	0	(4,980,000)	(4,980,000)
Total transactions with owners		0	(5,246,963)	(4,980,000)	(10,226,963)
Balance as at 31 December 2019		252,615,378	(5,246,963)	26,937,132	274,305,547

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		59,530,523	44,480,518	28,348,980	28,605,859
Adjustments for:					
Amortisation of intangible assets	6	12,744	0	0	0
Depreciation of property, plant and equipment	4	3,570,661	2,218,781	27,273	2,010
Depreciation of right-of-use assets	5	668,855	0	85,741	0
Dividend income		0	0	(30,000,000)	(31,500,000)
Finance costs	20	236,853	293,845	19,367	0
Gain on disposal of property, plant and equipment		(119,844)	(3,859)	0	0
Gain on fair value changes on bond funds		(35,065)	0	(35,065)	0
Impairment loss on trade receivables	9	141,900	150,106	0	0
Interest income		(4,258,432)	(3,611,779)	(3,293,040)	(3,048,856)
Inventories written down		248,086	99,515	0	0
Inventories written off		1,034,387	0	0	0
Property, plant and equipment written off	4	7,907	105,430	0	0
Provision for warranty replacement costs	16(a)	2,424,583	2,891,500	0	0
Reversal of impairment loss on trade receivables	9	(150,106)	0	0	0
Reversal of provision for warranty replacement costs	16(a)	(5,358,583)	(1,969,304)	0	0
Unrealised loss/(gain) on foreign exchange		2,158,880	(2,084,940)	223,589	0
Operating profit/(loss) before changes in working capital		60,113,349	42,569,813	(4,623,155)	(5,940,987)
Increase in inventories		(6,589,231)	(7,019,845)	0	0
Increase in trade and other receivables		(28,201,684)	(32,257,593)	(42,161,401)	(35,407,719)
Increase in trade and other payables		7,307,741	10,577,916	2,053,143	529,858
Warranty paid	16(a)	(290,462)	(550,561)	0	0
Technical support related expenses paid	16(b)	0	(1,296,858)	0	0
Cash generated from/(used in) operations		32,339,713	12,022,872	(44,731,413)	(40,818,848)
Tax paid		(175,340)	(454,240)	0	0
Net cash from/(used in) operating activities		32,164,373	11,568,632	(44,731,413)	(40,818,848)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Incorporation of a subsidiary		0	0	0	(2)
Additional investment in subsidiaries		0	0	(6,783,398)	(999,998)
Dividend received		0	0	29,000,000	17,500,000
Interest received		4,258,432	3,611,779	3,293,040	3,048,856
Proceeds from disposal of property, plant and equipment		308,131	346,444	3,006	0
Purchase of:					
- intangible assets	6	(2,435,879)	0	(2,084,611)	0
- property, plant and equipment	4	(60,140,628)	(33,327,836)	(120,994)	(32,562)
- right-of-use assets	5	(1,104,975)	0	0	0
- bond funds		(11,500,000)	0	(11,500,000)	0
Net cash (used in)/from investing activities		<u>(70,614,919)</u>	<u>(29,369,613)</u>	<u>11,807,043</u>	<u>19,516,294</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	25	(4,980,000)	(25,000,000)	(4,980,000)	(25,000,000)
Interest paid		(222,501)	(293,845)	0	0
Proceeds from issuance of ordinary shares	13	0	190,887,760	0	190,887,760
Share issue expenses	13	0	(4,075,383)	0	(4,075,383)
Purchase of treasury shares	13(b)	(5,246,963)	0	(5,246,963)	0
Repayment of term loan		(2,662,222)	(2,160,828)	0	0
Drawdown of term loan		0	8,453,869	0	0
Payments of lease liabilities	5	(229,205)	0	(98,000)	0
Placement of deposits pledged to a licensed bank		(12,814)	0	0	0
Net cash (used in)/from financing activities		<u>(13,353,705)</u>	<u>167,811,573</u>	<u>(10,324,963)</u>	<u>161,812,377</u>
Net (decrease)/increase in cash and cash equivalents		(51,804,251)	150,010,592	(43,249,333)	140,509,823
Effect on foreign exchange rates changes		(167,956)	710,610	(220,380)	0
Cash and cash equivalents at beginning of financial year		<u>201,302,912</u>	<u>50,581,710</u>	<u>140,510,800</u>	<u>977</u>
Cash and cash equivalents at end of financial year	12(b)	<u>149,330,705</u>	<u>201,302,912</u>	<u>97,041,087</u>	<u>140,510,800</u>

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities (Note 5)		Term loan (Note 15)	
	2019 RM	2018 RM	2019 RM	2018 RM
Group				
At 1 January	0	0	6,752,681	0
Effect of adoption of MFRS 16	296,443	0	0	0
Cash flows	(229,205)	0	(2,662,222)	6,293,041
Non-cash flows:				
- additions	243,443	0	0	0
- unwinding of interest	14,352	0	0	0
- effect of foreign exchange	1,123	0	(12,800)	459,640
At 31 December	<u>326,156</u>	<u>0</u>	<u>4,077,659</u>	<u>6,752,681</u>
			Lease liability (Note 5)	
			2019 RM	2018 RM
Company				
At 1 January			0	0
Cash flows			(98,000)	0
Non-cash flows:				
- additions			734,926	0
- unwinding of interest			19,367	0
At 31 December			<u>656,293</u>	<u>0</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019 comprise the financial statements of the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 5 May 2020.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and details of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

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 31(a) to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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 2019 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 31(a)) RM	Additions RM	Written off RM	Disposals RM	Depreciation charge for the financial year RM	Reclassification RM	Currency translation differences RM	Balance as at 31.12.2019 RM
Carrying amount									
Leasehold land	23,093,129	(23,093,129)	0	0	0	0	0	0	0
Buildings	0	0	43,309,781	0	0	(963,353)	29,474,179	4,837	71,825,444
Plant and machinery	397,163	0	0	0	0	(117,862)	0	(7,498)	271,803
Motor vehicles	843,280	0	49,402	0	(1)	(267,785)	0	(2,495)	622,401
Office equipment	1,249,647	0	4,698,100	(153)	(163,334)	(1,137,902)	0	244	4,646,602
Production equipment	1,214,747	0	1,748,831	0	(127)	(343,086)	0	0	2,620,365
Clean room	17,668	0	54,500	0	0	(13,330)	0	0	58,838
Furniture and fittings	403,113	0	1,878,306	(7,754)	(11,155)	(345,079)	0	548	1,917,979
Sports equipment	41,113	0	141,820	0	0	(24,931)	0	0	158,002
Laboratory equipment	779,633	0	789,537	0	(13,670)	(257,630)	0	6,920	1,304,790
Renovation	77,081	0	252,331	0	0	(63,653)	0	(977)	264,782
Cafeteria and kitchen equipment	0	0	309,000	0	0	(36,050)	0	0	272,950
Capital work-in-progress	29,474,179	0	6,909,020	0	0	0	(29,474,179)	0	6,909,020
	57,590,753	(23,093,129)	60,140,628	(7,907)	(188,287)	(3,570,661)	0	1,579	90,872,976
Group									
Buildings			72,788,862	(963,418)					71,825,444
Plant and machinery			590,623	(318,820)					271,803
Motor vehicles			1,400,629	(778,228)					622,401
Office equipment			7,217,658	(2,571,056)					4,646,602
Production equipment			3,381,625	(761,260)					2,620,365
Clean room			147,380	(88,542)					58,838
Furniture and fittings			2,353,278	(435,299)					1,917,979
Sports equipment			206,198	(48,196)					158,002
Laboratory equipment			1,770,295	(465,505)					1,304,790
Renovation			402,750	(137,968)					264,782
Cafeteria and kitchen equipment			309,000	(36,050)					272,950
Capital work-in-progress			6,909,020	0					6,909,020
			97,477,318	(6,604,342)					90,872,976

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at						Balance as at 31.12.2018 RM
	1.1.2018 RM	Additions RM	Written off RM	Disposals RM	Depreciation charge for the financial year RM	Currency translation differences RM	
Carrying amount							
Leasehold land	23,159,361	394,400	0	0	(460,632)	0	23,093,129
Plant and machinery	534,344	0	0	0	(120,020)	(17,161)	397,163
Motor vehicles	1,106,776	411,771	0	(322,396)	(346,907)	(5,964)	843,280
Office equipment	1,105,950	805,531	(28,402)	(18,625)	(613,896)	(911)	1,249,647
Production equipment	361,383	1,043,555	0	0	(190,191)	0	1,214,747
Clean room	36,244	0	0	0	(18,576)	0	17,668
Furniture and fittings	273,643	424,035	(76,367)	(1,564)	(216,852)	218	403,113
Sports equipment	47,190	8,800	(661)	0	(14,216)	0	41,113
Laboratory equipment	132,209	845,834	0	0	(198,410)	0	779,633
Renovation	119,715	0	0	0	(39,081)	(3,553)	77,081
Capital work-in-progress	80,269	29,393,910	0	0	0	0	29,474,179
	26,957,084	33,327,836	(105,430)	(342,585)	(2,218,781)	(27,371)	57,590,753

Group	As at 31.12.2018			Carrying amount RM
	Cost RM	Accumulated depreciation RM		
Leasehold land	23,727,183	(634,054)		23,093,129
Plant and machinery	606,411	(209,248)		397,163
Motor vehicles	1,587,222	(743,942)		843,280
Office equipment	2,761,084	(1,511,437)		1,249,647
Production equipment	1,639,819	(425,072)		1,214,747
Clean room	92,880	(75,212)		17,668
Furniture and fittings	506,024	(102,911)		403,113
Sports equipment	64,378	(23,265)		41,113
Laboratory equipment	995,080	(215,447)		779,633
Renovation	154,164	(77,083)		77,081
Capital work-in-progress	29,474,179	0		29,474,179
	61,608,424	(4,017,671)		57,590,753

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Balance as at 1.1.2019 RM	Additions RM	Disposals RM	Depreciation charge for the financial year RM	Balance as at 31.12.2019 RM
Company					
Office equipment	30,552	120,994	(3,006)	(27,273)	121,267
				As at 31.12.2019	
			Cost RM	Accumulated depreciation RM	Carrying amount RM
Office equipment			150,216	(28,949)	121,267
		Balance as at 1.1.2018 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.12.2018 RM
Company					
Office equipment		0	32,562	(2,010)	30,552
				As at 31.12.2018	
			Cost RM	Accumulated depreciation RM	Carrying amount RM
Office equipment			32,562	(2,010)	30,552

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual periods and depreciation rates are as follows:

Buildings	45 to 50 years
Plant and machinery	20%
Motor vehicles	20% to 33%
Office equipment	20% to 50%
Production equipment	10% to 20%
Clean room	20%
Furniture and fittings	20% to 33%
Sports equipment	20%
Laboratory equipment	20% to 33%
Renovation	20% to 25%
Cafeteria and kitchen equipment	20%

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

- (b) Leasehold land was analysed as:

	2018 RM
Short term (unexpired period less than 50 years)	12,347,238
Long term (unexpired period more than 50 years)	10,745,891
	<u>23,093,129</u>

In the previous financial year, the Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*. The principal annual depreciation period of leasehold land ranged from 45 to 60 years.

- (c) In the previous financial year, leasehold land with a carrying amount of RM12,347,238 was charged to a local bank as securities for bank facilities granted to the Group as disclosed in Note 15(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONT'D)

5. LEASES

The Group as lessee

Right-of-use assets

Carrying amount

	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 31(a)) RM	Additions (Note 5(c)) RM	Depreciation charge for the financial year RM	Currency translation differences RM	Balance as at 31.12.2019 RM
Land	0	23,093,129	1,104,975	(471,247)	0	23,726,857
Offices	0	107,952	243,443	(99,312)	731	252,814
Hostel	0	188,491	0	(98,296)	(49)	90,146
	0	23,389,572	1,348,418	(668,855)	682	24,069,817

Lease liabilities

Carrying amount

	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 31(a)) RM	Additions RM	Lease payments RM	Interest expense RM	Currency translation differences RM	Balance as at 31.12.2019 RM
Offices	0	107,952	243,443	(127,155)	8,739	1,171	234,150
Hostel	0	188,491	0	(102,050)	5,613	(48)	92,006
	0	296,443	243,443	(229,205)	14,352	1,123	326,156

Represented by:

Current liabilities

Non-current liabilities

2019 RM
202,398
123,758
326,156

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

5. LEASES (continued)

The Company as lessee

Right-of-use asset

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

Lease liability

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

**2019
RM**

Represented by:

Current liabilities	134,792
Non-current liabilities	521,501
	<u>656,293</u>

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on a straight line basis from the commencement date to the earlier of the end of the estimated useful lives of the right-of-use assets or the end of the lease term. The depreciation periods of right-of-use assets are as follows:

Land	45 to 60 years
Offices	2 to 5 years
Hostel	2 years

- (b) Included in right-of-use assets of the Group, land with a carrying amount of RM12,067,149 is charged to a local bank as securities for bank facilities granted to the Group as disclosed in Note 15(c) to the financial statements.
- (c) During the financial year, the Group made a cash payment of RM1,104,975 to acquire an additional piece of land classified under right-of-use assets.
- (d) The Group has certain leases of hostel with lease term of twelve (12) months or less and low value leases of office equipment 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 2019 (CONT'D)

5. LEASES (continued)

(e) The following are the amounts recognised in general and administrative expenses:

	Group 2019 RM	Company 2019 RM
Depreciation charge of right-of-use assets	668,855	85,741
Expense relating to short-term leases	1,649,256	0
Expense relating to leases of low-value assets	30,016	0
	<u>2,348,127</u>	<u>85,741</u>

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

(g) The Group leases a lease contract that includes extension option. This is used to maximise operational flexibility in terms of managing the asset used in the operations of the Group. The following are the undiscounted potential future rental payments that are not included in the lease term:

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

(h) Information on financial risks of lease liabilities is disclosed in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

6. INTANGIBLE ASSETS

Group	Balance as at 1.1.2019 RM	Additions RM	Amortisation charge for the financial year RM	Currency translation differences RM	Balance as at 31.12.2019 RM
Carrying amount					
Intellectual property	0	2,084,611	0	0	2,084,611
Club membership	0	807,074	(12,744)	5,772	800,102
	0	2,891,685	(12,744)	5,772	2,884,713

As at 31.12.2019

Group	Cost RM	Accumulated amortisation RM	Carrying amount RM
Intellectual property	2,084,611	0	2,084,611
Club membership	812,852	(12,750)	800,102
	2,897,463	(12,750)	2,884,713

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

As at 31.12.2019

Company	Cost RM	Accumulated amortisation RM	Carrying amount RM
Intellectual property	2,084,611	0	2,084,611

- (a) Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.
- (b) Intellectual property represents a patent in relation to a semiconductor bonding device. Intellectual property is amortised on a straight line basis over a period of fifteen (15) years commencing from the date of acquisition.
- (c) Club membership represents a corporate golf membership. Club membership is amortised on a straight line basis over a period of twenty one (21) years commencing from the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONT'D)

6. INTANGIBLE ASSETS (continued)

(d) During the financial year, the Group and the Company made the following cash payments to acquire intangible assets:

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

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost		
- ordinary shares	103,586,351	66,802,953
- redeemable preference shares	42,175,200	0
	<u>145,761,551</u>	<u>66,802,953</u>

(a) An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment loss, if any.

(b) Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2019 %	2018 %	
Mi Equipment (M) Sdn. Bhd.	Malaysia	100	100	Design, development, manufacture and sale of wafer level chip scale packaging sorting machines with inspection and testing capabilities for the semiconductor industry.
Mi International Pte. Ltd.*	Singapore	100	100	Overseeing all of the international sales, sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components.
Mi Components Sdn. Bhd. (Formerly known as Mi Precision Sdn. Bhd.)	Malaysia	100	100	Manufacturing and sales of modules and component parts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

7. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2019 %	2018 %	
Mi Autobotics Sdn. Bhd.	Malaysia	100	100	Research and development, engineering, manufacturing and assembly of smart and highly mechatronics industry robots and advanced factory automation equipment and machineries, and sales of intelligent software solutions and systems.
Subsidiaries of Mi International Pte. Ltd.				
Mi Sales & Services (M) Sdn. Bhd. (Formerly known as Mi Equipment Sales & Services Sdn. Bhd.)	Malaysia	100	100	Sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components.
Suzhou Mi Equipment Co., Ltd. ^	People's Republic of China	100	100	Sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components.
Mi Equipment (Taiwan) Co., Ltd. ^	Taiwan (Republic of China)	100	100	Sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components.
Mi Equipment USA Inc. #	United States of America	100	100	Sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components.
Mi Sales & Services (S) Pte. Ltd.#	Singapore	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. Currently, Mi Sales & Services (S) Pte. Ltd. has not commenced operations.

* Subsidiary audited by BDO member firm.

^ Subsidiaries not audited by BDO Malaysia and BDO member firms.

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

(c) On 28 January 2019, a subsidiary of the Group, Mi International Pte. Ltd. ('Mi International'), incorporated a wholly-owned subsidiary, Mi Sales & Services (S) Pte. Ltd. in Singapore with an issued and paid-up share capital of SGD2 (equivalent to RM6).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

7. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Additional investments in subsidiaries during the financial year

(i) Mi Equipment (M) Sdn. Bhd. ('MiESB')

In December 2019, the Company acquired additional 28,000,000 ordinary shares and 25,000,000 redeemable preference shares ('RPS') at RM1 each in MiESB, by way of capitalisation of advances amounting to RM28,000,000 and RM25,000,000 respectively.

(ii) Mi International

In February and December 2019, the Company acquired additional 900,000 and 1,000,000 ordinary shares at SGD1 each in Mi International, for a total cash consideration of SGD900,000 (equivalent to RM2,739,600) and SGD1,000,000 (equivalent to RM3,043,800) respectively.

In December 2019, the Company further acquired 4,000,000 RPS at SGD1 each in Mi International, by way of capitalisation of advances amounting to SGD4,000,000 (equivalent to RM12,175,200).

(iii) Mi Components Sdn. Bhd. (formerly known as Mi Precision Sdn. Bhd.) ('MiCSB')

In December 2019, the Company acquired additional 1,000,000 ordinary shares and 4,000,000 RPS at RM1 each in MiCSB, by way of capitalisation of advances amounting to RM1,000,000 and RM4,000,000 respectively. MiCSB redeemed 1,000,000 RPS at a redemption price of RM1 per RPS held out of the proceeds of a fresh issue of shares on 31 December 2019.

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

In April 2019, the Company acquired additional 999,998 ordinary shares in MiASB, for a total cash consideration of RM999,998.

In December 2019, the Company acquired additional 1,000,000 ordinary shares and 3,000,000 RPS at RM1 each in MiASB, by way of capitalisation of advances amounting to RM1,000,000 and RM3,000,000 respectively. MiASB redeemed 1,000,000 RPS at a redemption price of RM1 per RPS held out of the proceeds of a fresh issue of shares on 31 December 2019.

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

In April and December 2019, Mi International increased its equity investment in MiESZ, by way of cash at USD240,000 (equivalent to RM991,320) and USD300,000 (equivalent to RM1,253,850) respectively.

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

In April 2019, Mi International increased its equity investment in MiETW, by way of cash at TWD8,000,000 (equivalent to RM1,060,168).

(vii) Mi Equipment USA Inc. ('MiEUS')

In December 2019, Mi International acquired additional 50,000 ordinary shares in MiEUS, by way of capitalisation of advances amounted to USD50,000 (equivalent to RM208,975).

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

(e) In the previous financial year, the Company acquired additional 999,998 ordinary shares at RM1 each in MiCSB for a total cash consideration of RM999,998. There was no change to the shareholding of the Group in the subsidiary.

(f) In the previous financial year, the Company incorporated MiASB for a cash consideration of RM2.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

8. DEFERRED TAX

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

	Group	
	2019	2018
	RM	RM
Balance as at 1 January	(3,838)	54,975
Recognised in profit or loss (Note 23)	(47,116)	(58,195)
Exchange differences	879	(618)
Balance as at 31 December	<u>(50,075)</u>	<u>(3,838)</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	
	2019	2018
	RM	RM
Balance as at 1 January	0	57,310
Recognised in profit or loss	0	(56,686)
Exchange differences	0	(624)
Balance as at 31 December	<u>0</u>	<u>0</u>

Deferred tax assets of the Group

	Unused tax losses	
	2019	2018
	RM	RM
Balance as at 1 January	(3,838)	(2,335)
Recognised in profit or loss	(47,116)	(1,509)
Exchange differences	879	6
Balance as at 31 December	<u>(50,075)</u>	<u>(3,838)</u>

- (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	
	2019	2018	2019	2018
	RM	RM	RM	RM
Unused tax losses				
- no expiry date	3,619,997	3,483,269	0	0
- expires by 31 December 2025	200,295	249,703	0	24,688
- expires by 31 December 2026	2,623,519	0	0	0
Unabsorbed capital allowances	506,108	176,119	0	82,860
	<u>6,949,919</u>	<u>3,909,091</u>	<u>0</u>	<u>107,548</u>

Deferred tax assets of the Company and certain subsidiaries were not recognised in respect of these items as it was not probable that taxable profits of the Company and of the subsidiaries would be available against which the deductible temporary differences could be utilised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-current assets				
Other receivables				
Subsidiaries	0	0	0	5,457,279
Current assets				
Trade receivables				
Third parties	96,268,449	68,034,954	0	0
Dividend receivable from a subsidiary	0	0	15,000,000	14,000,000
Subsidiaries	0	0	897,000	0
	96,268,449	68,034,954	15,897,000	14,000,000
Less: Impairment losses	(141,900)	(150,106)	0	0
	96,126,549	67,884,848	15,897,000	14,000,000
Other receivables				
Third parties	1,982,598	3,935,950	350	0
Subsidiaries	0	0	3,845,536	29,888,327
Deposits	225,905	702,579	0	0
	2,208,503	4,638,529	3,845,886	29,888,327
Total current receivables	98,335,052	72,523,377	19,742,886	43,888,327
Prepayments	2,224,436	1,955,341	646,838	62,113
	100,559,488	74,478,718	20,389,724	43,950,440

- (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 15 to 180 days (2018: 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.
- (c) Non-trade portion of amounts owing by subsidiaries represent advances and payments made on behalf, which are unsecured, interest-free and payable within one (1) year in cash and cash equivalents, except for an amount of RM5,457,279 as at 31 December 2018 which were not payable within the next one (1) year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

9. TRADE AND OTHER RECEIVABLES (continued)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	5,346,482	4,253,768	19,469,884	45,293,676
United States Dollar	91,637,039	67,447,997	273,002	4,051,930
Taiwan Dollar	371,274	147,495	0	0
Singapore Dollar	61,349	63,312	0	0
Chinese Yuan	262,539	610,805	0	0
Swiss Franc	656,369	0	0	0
	<u>98,335,052</u>	<u>72,523,377</u>	<u>19,742,886</u>	<u>49,345,606</u>

(e) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method separately for exposures in different segments based on a common credit risk characteristic - geographic region.

The expected loss rates are based on historical credit losses experienced by the Group over the five (5)-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the customers of the Group. The Group has uses the projected gross domestic product (GDP) and inflation rate as the key macroeconomic factors.

For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within general and administrative expenses in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value 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.

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

	Current	1 - 90 days past due	91 - 180 days past due	More than 180 days past due	Total
31 December 2019					
Expected loss rate	0.14%	0.29%	0.30%	0.44%	
Gross carrying amount (RM)	91,888,792	3,764,461	411,916	203,280	96,268,449
Impairment (RM)	128,897	10,879	1,228	896	141,900
31 December 2018					
Expected loss rate	0.12%	0.20%	0.46%	1.87%	
Gross carrying amount (RM)	37,542,847	25,923,088	2,343,851	2,225,168	68,034,954
Impairment (RM)	45,363	52,388	10,678	41,677	150,106

The Group did not renegotiate the terms of any trade receivables for the financial years ended 31 December 2019 and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

9. TRADE AND OTHER RECEIVABLES (continued)

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

	Group	
	2019 RM	2018 RM
At 1 January	150,106	0
Reversal of impairment loss	(150,106)	0
Charge for the financial year	141,900	150,106
At 31 December	141,900	150,106

(g) For other receivables and non-trade portion of amounts owing by subsidiaries, the Group and the Company apply general approach to measure expected credit losses, which include a three (3)-stage impairment model based on changes in credit quality since initial recognition. The Group and the Company assess whether credit risk has increased significantly since initial recognition by comparing the risk of a default as at the end of the financial year with the risk of a default as at the date of such receivables are initially recognised. In determining whether credit risk on a receivable has increased significantly since initial recognition, the Group and the Company observe the latest financial position and default of payments by the receivables.

The Group and the Company assess impairment loss on other receivables and non-trade portion of amounts owing by subsidiaries based on twelve (12)-month expected credit loss approach and lifetime expected credit loss approach respectively. No expected credit loss is recognised as it is negligible.

(h) Information on financial risks of trade and other receivables is disclosed in Note 29 to the financial statements.

10. INVENTORIES

	Group	
	2019 RM	2018 RM
At cost		
Raw materials	6,585,524	9,576,877
Work-in-progress	22,730,299	10,044,754
Finished goods	17,019,159	23,080,798
Trading goods	57,308	64,773
Goods-in-transit	1,276,422	587,050
	47,668,712	43,354,252
At net realisable value		
Raw materials	992,298	0
Total	48,661,010	43,354,252

(a) Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of raw materials comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials and other direct costs.

(b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM82,071,095 (2018: RM63,990,571).



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

10. INVENTORIES (continued)

- (c) During the financial year, the Group had written down inventories amounted to RM248,086 (2018: RM99,515) and written off obsolete inventories, which amounted to RM1,034,387 (2018: RMNil), both of which were recognised as cost of sales.

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.

11. SHORT TERM FUNDS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial assets at fair value through profit or loss				
Money market funds	81,446,221	183,605,895	81,446,221	139,064,899
Bond funds	11,535,065	0	11,535,065	0
	<u>92,981,286</u>	<u>183,605,895</u>	<u>92,981,286</u>	<u>139,064,899</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	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	92,981,286	165,574,568	92,981,286	139,064,899
United States Dollar	0	18,031,327	0	0
	<u>92,981,286</u>	<u>183,605,895</u>	<u>92,981,286</u>	<u>139,064,899</u>

- (d) Short term funds of the Group and of the Company are measured at Level 1 in the fair value hierarchy.
- (e) Information on financial risks of short term funds is disclosed in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

12. CASH AND BANK BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	67,884,484	17,442,760	15,594,866	1,445,901
Deposits with licensed banks	2,092,899	2,356,356	0	0
	<u>69,977,383</u>	<u>19,799,116</u>	<u>15,594,866</u>	<u>1,445,901</u>

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	8,380,968	11,194,814	1,118,163	1,445,901
United States Dollar	57,771,129	7,619,279	14,476,703	0
Taiwan Dollar	959,770	83,391	0	0
Singapore Dollar	1,980,660	537,785	0	0
Chinese Yuan	33,790	344,771	0	0
Euro	849,410	0	0	0
Others	1,656	19,076	0	0
	<u>69,977,383</u>	<u>19,799,116</u>	<u>15,594,866</u>	<u>1,445,901</u>

(b) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	67,884,484	17,442,760	15,594,866	1,445,901
Deposits with licensed banks	2,092,899	2,356,356	0	0
Money market funds (Note 11)	81,446,221	183,605,895	81,446,221	139,064,899
	<u>151,423,604</u>	<u>203,405,011</u>	<u>97,041,087</u>	<u>140,510,800</u>
Less:				
Deposits pledged to a licensed bank	(2,092,899)	(2,102,099)	0	0
	<u>149,330,705</u>	<u>201,302,912</u>	<u>97,041,087</u>	<u>140,510,800</u>

(c) Deposits pledged to a licensed bank are for term loan granted to the Group as disclosed in Note 15(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 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

13. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of ordinary shares	RM	Number of ordinary shares	RM
Issued and fully paid-up				
Balance as at 1 January	500,000,000	252,615,378	365,572,000	65,803,001
Issuance of ordinary shares pursuant to Initial Public Offering	0	0	134,428,000	190,887,760
Share issue expenses	0	0	0	(4,075,383)
Bonus issue	250,000,000	0	0	0
Balance as at 31 December	<u>750,000,000</u>	<u>252,615,378</u>	<u>500,000,000</u>	<u>252,615,378</u>

(a) Share capital

- (i) During the financial year, the Company has completed a bonus issue of 250,000,000 ordinary shares in the Company on the basis of one (1) bonus share for every two (2) existing shares following the listing of and quotation for the bonus shares on the Main Market of Bursa Malaysia Securities Berhad. The newly issued ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company.
- (ii) In the previous financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 365,572,000 ordinary shares to 500,000,000 ordinary shares by way of allotment of 134,428,000 new ordinary shares at an issue price of RM1.42 each for cash pursuant to its Initial Public Offering exercise.
- (iii) 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.

(b) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 11 June 2019, renewed the approval for the Company to repurchase its own shares.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

13. SHARE CAPITAL (continued)

(b) Treasury shares (continued)

- (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) During the financial year, the Company repurchased 3,000,000 of its issued ordinary shares from the open market at an average price of RM1.75 per share. The total consideration paid, net of transaction costs, for the repurchased shares was RM5,246,963. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.
- (iii) As at 31 December 2019, 4,000,000 (included 1,000,000 new ordinary shares from bonus issue) out of the total 750,000,000 issued and fully paid-up ordinary shares are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 746,000,000.
- (iv) 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.

14. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable:				
Legal reserve	41,896	41,896	0	0
Exchange translation reserve	202,867	224,166	0	0
Reorganisation debit reserve	(63,557,909)	(63,557,909)	0	0
Distributable:				
Retained earnings	195,711,977	141,525,629	26,937,132	3,568,152
	<u>132,398,831</u>	<u>78,233,782</u>	<u>26,937,132</u>	<u>3,568,152</u>

(a) Legal reserve

Pursuant to Company Act in Taiwan, a company, when allocating its surplus profits after having paid all taxes and dues, shall first set aside ten percent (10%) of the said profits as legal reserve. Where such legal reserve amounts to the total authorised capital, this provision shall not apply.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

14. RESERVES (continued)

- (b) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment of the Group in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

- (c) Reorganisation debit reserve

The reorganisation debit reserve arose as a result of the difference between consideration paid over the share capital and capital reserves of Mi Equipment (M) Sdn. Bhd. and Mi International Pte. Ltd. and its subsidiaries pursuant to business combinations under common control.

15. BORROWING

	Group	
	2019	2018
	RM	RM
<i>Term loan</i>		
Non-current	1,584,670	4,369,945
Current	2,492,989	2,382,736
	<u>4,077,659</u>	<u>6,752,681</u>

- (a) Borrowing is classified as financial liabilities measured at amortised cost.
- (b) Borrowing is denominated in United States Dollar.
- (c) The term loan is secured by the following:
- (i) deposits with a licensed bank as disclosed in Note 12(c) to the financial statements;
 - (ii) legal charge over land of the Group as disclosed in Notes 4(c) and 5(b) to the financial statements; and
 - (iii) corporate guarantee by the Company.
- (d) Information on financial risks of borrowing is disclosed in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

16. PROVISIONS

	Group	
	2019	2018
	RM	RM
Non-current		
Provision for warranty replacement costs	522,998	2,557,893
Current		
Provision for warranty replacement costs	1,180,381	2,369,948
Provision for technical support services	604,873	604,873
	<u>1,785,254</u>	<u>2,974,821</u>
Total provisions		
Provision for warranty replacement costs	1,703,379	4,927,841
Provision for technical support services	604,873	604,873
	<u>2,308,252</u>	<u>5,532,714</u>

(a) Provision for warranty replacement costs

The Group provides a two (2)-year (2018: three (3)-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.

During the financial year, the expected warranty claims were reduced to reflect a more accurate estimation of provision for warranty replacement costs following management's review of the actual level of repairs and returns of past years.

As a result of the change in accounting estimates, the Group reversed provision for warranty replacement costs to the profit or loss and other comprehensive income amounted to RM3,040,641 during the current financial year. In view of the revision in estimates, the reversals of provision for warranty replacement costs in the financial years ending 31 December 2020, 2021 and 2022 are expected to decrease by RM1,763,010, RM970,974 and RM306,657 respectively.

Movements during the financial year in the amount recognised in the statements of financial position in respect of the provision for warranty replacement costs are as follows:

	Group	
	2019	2018
	RM	RM
Balance as at 1 January	4,927,841	4,556,206
Provision made during the financial year	2,424,583	2,891,500
Amount used during the financial year	(290,462)	(550,561)
Provision reversed during the financial year	(5,358,583)	(1,969,304)
Balance as at 31 December	<u>1,703,379</u>	<u>4,927,841</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

16. PROVISIONS (continued)

- (b) Provision for technical support services

The Group provides technical support services in respect of trainings on operations and maintenance of machines to new customers for an average period of three (3) years. A provision has been recognised at the end of the reporting period for expected technical support services provided based on past experience of the level of such services.

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

	Group	
	2019 RM	2018 RM
Balance as at 1 January	604,873	1,901,731
Amount used during the financial year	0	(1,296,858)
Balance as at 31 December	<u>604,873</u>	<u>604,873</u>

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Non-current liability</u>				
Other payable	<u>227,903</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Current liabilities</u>				
Trade payables				
Third parties	25,781,784	11,907,179	0	0
Other payables				
Third parties	1,759,930	11,749,058	151,606	71,835
Subsidiaries	0	0	159,031	0
Accrued expenses	15,642,950	12,112,863	2,310,013	496,659
Total other trade payables	17,402,880	23,861,921	2,620,650	568,494
Total current payables	<u>43,184,664</u>	<u>35,769,100</u>	<u>2,620,650</u>	<u>568,494</u>

- (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 (2018: 30 to 90 days).
- (c) Non-current other payable and an amount of RM227,903 included in current portion of other payables relate to the consideration payable in instalments for the club membership as disclosed in Note 6 to the financial statements. These payables are unsecured, interest-free and repayable in September 2020 and September 2021.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

17. TRADE AND OTHER PAYABLES (continued)

- (d) Non-trade portion of amount owing to subsidiaries represents advances which were unsecured, interest-free and payable within one (1) year in cash and cash equivalents.
- (e) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	33,447,133	25,170,868	2,515,511	568,494
United States Dollar	4,210,260	7,716,473	105,139	0
Singapore Dollar	1,999,935	607,927	0	0
Taiwan Dollar	1,575,903	525,145	0	0
Swiss Franc	0	317,745	0	0
Euro	1,684,171	786,717	0	0
Chinese Yuan	495,165	602,547	0	0
Others	0	41,678	0	0
	<u>43,412,567</u>	<u>35,769,100</u>	<u>2,620,650</u>	<u>568,494</u>

- (f) Information on financial risks of trade and other payables is disclosed in Note 29 to the financial statements.

18. COMMITMENTS

- (a) Capital commitments

	Group	
	2019 RM	2018 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Approved but not contracted for	8,668,417	88,849,163
Contracted but not provided for	14,652,609	32,925,765
	<u>23,321,026</u>	<u>121,774,928</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

18. COMMITMENTS (continued)

- (b) Operating lease commitments

The Group as a lessee

The Group had entered into non-cancellable lease agreements for certain premises for terms between two (2) to three (3) years and renewable at the end of the lease period subject to an increase clause.

The Group has aggregate future minimum lease commitments as at 31 December 2018 was as follows:

	RM
Not later than one (1) year	345,570
Later than one (1) year and not later than five (5) years	113,580
	<u>459,150</u>

19. REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
<i>Revenue from contracts with customers:</i>				
- sale of goods	190,882,910	160,233,932	0	0
- services rendered	251,680	158,120	0	0
- management fee	0	0	897,000	1,054,702
<i>Other revenue:</i>				
- dividend income	0	0	30,000,000	31,500,000
	<u>191,134,590</u>	<u>160,392,052</u>	<u>30,897,000</u>	<u>32,554,702</u>

- (a) Sale of goods and services rendered

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

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

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

- (b) Management fees

Management fees are recognised over time when the customers simultaneously receive and consume the benefits.

- (c) Dividend income

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

20. FINANCE COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expense on:				
- term loan	222,501	293,845	0	0
- lease liabilities	14,352	0	19,367	0
	<u>236,853</u>	<u>293,845</u>	<u>19,367</u>	<u>0</u>

21. EMPLOYEE BENEFITS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Wages, salaries and bonuses	28,864,181	26,806,993	2,734,916	1,443,400
Contributions to defined contribution plans	1,890,844	1,985,889	273,217	164,142
Social security contributions	795,813	531,894	21,409	4,506
Other benefits	798,180	700,476	204,470	165,064
	<u>32,349,018</u>	<u>30,025,252</u>	<u>3,234,012</u>	<u>1,777,112</u>

- (a) Included in the employee benefits of the Group and the Company are Directors' remuneration amounting to RM1,502,776 (2018: RM1,615,665) and RM689,099 (2018: RM944,550) respectively.
- (b) In the previous financial year, estimated monetary value of benefits-in-kind provided to the Executive Directors of the Group was RM4,167.

22. PROFIT BEFORE TAX

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax is arrived at after charging:				
Amortisation of intangible assets	12,744	0	0	0
Auditors' remuneration:				
- statutory audit	165,171	146,604	32,000	30,000
- other services	13,618	44,000	3,000	38,000
Depreciation of:				
- property, plant and equipment	3,570,661	2,218,781	27,273	2,010
- right-of-use assets	668,855	0	85,741	0
Directors' remuneration:				
- fees	144,000	144,000	144,000	144,000
- other emoluments	1,358,776	1,471,665	545,099	800,550

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

22. PROFIT BEFORE TAX (continued)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax is arrived at after charging (continued):				
Foreign exchange losses:				
- realised	0	0	12,681	7,678
- unrealised	2,158,880	0	223,589	0
Impairment loss on trade receivables	141,900	150,106	0	0
Inventories written down	248,086	99,515	0	0
Inventories written off	1,034,387	0	0	0
Listing expenses	0	1,248,896	0	4,275,344
Losses on:				
- fair value changes in money market funds	0	0	0	45,550
- redemption of money market funds	0	0	22,682	0
Property, plant and equipment written off	7,907	105,430	0	0
Provision for warranty replacement costs	2,424,583	2,891,500	0	0
Rental expense	1,679,272	2,011,561	0	1,514
and crediting:				
Foreign exchange gains:				
- realised	443,953	107,111	0	0
- unrealised	0	2,084,940	0	0
Gains on:				
- disposal of property, plant and equipment	119,844	3,859	0	0
- fair value changes on money market funds	98,806	87,340	98,806	0
- fair value changes on bond funds	35,065	0	35,065	0
- redemption of money market funds	291,901	36,176	0	0
Government grant	16,368	17,606	0	0
Interest income	4,258,432	3,611,779	3,293,040	3,048,856
Reversals of:				
- impairment loss on trade receivables	150,106	0	0	0
- provision for warranty replacement costs	5,358,583	1,969,304	0	0

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

23. TAX EXPENSE

	Group	
	2019 RM	2018 RM
Current tax expense based on profit for the financial year	304,402	87,883
Underprovision of tax expense in prior years	58,275	20,227
	362,677	108,110
Deferred tax (Note 8):		
Relating to origination and reversal of temporary differences	(47,116)	(52,795)
Overprovision in prior year	0	(5,400)
	(47,116)	(58,195)
Withholding tax expenses	48,614	81,603
	364,175	131,518

- (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	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax	59,530,523	44,480,518	28,348,980	28,605,859
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	14,287,326	10,675,324	6,803,755	6,865,406
Tax effects in respect of:				
Non-allowable expenses	760,518	2,090,746	454,186	1,279,477
Non-taxable income	(1,534,641)	(485,956)	(7,232,129)	(8,258,508)
Tax incentives and allowances	(13,879,789)	(13,385,263)	0	0
Different tax rates in foreign jurisdictions	(87,756)	322,268	0	0
Deferred tax assets not recognised	743,421	817,969	0	113,625
Utilisation of deferred tax assets not recognised in prior year	(31,793)	0	(25,812)	0
Withholding tax expenses	48,614	81,603	0	0
Underprovision of tax expense in prior years	58,275	20,227	0	0
Overprovision of deferred tax in prior year	0	(5,400)	0	0
	364,175	131,518	0	0

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2019 (CONT'D)****23. TAX EXPENSE (continued)**

- (c) On 9 March 2015, a subsidiary of the Group, Mi Equipment (M) Sdn. Bhd. ('MiESB') was granted pioneer status by Ministry of International Trade and Industry of Malaysia ('MITI') for the 'design, development and manufacturing of vision inspection and taping equipment and related components for semiconductor and solar industries' effective from 18 January 2014. Under the pioneer status granted by MITI, the profit derived from these activities is exempted from tax for a total relief period of five (5) years from the manufacturing date, i.e. from 18 January 2014 to 17 January 2019, subject to further renewal of another five (5) years.

On 31 January 2020, MiESB has obtained approval from Malaysian Investment Development Authority ('MIDA') for another five (5)-year pioneer period, i.e. from 18 January 2019 to 17 January 2024.

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

	Before tax RM	Group Tax effect RM	After tax RM
2019			
Item that may be subsequently reclassified to profit or loss			
Foreign currency translations	(21,299)	0	(21,299)
2018			
Item that may be subsequently reclassified to profit or loss			
Foreign currency translations	(67,034)	0	(67,034)

24. 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	
	2019	2018
Profit for the financial year attributable to owners of the parent (RM)	59,166,348	44,349,000
Weighted average number of ordinary shares in issue (unit)	748,068,108	655,532,104
Basic earnings per share (sen)	7.91	6.77*

* Comparative figures for the weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share have been restated to reflect the increase number of shares arising from the bonus issue during the year. Excluding the bonus issue, the basic and diluted earnings per ordinary share for the financial year 2018 was 10.15 sen.

- (b) Diluted

Diluted earnings per share equals basic earnings per share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

25. DIVIDENDS

	Group and Company	
	Dividend per share RM	Amount of dividend RM
2019		
In respect of financial year ended 31 December 2019:		
First single tier interim dividend	0.01	<u>4,980,000</u>
2018		
In respect of financial year ended 31 December 2018:		
First single tier interim dividend	0.03	15,000,000
Second single tier interim dividend	0.02	10,000,000
		<u>25,000,000</u>

On 20 February 2020, the Directors declared a second single tier interim dividend of RM0.03 per ordinary share in respect of the financial year ended 31 December 2019, which was paid on 20 March 2020. This dividend shall be accounted for as an appropriation of retained earnings during the financial year ending 31 December 2020.

26. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	Company	
	2019 RM	2018 RM
Subsidiaries:		
Management fee	897,000	1,054,702
Dividend income	<u>30,000,000</u>	<u>31,500,000</u>

Balances with subsidiaries at the end of the financial year are disclosed in Notes 9 and 17 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

26. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Short term employee benefits	4,273,944	3,775,290	1,081,922	1,283,920
Post-employment benefits				
- contribution to defined contribution plans	393,916	440,275	105,567	170,858
	<u>4,667,860</u>	<u>4,215,565</u>	<u>1,187,489</u>	<u>1,454,778</u>

Included in the total remuneration of key management personnel are:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors' remuneration	<u>1,502,776</u>	<u>1,615,665</u>	<u>689,099</u>	<u>944,550</u>

27. OPERATING SEGMENTS

The Group is principally involved in design, development, manufacture and sale of wafer level chip scale packaging sorting machines with inspection and testing capabilities for the semiconductor industry. The Group is also involved in the provision of maintenance services and technical support for these machines, as well as the sale of related spare parts and components.

For management purpose, the Group is organised into business units based on their products and services. The reportable segments of the Group are as follows:

- Machine - design, development, manufacture and sale of wafer level chip scale packaging sorting machines with inspection and testing capabilities for the semiconductor industry.
- Spare parts - sale of spare parts and components such as consumables and wear and tear parts, conversion kits and new modules, and electronic components, precision parts and mechanical components.
- Services - provision of maintenance services and technical support to customers, such as machine software upgrades, refurbishment of machines and on-site service support.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The accounting policies of operating segments are the same as those described in the notes to the financial statements.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the financial years.

Segment assets exclude short term funds, cash and bank balances and tax assets. Segment liabilities exclude tax liabilities. Even though borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

27. OPERATING SEGMENTS (continued)

	Machine RM	Spare parts RM	Services RM	Eliminations RM	Consolidated RM
2019					
Revenue from external customers	160,340,030	30,542,880	251,680	0	191,134,590
Inter-segment revenue	1,431,281	2,536,095	29,989,061	(33,956,437)	0
Total revenue	<u>161,771,311</u>	<u>33,078,975</u>	<u>30,240,741</u>	<u>(33,956,437)</u>	<u>191,134,590</u>
Interest income	3,572,337	680,488	5,607	0	4,258,432
Finance costs	(198,692)	(37,849)	(312)	0	(236,853)
Net finance income	<u>3,373,645</u>	<u>642,639</u>	<u>5,295</u>	<u>0</u>	<u>4,021,579</u>
Segment profit before tax	45,370,346	13,966,440	30,157,198	(29,963,461)	59,530,523
Tax expense					(364,175)
Other material non-cash items:					
- depreciation of property, plant and equipment	(2,995,376)	(570,583)	(4,702)	0	(3,570,661)
- depreciation of right-of-use assets	(561,093)	(106,881)	(881)	0	(668,855)
- amortisation of intangible assets	(10,691)	(2,036)	(17)	0	(12,744)
- impairment loss on trade receivables	(141,900)	0	0	0	(141,900)
- inventories written off	(1,034,387)	0	0	0	(1,034,387)
- reversal of impairment loss on trade receivables	150,106	0	0	0	150,106
- property, plant and equipment written off	(6,633)	(1,264)	(10)	0	(7,907)
- provision for warranty replacement costs	(2,424,583)	0	0	0	(2,424,583)
- reversal of provision for warranty replacement costs	5,358,583	0	0	0	5,358,583
- unrealised loss on foreign exchange	(1,811,053)	(344,984)	(2,843)	0	(2,158,880)
Additions to non-current assets other than financial instruments	54,008,059	10,287,897	84,775	0	64,380,731
Assets					
Segment assets	222,809,333	44,077,682	160,989	0	267,048,004
Deferred tax assets					50,075
Current tax assets					66,404
Short term funds					92,981,286
Cash and bank balances					69,977,383
					<u>430,123,152</u>
Liabilities					
Segment liabilities	42,420,721	7,640,951	62,962	0	50,124,634
Current tax liabilities					231,272
					<u>50,355,906</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

27. OPERATING SEGMENTS (continued)

	Machine RM	Spare parts RM	Services RM	Eliminations RM	Consolidated RM
2018					
Revenue from external customers	144,635,145	15,598,787	158,120	0	160,392,052
Inter-segment revenue	27,842,444	673,094	0	(28,515,538)	0
Total revenue	<u>172,477,589</u>	<u>16,271,881</u>	<u>158,120</u>	<u>(28,515,538)</u>	<u>160,392,052</u>
Interest income	3,256,958	351,260	3,561	0	3,611,779
Finance costs	(264,977)	(28,578)	(290)	0	(293,845)
Net finance income	<u>2,991,981</u>	<u>322,682</u>	<u>3,271</u>	<u>0</u>	<u>3,317,934</u>
Segment profit before tax	49,678,720	4,844,014	92,439	(10,134,655)	44,480,518
Tax expense					(131,518)
Other material non-cash items:					
- depreciation of property, plant and equipment	(2,000,808)	(215,786)	(2,187)	0	(2,218,781)
- impairment loss on trade receivables	(150,106)	0	0	0	(150,106)
- property, plant and equipment written off	(95,073)	(10,253)	(104)	0	(105,430)
- provision for warranty replacement costs	(2,891,500)	0	0	0	(2,891,500)
- reversal of provision for warranty replacement costs	1,969,304	0	0	0	1,969,304
- unrealised gain on foreign exchange	1,880,116	202,769	2,055	0	2,084,940
Additions to non-current assets other than financial instruments	30,053,711	3,241,269	32,856	0	33,327,836
Assets					
Segment assets	164,593,377	10,767,071	63,275	0	175,423,723
Deferred tax assets					3,838
Current tax assets					86,773
Short term funds					183,605,895
Cash and bank balances					19,799,116
					<u>378,919,345</u>
Liabilities					
Segment liabilities	43,877,157	4,135,418	41,920	0	48,054,495
Current tax liabilities					15,690
					<u>48,070,185</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

27. OPERATING SEGMENTS (continued)

(a) Geographical information

Segment revenue is based on geographical location from which the sale transactions originated.

Segment assets are based on the geographical location of the assets of the Group.

	Group	
	2019 RM	2018 RM
Revenue from external customers		
Southeast Asia	26,340,177	32,445,960
Northeast Asia	156,736,700	117,434,803
North Atlantic	8,057,713	10,511,289
	<u>191,134,590</u>	<u>160,392,052</u>
Non-current assets		
Southeast Asia	116,594,200	56,736,934
Northeast Asia	1,237,831	857,657
North Atlantic	45,550	0
	<u>117,877,581</u>	<u>57,594,591</u>

(b) Major customers

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

	Group	
	2019 RM	2018 RM
Customer A	37,244,974	0
Customer B	0	46,212,983
Customer C	0	23,404,227
Customer D	50,129,375	0
	<u>87,374,349</u>	<u>69,617,210</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

28. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Provisions	2,308,252	5,532,714	0	0
Borrowing	4,077,659	6,752,681	0	0
Lease liabilities	326,156	0	656,293	0
Trade and other payables	43,412,567	35,769,100	2,620,650	568,494
Total liabilities	50,124,634	48,054,495	3,276,943	568,494
Less:				
Short term funds	(92,981,286)	(183,605,895)	(92,981,286)	(139,064,899)
Cash and bank balances	(69,977,383)	(19,799,116)	(15,594,866)	(1,445,901)
Net cash	<u>(112,834,035)</u>	<u>(155,350,516)</u>	<u>(105,299,209)</u>	<u>(139,942,306)</u>
Total capital	379,767,246	330,849,160	274,305,547	256,183,530
Net cash	<u>(112,834,035)</u>	<u>(155,350,516)</u>	<u>(105,299,209)</u>	<u>(139,942,306)</u>
	<u>266,933,211</u>	<u>175,498,644</u>	<u>169,006,338</u>	<u>116,241,224</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 equal to or not less than the 25% of the issued and paid-up capital and such shareholders' equity is not less than RM40.0 million. The Group has complied with this requirement for the financial year ended 31 December 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

28. FINANCIAL INSTRUMENTS (continued)

(b) Categories of financial instruments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial assets				
Amortised cost				
Trade and other receivables (excluding prepayments)	98,335,052	72,523,377	19,742,886	49,345,606
Cash and bank balances	69,977,383	19,799,116	15,594,866	1,445,901
	<u>168,312,435</u>	<u>92,322,493</u>	<u>35,337,752</u>	<u>50,791,507</u>
Fair value through profit or loss				
Short term funds	92,981,286	183,605,895	92,981,286	139,064,899
	<u>261,293,721</u>	<u>275,928,388</u>	<u>128,319,038</u>	<u>189,856,406</u>
Financial liabilities				
Amortised cost				
Trade and other payables	43,412,567	35,769,100	2,620,650	568,494
Borrowing	4,077,659	6,752,681	0	0
	<u>47,490,226</u>	<u>42,521,781</u>	<u>2,620,650</u>	<u>568,494</u>

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair values and whose carrying amounts are a reasonable approximation of fair values

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, borrowing and trade and other payables are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced at market interest rates on or near the end of the reporting period.

- (ii) Short term funds

The fair values of short term funds are calculated using quoted prices at the end of the reporting period.

- (iii) Non-current amount owing by subsidiaries

The fair value of non-current amount owing by subsidiaries as at the end of previous reporting period was estimated by discounting expected future cash flows of market incremental lending rate for similar types of lending at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, foreign currency risk, interest rate risk and market risk. Information on the management of the related exposures is detailed below.

(a) Credit risk

Exposure to credit risk arises mainly from sales made on credit terms, short term funds and deposits with licensed banks, which requires the loss to be recognised if a counter party fails to perform as contracted. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group also seeks to invest cash assets safely and profitably with approved financial institutions in line with the policy of the Group.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. Information regarding credit enhancement for trade and other receivables is disclosed in Note 9 to the financial statements.

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

	2019		2018	
	RM	% of total	RM	% of total
By geographical location				
Southeast Asia	8,781,639	9%	11,896,975	17%
Northeast Asia	86,974,107	90%	54,062,509	80%
North America	370,803	1%	1,925,364	3%
	<u>96,126,549</u>	<u>100%</u>	<u>67,884,848</u>	<u>100%</u>

At the end of each reporting period, approximately 65% (2018: 39%) of the trade receivables of the Group were due from four (4) (2018: two (2)) major customers.

Company

At the end of the reporting period, trade receivables of the Company are solely from its subsidiaries.

(b) Liquidity and cash flow risk

The exposure of the Group to liquidity and cash flow risk arises primarily from the mismatch of the maturities of financial assets and liabilities. The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity and cash flow risk (continued)

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one (1) year RM	One (1) to five (5) years RM	Total RM
Group			
As at 31 December 2019			
Financial liabilities			
Trade and other payables	43,184,664	227,903	43,412,567
Borrowing	2,604,818	1,605,621	4,210,439
Lease liabilities	226,630	140,014	366,644
Total undiscounted financial liabilities	<u>46,016,112</u>	<u>1,973,538</u>	<u>47,989,650</u>
As at 31 December 2018			
Financial liabilities			
Trade and other payables	35,769,100	0	35,769,100
Borrowing	2,632,183	4,546,174	7,178,357
Total undiscounted financial liabilities	<u>38,401,283</u>	<u>4,546,174</u>	<u>42,947,457</u>
Company			
As at 31 December 2019			
Financial liabilities			
Trade and other payables	2,620,650	0	2,620,650
Lease liability	168,000	574,000	742,000
Total undiscounted financial liabilities	<u>2,788,650</u>	<u>574,000</u>	<u>3,362,650</u>
As at 31 December 2018			
Financial liability			
Trade and other payables	568,494	0	568,494
Total undiscounted financial liability	<u>568,494</u>	<u>0</u>	<u>568,494</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

29. 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').

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, Taiwan Dollar ('TWD'), Euro ('EURO') and Swiss Franc ('CHF') exchange rates against the functional currency of the Group and of the Company, with all other variables held constant:

		Effect on profit after tax	
		Increase/(Decrease)	
		2019	2018
		RM	RM
Group			
USD/RM	- strengthen by 10% (2018: 10%)	10,725,139	5,975,838
	- weaken by 10% (2018: 10%)	<u>(10,725,139)</u>	<u>(5,975,838)</u>
TWD/RM	- strengthen by 10% (2018: 10%)	(18,609)	(22,364)
	- weaken by 10% (2018: 10%)	<u>18,609</u>	<u>22,364</u>
EURO/RM	- strengthen by 10% (2018: 10%)	(63,442)	(59,790)
	- weaken by 10% (2018: 10%)	<u>63,442</u>	<u>59,790</u>
CHF/RM	- strengthen by 10% (2018: 10%)	49,884	(24,149)
	- weaken by 10% (2018: 10%)	<u>(49,884)</u>	<u>24,149</u>
Company			
USD/RM	- strengthen by 10% (2018: 10%)	1,112,987	307,947
	- weaken by 10% (2018: 10%)	<u>(1,112,987)</u>	<u>(307,947)</u>

Sensitivity analysis of other foreign currencies are not disclosed as they are not material to the Group and the Company.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates. The exposure to market risk of the Group and of the Company for changes in interest rates relates primarily to the borrowing, leases and deposits placed with licensed banks of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk (continued)

The following table sets out the carrying amounts, the weighted average effective interest rates or incremental borrowing rate as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

	Note	Weighted average effective interest rate/incremental borrowing rate* per annum %	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to five (5) years RM	Total RM
Group						
2019						
Fixed rates						
Deposits with licensed banks	12	0.60	2,092,899	0	0	2,092,899
Lease liabilities	5	*5.07	<u>202,398</u>	<u>72,937</u>	<u>50,821</u>	<u>326,156</u>
Floating rates						
Borrowing	15	3.80	2,492,989	1,584,670	0	4,077,659
Short term funds	11	3.19	<u>92,981,286</u>	<u>0</u>	<u>0</u>	<u>92,981,286</u>
2018						
Fixed rate						
Deposits with licensed banks	12	0.57	<u>2,356,356</u>	<u>0</u>	<u>0</u>	<u>2,356,356</u>
Floating rate						
Borrowing	15	4.40	<u>2,382,736</u>	<u>2,489,717</u>	<u>1,880,228</u>	<u>6,752,681</u>
Company						
2019						
Fixed rate						
Lease liabilities	5	*5.58	<u>134,792</u>	<u>293,175</u>	<u>228,326</u>	<u>656,293</u>
Floating rate						
Short term funds	11	3.19	<u>92,981,286</u>	<u>0</u>	<u>0</u>	<u>92,981,286</u>

(e) Market risk

Market risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in quoted prices (other than interest or exchange rates).

The Group and the Company are exposed to market risk primarily arising from placements in bond funds held by the Group and by the Company as at the end of reporting period. They were held mainly to manage free cash flows and optimise working capital rather than for trading purposes. These instruments are classified as financial assets designated at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Market risk (continued)

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit after tax				
- increase by 1%	87,666	0	87,666	0
- decrease by 1%	(87,666)	0	(87,666)	0

30. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

- (a) On 20 January 2020, the Company incorporated a new private limited company in the Republic of Korea namely Mi Equipment Korea Co. Ltd. ('Mi Korea') with a capital injection of USD139,903 (equivalent to RM587,509), which represents 70% of the equity interest in Mi Korea. The purpose of incorporating Mi Korea is to setup a new engineering centre carrying out research and development activities.
- (b) The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from COVID-19. The MCO was subsequently extended on:
 - (i) 25 March 2020 for 2 weeks until 14 April 2020;
 - (ii) 10 April 2020 for another 2 weeks until 28 April 2020; and
 - (iii) 23 April 2020 for another 2 weeks until 12 May 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The financial reporting impact of the COVID-19 pandemic could be significant to the Group due to:

- (i) Reduced consumer demand for goods and services of the Group owing to lost income and/or restrictions on consumers' ability to move freely;
- (ii) Lack of investment in capital improvements, thus reducing demand for goods and services of the Group;
- (iii) Reduction in market prices of financial assets, including debt and equity instruments; and
- (iv) Disruption of global supply chains due to the restrictions imposed on the movement of people and goods.

The Group is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Group anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Group during the financial year ending 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

31. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

(a) New MFRSs adopted during the financial year

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

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 described in the following section.

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 January 2019. The incremental borrowing rate of the Group applied to the lease liabilities on 1 January 2019 was 4.13% per annum.

The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

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

(a) New MFRSs adopted during the financial year (continued)

MFRS 16 Leases (continued)

On transition to MFRS 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

	As at 31 December 2018 RM	Impact RM	As at 1 January 2019 RM
Group			
Property, plant and equipment	57,590,753	(23,093,129)	34,497,624
Right-of-use assets	0	23,389,572	23,389,572
Lease liabilities	0	296,443	296,443

(i) The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the financial statements as at 31 December 2018.

(ii) Lease liabilities are measured as follows:

	Group RM
Operating lease commitments at 31 December 2018 as disclosed under MFRS 117	459,150
Incremental borrowing rate as at 1 January 2019	4.13%
Discounted operating lease commitments as at 1 January 2019	454,645
Recognition exemption for leases with less than twelve (12) months of lease term at transition	(353,798)
Extension option reasonably certain to be exercised	195,596
Lease liabilities recognised at 1 January 2019	296,443

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019 (CONT'D)

31. 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 2020

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>MFRS 17 Insurance Contracts</i>	1 January 2021
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2022
<i>Amendments to MFRS 10 and MFRS 128 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.

LIST OF PROPERTIES

No.	Name of registered owner / Address	Description	Land area (sq. meter)	Tenure	Carrying amount as at 31 December 2019 (RM'000)	Date of acquisition
1.	<u>Mi Equipment (M) Sdn. Bhd.</u> No. 20, Medan Bayan Lepas Technoplex, MK12 Taman Perindustrian Bayan Lepas, 11900 Bayan Lepas, Pulau Pinang.	5-storey detached factory	8,576	Leasehold for 60 years and will expire on 30 January 2063	75,124	11.07.2017
2.	<u>Mi Equipment (M) Sdn. Bhd.</u> PMT 764, Jalan Cassia Selatan 5/1, Taman Perindustrian Batu Kawan, 14110 Bandar Cassia, Penang.	2-storey detached factory (The construction had commenced on 28 May 2019 and completed on 26 February 2020)	24,702	Leasehold for 60 years and will expire on 26 February 2078	10,562	05.10.2016
3.	<u>Mi International Pte. Ltd.</u> Robinson Road, Robinson Square, #06-02 Singapore 068908	1 unit office lot	110	Freehold Building	9,866	14.06.2019

Note:

Item No.1 – Comprises carrying amount of leasehold land and building

Item No.2 – Comprises carrying amount of leasehold land only as building construction has yet to be completed as at year end.

ANALYSIS OF SHAREHOLDINGS

AS AT 9 APRIL 2020

Total Number of Issued Shares : 750,000,000 (inclusive of 4,000,000 Treasury shares held)
Class of Share : Ordinary shares
Voting Rights : One vote for every ordinary share held

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS

No. of Holders	Size of Holdings	Total Holdings	%
203	less than 100 shares	9,234	0.00
1,141	100 to 1,000 shares	775,564	0.09
2,890	1,001 to 10,000 shares	12,812,997	1.72
1,001	10,001 to 100,000 shares	29,868,455	4.00
209	100,001 to less than 5% of issued shares	189,033,750	25.34
2	5% and above of issued shares	513,500,000	68.83
5,446		746,000,000	100.00

DIRECTORS' SHAREHOLDINGS IN THE COMPANY

Name	Direct	%	Indirect	%
Foo Hee Chaik	450,000	0.06	-	-
Oh Kuang Eng	513,500,000	68.83	-	-
Yong Shiao Voon	-	-	513,500,000	68.83
Koay Huck Khim	870,000	0.12	-	-
Tan Boon Hoe	280,000	0.04	-	-
Lee Boon Leng	97,500	0.01	-	-

LIST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Name	Direct	%	Indirect	%
Oh Kuang Eng	513,500,000	68.83	-	-

ANALYSIS OF SHAREHOLDINGS

AS AT 9 APRIL 2020 (CONT'D)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

NO.	NAMES	NO. OF SHARES HELD	%
1.	Oh Kuang Eng	450,000,000	60.32
2.	Oh Kuang Eng	63,500,000	8.51
3.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB For Lim Ka Kian (PB)	21,635,750	2.90
4.	Sim Ah Yoong	16,180,100	2.17
5.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Namal (L) Ltd.	9,600,000	1.29
6.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. BNYM SA/NV For Kenrich Asia Tiske Aktier (Kap Investin Pro)	8,560,500	1.15
7.	Wang Chung Chen	6,564,450	0.88
8.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For Banque Pictet & Cie SA	5,876,000	0.79
9.	Cartaban Nominees (Asing) Sdn. Bhd. State Street Australia Fund OD51 For FSS Trustee Corporation	3,620,596	0.49
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan)(Kenanga)	3,481,000	0.47
11.	Lim Ka Kian	3,254,850	0.44
12.	Lim Ka Kian	3,022,200	0.41
13.	Chuah Kim Seah	2,512,900	0.34
14.	Amanahraya Trustees Berhad PMB Shariah Growth Fund	2,500,000	0.34
15.	HSBC Nominees (Asing) Sdn. Bhd. TNTC For Ocular Asia Fund	2,487,000	0.33
16.	HSBC Nominees (Asing) Sdn. Bhd. BQ Pictet and Cie For Agrango Trading & Finance Corp.	2,445,000	0.33
17.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Wanjun Engineering Sdn. Bhd. (E-BBB)	2,439,900	0.33
18.	Maybank Securities Nominees (Asing) Sdn. Bhd. Pledged Securities Account For Fabry Continuation LLC	2,400,000	0.32
19.	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Commerce Trustee Berhad - Kenanga Malaysian Inc Fund	2,329,000	0.31
20.	Tokio Marine Life Insurance Malaysia Bhd. As Beneficial Owner (PF)	2,171,500	0.29
21.	Maybank Nominees (Tempatan) Sdn. Bhd. National Trust Fund (IFM Kenanga)	2,170,100	0.29
22.	Ong Tee Ni	2,135,000	0.29
23.	Maybank Nominee (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Areca Equitytrust Fund (211882)	2,070,000	0.28
24.	Evelyn Ng Zhen Zhing	1,999,200	0.27
25.	Tung Chun Kang	1,940,400	0.26
26.	Tokio Marine Life Insurance Malaysia Bhd. As Beneficial Owner (TMEF)	1,763,500	0.24
27.	HSBC Nominees (Asing) Sdn. Bhd. HSBC-FS I For Jpmorgan Malaysia Fund	1,633,000	0.22
28.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For Kenanga Amanah Saham Wanita (N14011980040)	1,617,050	0.22
29.	Teh Ban Chuan	1,586,250	0.21
30.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. SSBT Fund 59HL For Oregon Public Employees Retirement System	1,543,862	0.21

Mi TECHNOVATION BERHAD

Company No. 201701021661 (1235827-D)

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