

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

PROPOSED SUBSCRIPTION

Unless otherwise stated and wherever applicable, the closing exchange rate of Chinese Yuan (“RMB”):Ringgit Malaysia (“RM”) 0.6525 as extracted from Bank Negara Malaysia’s (“BNM”) website as at 26 July 2021, being the latest practicable date prior to the date of this announcement (“LPD”) is used throughout this announcement for illustration purposes.

1. INTRODUCTION

The Board of Directors of Mi Technovation (“Board”) wishes to announce that Suzhou Mi Equipment Co Ltd (“Mi Equipment China”), a wholly-owned subsidiary of Mi Technovation, had on 5 August 2021, entered into a capital increase agreement (“Agreement”) with Talentek Microelectronics (Hefei) Limited (“Talentek Microelectronics”), Lansus Technologies Inc (“Lansus Technologies”) and Wuhan Silicon Integrated Co Ltd (“Wuhan Silicon Integrated”) to subscribe for the increase in capital of Talentek Microelectronics amounting to RMB45.00 million (equivalent to approximately RM29.36 million) (“Subscription Consideration”) (“Proposed Subscription”).

Mi Equipment China, Talentek Microelectronics, Lansus Technologies and Wuhan Silicon Integrated are collectively referred to as the “Parties”.

Mi Equipment China, Lansus Technologies and Wuhan Silicon Integrated are collectively referred to as the “Investors”.

Further details of the Proposed Subscription are set out below.

2. DETAILS OF THE PROPOSED SUBSCRIPTION

Pursuant to the terms of the Agreement, Mi Equipment China shall pay a total of RMB45.00 million (equivalent to approximately RM29.36 million) for the increase in the capital of Talentek Microelectronics (“Capital Increase”).

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

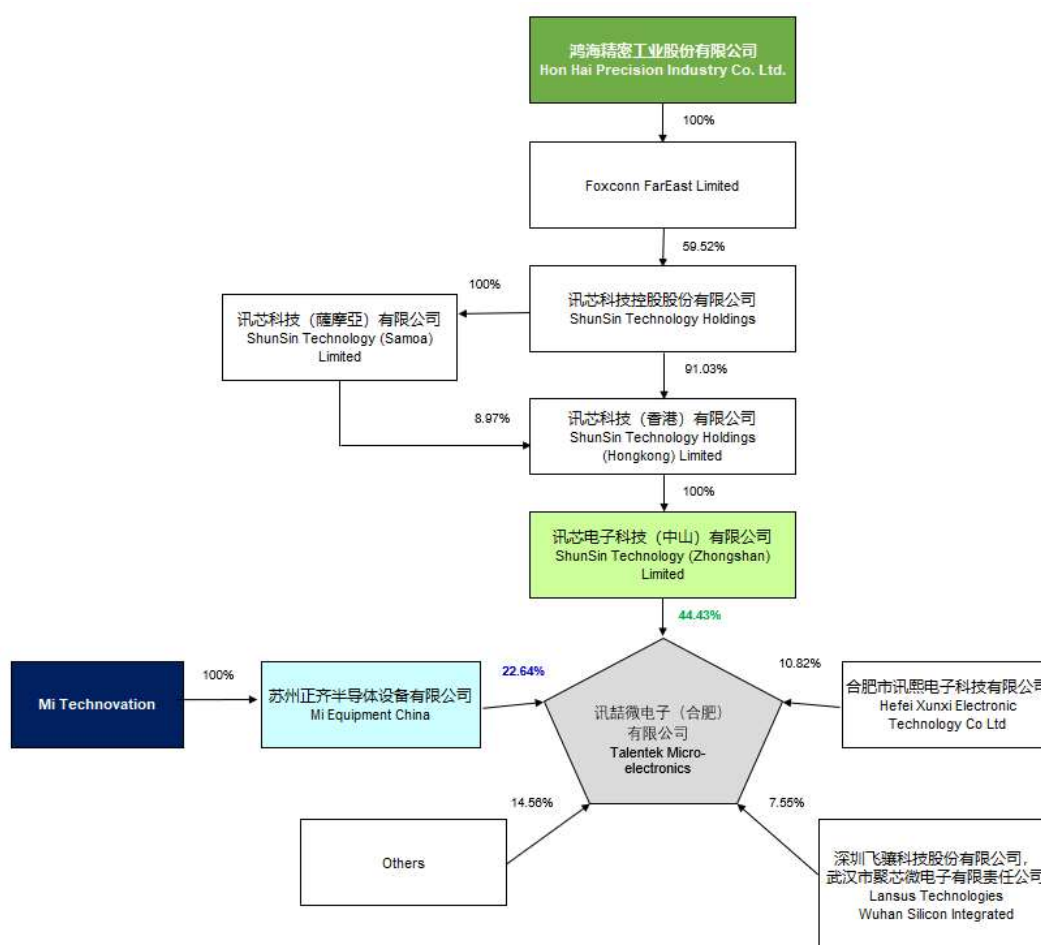
Name	Registered Capital				
	Existing as at LPD		Capital Increase	After the Capital Increase	
	RMB'mil	%	RMB'mil	RMB'mil	%
ShunSin Technology (Zhongshan) Limited ⁽ⁱ⁾	17.67	63.65	-	17.67	44.43
Mi Equipment China	-	-	9.00	9.00	22.64
Hefei Xunxi Electronic Technology Co Ltd ⁽ⁱⁱ⁾	4.30	15.49	-	4.30	10.82
Lansus Technologies and Wuhan Silicon Integrated ⁽ⁱⁱⁱ⁾	-	-	3.00	3.00	7.55
Others ^(iv)	5.79	20.86	-	5.79	14.56
Total	27.76	100.00	12.00	39.76	100.00

Notes:

- (i) Its ultimate holding company is Hon Hai Precision Industry Co. Ltd. with equity interest of approximately 59.52%, based on ShunSin Technology Holdings Limited's ("**ShunSin Technology**") Annual Report for the financial year ended ("**FYE**") 31 December 2020 which was published on 30 April 2021 ("**ShunSin Technology's Annual Report**"). The details remain unchanged as at the LPD.
- (ii) Its shareholders are the employees of Talentek Microelectronics and ShunSin Technology who acquired the equity interest in Talentek Microelectronics.
- (iii) Lansus Technologies is principally involved in the 5G and radio frequency segment while Wuhan Silicon Integrated is principally involved in the light sensor segment.
- (iv) Includes the employees of ShunSin Technology (Zhongshan) Limited.

Upon completion of the Capital Increase, the registered capital of Talentek Microelectronics shall be increased from approximately RMB27.76 million (equivalent to approximately RM18.11 million) to approximately RMB39.76 million (equivalent to approximately RM25.94 million).

The following diagram depicts the equity structure of Talentek Microelectronics after the Capital Increase (including its immediate and ultimate holding companies).



(Source: ShunSin Technology's Annual Report. The details remain unchanged as at the LPD)

Pursuant to the Proposed Subscription, Talentek Microelectronics will become an associated company of Mi Equipment China, with Mi Equipment China holding approximately 22.64% of the registered capital of Talentek Microelectronics.

2.1 Background information on Talentek Microelectronics

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

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

As at the LPD, the registered capital of Talentek Microelectronics is RMB27.76 million (equivalent to approximately RM18.11 million) while its audited net assets (“**NA**”) as at 31 December 2020 was approximately RMB32.34 million (equivalent to approximately RM21.10 million), based on the latest audited financial statements of Talentek Microelectronics for the FYE 31 December 2020.

2.2 Basis and justification for arriving at the Subscription Consideration

The Subscription Consideration of RMB45.00 million was negotiated between the Parties on a willing issuer willing subscriber basis and was arrived at based on the amount of RMB9.00 million to subscribe for the registered capital of Talentek Microelectronics and the balance of RMB36 million at a premium to be included in the capital accumulation fund of Talentek Microelectronics, after taking into consideration of the capital investment amount required by Talentek Microelectronics for its business development, research and development, production, capital expenditure and general working capital requirements.

The Board is of the view that the Subscription Consideration is justifiable after taking into consideration the rationale and benefits of the Proposed Subscription as well as the prospects of Talentek Microelectronics as set out in Sections 3 and 4 of this announcement respectively.

2.3 Liabilities to be assumed

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

2.4 Source of funding

The Proposed Subscription will be funded through internally generated funds, bank borrowings and/or the proceeds to be raised from the proposed private placement of up to 82,025,000 Shares, representing ten percent (10%) of the total number of issued shares of Mi Technovation (excluding treasury shares) as announced by the Board on 5 July 2021 (“**Proposed Private Placement**”), the quantum of which has yet to be finalised at this juncture.

3. RATIONALE AND BENEFITS OF THE PROPOSED SUBSCRIPTION

The Proposed Subscription represents a strategic business collaboration between the Semiconductor Equipment Business Unit (“**SEBU**”) of Mi Technovation Group and Talentek Microelectronics that is largely complementary to the Group’s existing businesses. This will enable the SEBU via Mi Equipment China to be involved in the China domestic ecosystem, i.e. the semiconductor final test segment.

4. PROSPECTS OF TALENTEK MICROELECTRONICS

In view of the massive investment and development in the semiconductor industry, the Board foresees that Talentek Microelectronics and Mi Equipment China will stay at a perfect position to collaborate on the development of automated test equipment and test handler as well as providing test service to its domestic customers in China.

5. RISK FACTORS

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

In addition to the industry risks above, there are certain risks specifically associated with the Proposed Subscription and business of Talentek Microelectronics, as follows:

5.1 Business risks

Although the Board believes that Mi Technovation may derive benefits from the Proposed Subscription, there is however no assurance that the anticipated benefits of the Proposed Subscription will be realised.

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

6. EFFECTS OF THE PROPOSED SUBSCRIPTION

6.1 Issued share capital and substantial shareholders' shareholding

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

6.2 NA, NA per Share and gearing

The Proposed Subscription is not expected to have any pro forma effect on the NA and NA per Share of the Mi Technovation Group as at 31 December 2020.

The Proposed Subscription is also not expected to have any material pro forma effect on the gearing of the Group as at 31 December 2020 as the Proposed Subscription will be funded through internally generated funds, bank borrowings and/or the proceeds to be raised from the Proposed Private Placement.

6.3 Earnings and earnings per Share ("EPS")

The Proposed Subscription is not expected to have any material effect on the earnings and EPS of the Group for the financial year ending 31 December 2021.

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

7. APPROVALS REQUIRED

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

8. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Subscription pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is approximately 4.21%, based on the adjusted NA of Mi Technovation Group as at 31 December 2020 of approximately RM697.32 million (being audited NA of Mi Technovation Group as at 31 December 2020 adjusted for subsequent completed events up to the LPD, as confirmed by the Company's external auditors).

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

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

10. DIRECTORS' STATEMENT

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

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Subscription is expected to be completed in the third (3rd) quarter of 2021.

12. DOCUMENTS AVAILABLE FOR INSPECTION

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

This announcement is dated 5 August 2021.