



2018

Mi TECHNOVATION BERHAD
ANNUAL REPORT

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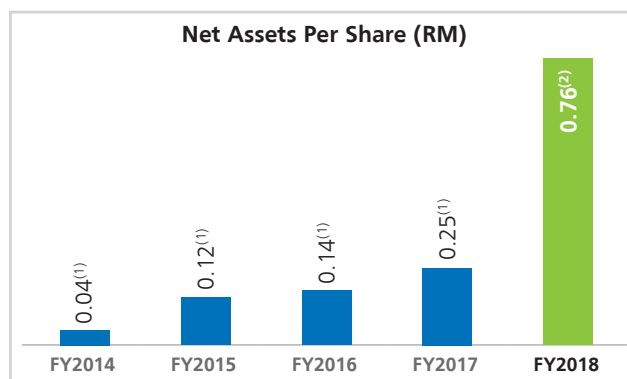
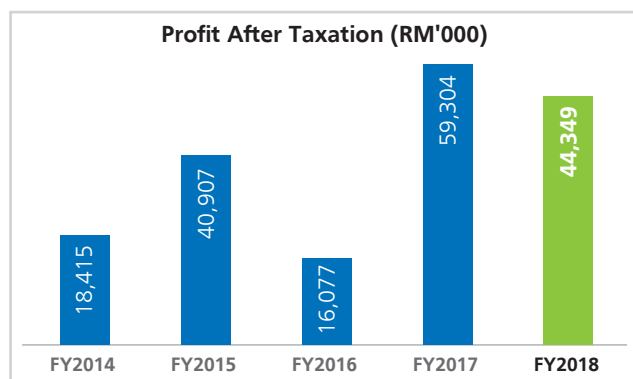
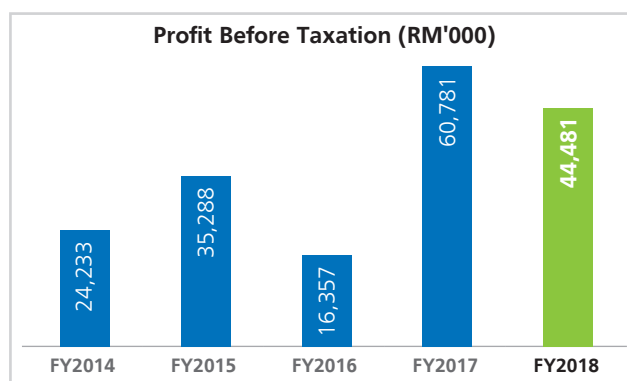
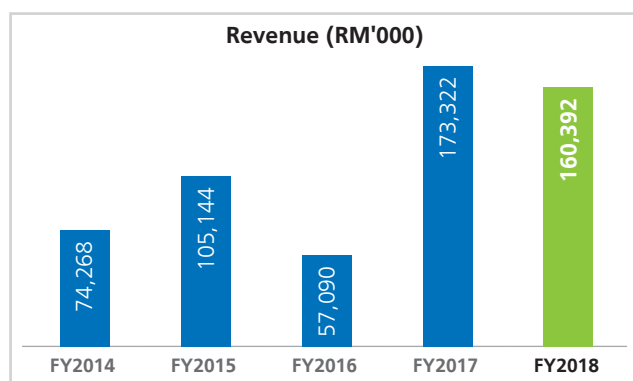
Corporate Philosophy

Mi TECHNOVATION was incepted 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 2014	FY 2015	FY 2016	FY 2017	FY 2018
Profitability (RM'000)					
Revenue	74,268	105,144	57,090	173,322	160,392
Profit Before Taxation	24,233	35,288	16,357	60,781	44,481
Profit After Taxation	18,415	40,907	16,077	59,304	44,349
As at 31 December					
Financial Position (RM'000)					
Total Assets	57,235	97,523	88,761	156,628	378,919
Shareholders Fund	20,670	60,900	69,036	124,755	330,849
Total Equity	20,670	60,900	69,036	124,755	330,849
Total Cash	17,579	66,483	46,438	52,634	203,405
Total Borrowings	19,223	17,168	-	-	6,753
Share Information					
EPS (sen)	3.68 ⁽¹⁾	8.18 ⁽¹⁾	3.22 ⁽¹⁾	11.86 ⁽¹⁾	10.15 ⁽²⁾
Net Assets Per Share (RM)	0.04 ⁽¹⁾	0.12 ⁽¹⁾	0.14 ⁽¹⁾	0.25 ⁽¹⁾	0.76 ⁽²⁾
Gross Gearing (times)	0.93	0.28	-	-	0.02
Net Gearing (times)	0.08	Net Cash	Net Cash	Net Cash	Net Cash
Number of shares outstanding ('000)					500,000
Weighted average number of ordinary shares ('000)					437,021



(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 437,021,403 shares being the weighted number of shares in issue during the financial year.

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 sale of wafer level chip scale packaging ("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 sale of related spare parts and components.
Mi Precision Sdn Bhd	31 July 2017	100%	Manufacturing and sales of precision fabrication 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. Currently the company has not commenced operations.

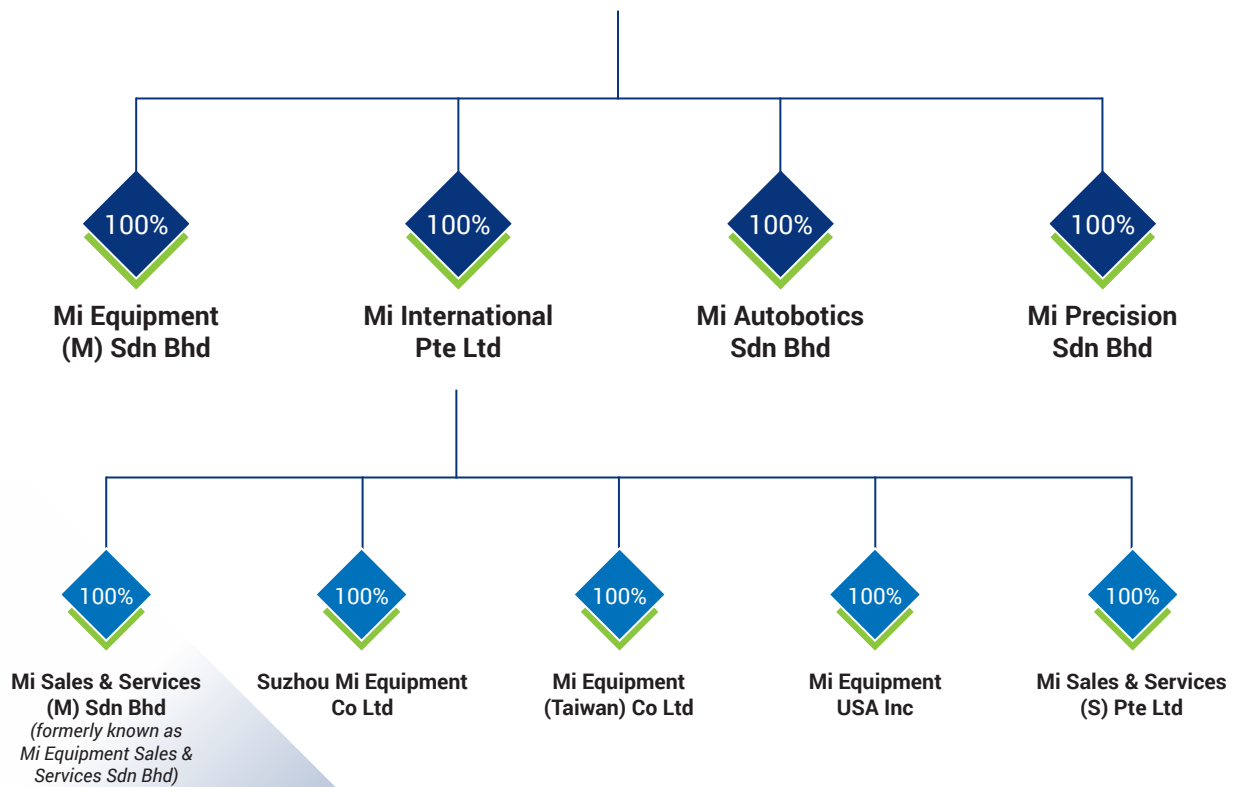
Subsidiary companies of Mi International Pte Ltd

Mi Sales & Services (M) Sdn Bhd (formerly known as Mi Equipment Sales & Services Sdn Bhd)	4 November 2014	100%	Sale 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	22 January 2013	100%	Sale 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	10 June 2011	100%	Sale 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	4 June 2015	100%	Sale 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	28 January 2019	100%	Sale and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components.

CORPORATE STRUCTURE



Mi Technovation Berhad
(formerly known as Mi Equipment Holdings Berhad)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Foo Hee Chaik

(Independent Non-Executive Chairman)

Oh Kuang Eng

(Executive Director/Group CEO)

Koay Huck Khim

(Executive Director)

Ong Tee Ni

(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

WEBSITE

www.mi-eq.com

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

AUDITORS

BDO PLT (LLP0018825-LCA & AF 0206)
Chartered Accountants

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

Telephone No. : 04-227 6888
Facsimile No. : 04-229 8118

COMPANY SECRETARY

Ch'ng Lay Hoon (MAICSA 0818580)

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

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

BOARD OF DIRECTORS



1 Foo Hee Chaik
Independent Non-Executive Chairman

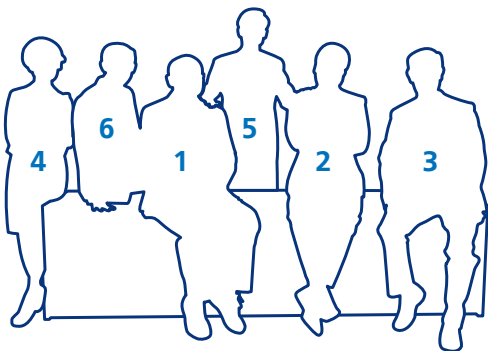
4 Ong Tee Ni
Executive Director

2 Oh Kuang Eng
Executive Director/Group CEO

5 Lee Boon Leng
Independent Non-Executive Director

3 Koay Huck Khim
Executive Director

6 Tan Boon Hoe
Independent Non-Executive Director



PROFILE OF DIRECTORS

FOO HEE CHAIK

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Age:	Nationality:
63	Singaporean



Date of Appointment

- ❖ 29 August 2017

Gender

- ❖ Male

Qualification

- ❖ 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 the financial year 2018 ("FY2018")

- ❖ 4/4 (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 FY2018

- ❖ None

PROFILE OF DIRECTORS (CONT'D)

OH KUANG ENG

EXECUTIVE DIRECTOR / GROUP CHIEF EXECUTIVE OFFICER

Age:	Nationality:
49	Malaysian

Date of Appointment

❖ 19 June 2017

Gender

❖ Male

Qualification

❖ 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 off 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 (Formerly known as Mi Equipment Holdings 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 FY2018

❖ 4/4 (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 FY2018

❖ None

PROFILE OF DIRECTORS (CONT'D)

KOAY HUCK KHIM

EXECUTIVE DIRECTOR

Age:

56

Nationality:

Malaysian



Date of Appointment

- ❖ 29 August 2017

Gender

- ❖ Male

Qualification

- ❖ 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, Hewlett-Packard (M) Sdn Bhd (1988-1991)
- ❖ Senior Mechanical Design Automation Engineer, Hewlett-Packard (M) Sdn Bhd (1991-1992)
 - 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, Hewlett-Packard (M) Sdn Bhd (1994-1996)
- ❖ Senior Automation Section Manager, Hewlett-Packard (M) Sdn Bhd (1996-1997)
 - 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, Lumileds (M) Sdn Bhd (1999-2008)
- ❖ R&D Director, Lumileds (M) Sdn Bhd (2008-2009)
 - 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, Mi Equipment (M) Sdn Bhd (2016-2017)
 - Responsible for overseeing overall manufacturing activities
- ❖ Quality Assurance Director, Mi Equipment (M) Sdn Bhd (2017-2018)
 - Responsible for intellectual property management and quality control implementation
- ❖ Executive Director, Mi Technovation Berhad (2017-Present)
 - Leading the Examination & Disciplinary Bureau, which is to assess workforce competency and disciplinary as well as inculcate positive work habits
 - Leading the Safety & Health Committee to promote workplace health and safety

Membership of Board Committees in Mi Technovation Berhad

- ❖ None

No of Board Meeting Attended in FY2018

- ❖ 4/4 (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 FY2018

- ❖ None

PROFILE OF DIRECTORS (CONT'D)

ONG TEE NI

EXECUTIVE DIRECTOR

Age:

35

Nationality:

Malaysian

Date of Appointment

- ❖ 19 June 2017

Gender

- ❖ Female

Qualification

- ❖ Bachelor's Degree in Economics, Universiti Utara Malaysia

Working Experience

More than 10 years of experience in the semiconductor equipment manufacturing industry, covering various fields ranging from back-office and administrative support, sales planning, customer service to supply chain management

- ❖ Administration Executive, KE Machinelab Sdn Bhd (2006-2007)
 - Responsible for the administrative function related to human resources and purchasing
- ❖ Purchasing Executive, DPE Integration (M) Sdn Bhd (2007-2011)
 - Responsible for the monitoring and execution of all purchasing activities
- ❖ Sales Planning and Customer Service Section Manager, DPE Integration (M) Sdn Bhd (2011-2014)
 - Responsible for sales planning, customer service, administration & human resource matters and logistics arrangements
- ❖ Procurement and Planning Purchasing Manager, Mi Equipment (M) Sdn Bhd (2014-2015)
- ❖ Procurement, Planning Purchasing and Administration Senior Manager, Mi Equipment (M) Sdn Bhd (2015-2017)
 - Responsible for the overall supply chain management
- ❖ Senior Manager of Manufacturing, Product Planning and Supply Chain Department, Mi Equipment (M) Sdn Bhd (2017-2018)
 - Responsible for the overall manufacturing operations, including schedule planning, procurement and inventory management, assembly, process management and machine delivery
- ❖ General Manager, Mi Precision Sdn Bhd (2018-2019)
 - Responsible for setting-up and managing the business operations of Mi Precision
- ❖ General Manager, Mi Equipment (M) Sdn Bhd (2019-Present)
 - Overseeing the finance and administrative functions as well as sales and service support departments (covering Malaysia and Thailand)



Membership of Board Committees in Mi Technovation Berhad

- ❖ None

No of Board Meeting Attended in FY2018

- ❖ 4/4 (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 FY2018

- ❖ None

PROFILE OF DIRECTORS (CONT'D)

LEE BOON LENG

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age:	Nationality:
56	Singaporean



Date of Appointment

- ❖ 29 August 2017

Gender

- ❖ Male

Qualification

- ❖ 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 FY2018

- ❖ 4/4 (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 FY2018

- ❖ None

PROFILE OF DIRECTORS (CONT'D)

TAN BOON HOE

INDEPENDENT NON-EXECUTIVE DIRECTOR

Age:

63

Nationality:

Malaysian



Date of Appointment

- ❖ 29 August 2017

Gender

- ❖ Male

Qualification

- ❖ 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 FY2018

- ❖ 4/4 (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 FY2018

- ❖ None

PROFILE OF KEY MANAGEMENT

YONG SHIAO VOON

CHIEF FINANCIAL OFFICER
Age 50, Singaporean

Date first appointed to the Key Senior Management

- ❖ 14 March 2019

Gender

- ❖ Female

Qualification

- ❖ Bachelor of Accounting, University of Malaya

Working Experience

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 Equipment Holdings Berhad (now known as 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 Controller, Mi Technovation Berhad (2019-Present)
 - Leading finance function of the entire Mi Technovation Group, including Corporate Finance, Corporate HR and Corporate IT Departments of the Group

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 FY2018

- ❖ None

TEO CHEE KHEONG

GENERAL MANAGER
Age 46, Singaporean

Date first appointed to the Key Senior Management

- ❖ 18 March 2019

Gender

- ❖ Male

Qualification

- ❖ 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, Pentax-Schweizer Electronics Pte Ltd (1998-1999)
 - Managing the engineering and manufacturing functions of LPSM (Liquid Photoimable 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

- ❖ None

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 FY2018

- ❖ None

PROFILE OF KEY MANAGEMENT (CONT'D)

TUNG CHUN KANG

DIRECTOR, ENGINEERING
Age 36, Malaysian

Date first appointed to the Key Senior Management

- ❖ 1 January 2018

Gender

- ❖ Male

Qualification

- ❖ Bachelor of Computer Science, Universiti Teknologi Malaysia

Working Experience

14 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-Present)
 - 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 FY2018

- ❖ None

CHAN TIRNG KAAI

DIRECTOR, MANUFACTURING
Age 31, Malaysian

Date first appointed to the Key Senior Management

- ❖ 1 January 2018

Gender

- ❖ Male

Qualification

- ❖ Bachelor of Mechanical Engineering, Universiti Sains Malaysia

Working Experience

9 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 Director, Mi Equipment (M) Sdn Bhd (2019-Present)
 - Responsible for the entire manufacturing operations, including schedule planning, procurement and inventory management, assembly and process management, as well as delivery and logistics arrangement

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 FY2018

- ❖ None

PROFILE OF KEY MANAGEMENT (CONT'D)

EVELYN NG ZHEN ZHING

DIRECTOR, QUALITY & INTELLECTUAL PROPERTY
Age 33, Malaysian

Date first appointed to the Key Senior Management

- ❖ 1 January 2018

Gender

- ❖ Female

Qualification

- ❖ Bachelor of Computer Science, Universiti Sains Malaysia

Working Experience

11 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, DPE Integration (M) Sdn Bhd (2008-2011)
- ❖ Senior Engineer, DPE Integration (M) Sdn Bhd (2011-2012)
 - 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, Mi Equipment (M) Sdn Bhd (2017-2018)
- ❖ Quality & IP 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

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 FY2018

- ❖ None

WONG MING NEE

DIRECTOR, CORPORATE FINANCE
Age 44, Malaysian

Date first appointed to the Key Senior Management

- ❖ 1 January 2018

Gender

- ❖ Female

Qualification

- ❖ 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

20 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 organizational 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, Mi Equipment (M) Sdn Bhd (2017-2018)
- ❖ Finance and Administration Director, Mi Equipment (M) Sdn Bhd (2018-2019)
 - Responsible for overseeing the overall back office support functions as well as the floatation process which resulted in the successful listing of Mi Equipment Holdings Berhad (now known as Mi Technovation Berhad) on the Main Market of Bursa Malaysia in June 2018
- ❖ Corporate Finance Director, Mi Technovation Berhad (2019-Present)
 - Responsible for overseeing the overall financial management and corporate finance 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 FY2018

- ❖ None

CHAIRMAN'S STATEMENT



Dear Shareholders,

Technological advancements transform inspirations to reality. At Mi Technovation, we innovate technology to bring the future closer to today. Delivering highly mechanized equipment to meet the technically demanding semiconductor market drove us to look beyond conventional packaging, identifying Advanced Wafer Level Packaging as the game changer for the industry.

We strived to establish a differentiating factor which would set us apart from the local technology companies and to develop a future oriented product. When our business commenced in December 2013, we ventured into the higher barriers segment of semiconductor equipment manufacturing, being assembly and packaging equipment. There were no presence of local companies in this arena which set us apart from the masses. We were competing against global players from Europe and Japan as a new Malaysian company aspiring to serve the global semiconductor industry. This led to the birth of our flagship *Mi Series* which is still well accepted after five years of its launch and continues to gain market share. Today, Mi Technovation is on the global map and it gives me pride to say that our technology is comparable with, if not better than international peers. After establishing our presence in the assembly and packaging segment, we are now entrenching ourselves further in the supply chain across the final test and vision inspection segments.

Under the stewardship of our Group Chief Executive Officer, we envisage further growth in the coming years into multiple products across multiple industries. We are looking at opportunities with the rise of Industry 4.0 which is set to revolutionize the manufacturing industry through automation and big data analytics. With this in mind, we incorporated Mi Autobotics Sdn Bhd in September 2018 to undertake our Automation & Robotics as well as Artificial Intelligence (AI) business.

Our success thus far stems from our focus on technology and our commitment to excellence, ensuring we deliver the highest level of customer satisfaction.

CHAIRMAN'S STATEMENT (CONT'D)

Performance Review

Mi Technovation and its subsidiaries (the "Group") closed the year with revenue of RM160.4 million, a commendable achievement as compared to RM173.3 million in the previous financial year, bearing in mind that 2017 revenue included 14 units of leased equipment converted to sales.

We have gained market acceptance into ten countries and count global Outsourced Semiconductor Assembly and Test companies ("OSATs") and Integrated Device Manufacturers ("IDMs") as our key customers. In the financial year ended 31 December 2018 ("FYE 2018"), we successfully commercialized four other series of products aside from our flagship *Mi series*. During the year, we increased our product range under assembly & packaging equipment whilst expanding into final test and vision inspection equipment. Profit before tax ("PBT") and profit after tax ("PAT") achieved for the financial year was RM44.5 million and RM44.3 million, respectively.

With proceeds of RM190.9 million coming from the IPO, we are now in a net cash position of RM196.7 million and our shareholders' equity stood at RM330.8 million as at 31 December 2018. We are looking forward to utilize the IPO proceeds to fuel our future growth, starting with our new 200,000 square feet Bayan Lepas plant which will commence in mid-2019, allowing us to increase capacity by four folds.

Dividends

To reward shareholders for their support in the financial year, the Board of Directors has twice recommended and declared tax exempted dividends amounting to a total of 5 sen which were paid on 30 August 2018 and 21 December 2018. The total dividends of 5 sen represented a pay-out ratio of 56% of our PAT, which is in excess of our dividend policy of at least 20% of our annual audited PAT.

Appreciation

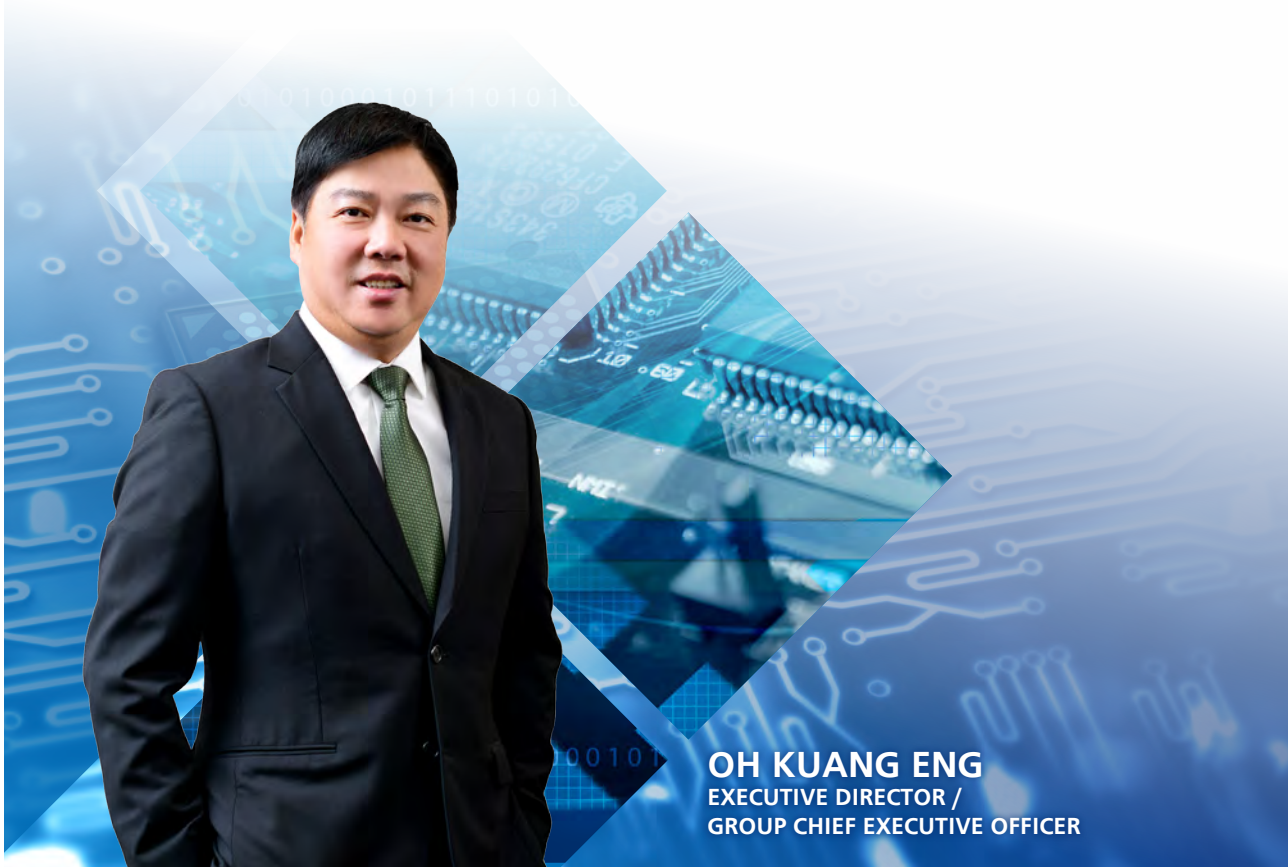
I would like to express our sincere appreciation and gratitude to stakeholders, including our valued customers, shareholders, business partners and suppliers for their confidence in Mi Technovation and look forward to their continued support in the future. To the management team and members of our staff, the Board would like to thank you for your hard work, dedication and loyalty. You are our greatest asset.

On behalf of the Board of Directors, it is my pleasure to present to you our first Annual Report as a public listed company and the Audited Financial Statements for the FYE 2018.

Foo Hee Chaik

Independent Non-Executive Chairman

CEO'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS



OH KUANG ENG
EXECUTIVE DIRECTOR /
GROUP CHIEF EXECUTIVE OFFICER

"In financial year 2018, we achieved satisfactory results and it was a remarkable year in our corporate journey. We are now putting in place building blocks for the next five years after successfully listing our company and raising funds for expansion, to grow from a single product company to a player with multiple products across multiple industries. We stay true to our core focus of delivering cutting-edge technology and continuous innovation. To better reflect our corporate identity and business direction, we changed our name to Mi Technovation Berhad."

2018 In Review: Progress, Products, Plans

2018 was pivotal for Mi Technovation and its subsidiaries ("Group") as we marked several notable milestones throughout the year. On 20 June 2018, we successfully debuted on the Main Market of Bursa Malaysia Securities Berhad and this was part of our planned strategy to bring into reality our expansion aspirations. I believe that I speak the entire team at Mi Technovation Berhad that we are very pleased to have achieved this with less than five years of operating history.

At Mi Technovation, we consistently strive to push beyond boundaries to grow and deliver sustainable value creation to stakeholders. Instead of thinking outside the box, we get rid of the box. We strive to be best-in-class in what we do, by delivering exceptional quality to become our customer's first choice. Technology and innovation are deeply ingrained in our culture and it is what we believe will eventually set us apart.

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

2018 In Review: Progress, Products, Plans (cont'd)



Proceeds raised from the IPO will supercharge our growth plans, starting with our new 200,000 square feet plant which will commence on schedule in mid of 2019. This is the launch of a new chapter for us. The next five years will be exciting, as we carry out our blueprint and embark on our journey to realize our strategic objectives to adopt a broader and more comprehensive product portfolio. To realize our vision, we have structured the Group in two business units ("BU"), the Automation and Equipment BU and Precision Engineering BU. Within the Automation & Equipment BU lies the Semiconductor Equipment Division, Automation & Robotics Division and Trading & Distribution Division. Over the course of the next few years, we intend to grow both BUs and with that, we increased our manpower by 33% in the past year. Talent remains our key asset as we set our sights higher in 2019 and forge the future as a technology innovator.

We look forward to embrace 2019 with much eagerness and enthusiasm as we steer growth with capacity expansion, a wider product range and increasing our market presence.

Summary and Overview of the Group's Business

Our Group is 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.

We commenced operations in December 2013 with a single flagship product, our *Mi Series*, which propelled us into the international arena alongside more established European and Japanese players. The *Mi Series* is our very own in-house brand of WLCSP sorting machines with inspection and testing capabilities, which can also be used in conventional packaging process. With this successful series, we penetrated the world's top Outsourced Semiconductor Assembly & Testing companies ("OSATs") and even Integrated Design Manufacturers ("IDMs"). We also provide maintenance services and technical support for our equipment, as well as sale of related spare parts and components.

The triumph of our flagship series enabled us to materialize our strategy of listing our company and raise funds to accelerate our expansion plans. In 2018, we introduced a wider product range to deepen our presence with existing clients and to capture new markets.

Review of Financial Performance

We closed financial year ended 31 December 2018 ("FY18") with revenue of RM160.4 million as compared to RM173.3 million in the previous financial year. It should be noted that revenue recorded in financial year ended 31 December 2017 included 14 units of leased equipment converted to sales. We entered into lease agreement with a customer from Taiwan in 2014 and after the lease period, our customer acquired the 14 units of equipment in 2017. Equipment sales contributed approximately 90% of our revenue for the financial year, while support, spare parts and components contributed the remaining 10%.

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

Review of Financial Performance (cont'd)

During the financial year, we successfully commercialized a broader range of equipment under our assembly and packaging range and introduced our vision inspection equipment and final test equipment. Currently, the commercialized range we have under various categories which contributed to revenue in FY18, and their respective descriptions are as follows:

Assembly & Packaging Equipment



Mi Series

Die sorting from wafer to tape for bare die, bump/flip chips & WLCSP



Ai Series

Bonder machine for precision chips or optical components



Li Series

Wafer reconstruction machine for fan out wafer level package

Vision Inspection Equipment



Vi Series

Semiconductor inspection system equipped with visible/invisible light & laser inspection system designed for internal structures and defects inspection

Final Test Equipment



Si Series

Final test equipment for WLCSP, fine pitch high density substrate & ball grid array

To maintain efficiency, our Group targets gross profit margin of 40-50% and profit before tax margin of 20-30%. We manage all input costs, including R&D costs, using the desired margin range as guidelines. For FY18, we recorded gross profit of RM74.2 million which translated into gross profit margin of 46%, well within our targeted range of 40-50%. Our cost of goods sold mainly comprises raw materials, direct labour costs, subcontractor costs and plant overheads.

Meanwhile, profit before tax ("PBT") was RM44.5 million, resulting in PBT margin of 28% which again comfortably sits within the desired margin range. For FY18, our PBT was lower than the RM60.8 million recorded in FY17 primarily due to one-off IPO expenses incurred during the year and higher sales and marketing expenses to promote our new range of equipment. We concluded the year with profit after tax ("PAT") of RM44.3 million. Our effective tax rate was 0.3% as we were entitled to tax holidays under the Ministry of International Trade and Industry ("MITI")'s pioneer status incentives from 18 January 2014 to 17 January 2019, subject to renewal for a further five years. We have submitted our application for renewal and is currently awaiting the decision from relevant authorities.

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

Review of Financial Performance (cont'd)

Based on 500 million shares in issue after the IPO, our basic earnings per share (EPS) was 10.15 sen and return on equity for FY18 was 13.4%.

Our financial position remains healthy with a net cash position of RM196.7 million. Gross gearing was minimal at 0.02 times. Net assets stood at RM330.8 million, translating to NTA per share of 66 sen.

Liquidity has also improved, with current and quick ratios increasing to 7.8 and 6.8 respectively in FY2018 from 4.6 and 3.3 the previous financial year. This was primarily from the influx of cash from our IPO proceeds.

Review of Operating Activities

Existing & New Products

The year 2018 was an exciting one, not only due to the major corporate milestone of successfully listing Mi Technovation, but it was also the year where we moved from offering a single product to multiple products.

The success of our *Mi Series* was the first step to achieving our market standing to-date. We believe our exceptional technology and the equipment we built under the Assembly & Packaging segment put our branding on an international platform. We drove a successful strategy of focusing on delivering an outstanding single product up to 2017. In 2018, we unleashed and successfully commercialized four new products under Assembly & Packaging segment (*Ai* and *Li Series*), Final Test segment (*Si Series*) and Vision Inspection segment (*Vi Series*).

We intend to grow all three product segments over the next few years and will put in place launch strategies for the future. We will also be enhancing our current products with upgraded features such as faster speed and enhanced performance, to meet the demands of the market and our clients. A multiple product approach is crucial for us to maintain our position as one of the market leaders and we endeavour to increase market share by widening our client base. The technology sphere we operate in evolves swiftly and to be at the forefront, we need to track IDMs, to industry leaders to keep abreast with future trends and product development.

One of our key growth strategies moving forward is to exponentially expand our capacity by moving into our new 5 storey plant, also located in Bayan Lepas where we will increase our capacity by more than four folds. Without sufficient capacity and floor space, we are unable to accept large single orders with short lead-time requirement.

Technology & Intellectual Properties ("IP")

First and foremost, 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 introduce more products in the coming years, research & development ("R&D") remains a core focus area to drive continuous technology innovation and product development. As at 31 March 2019, our R&D team comprises 77 personnel. 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 2018, we have been granted 3 patents and have 17 patents pending. 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.

One of the foundations of our success is our strong relationship with our customers, jointly working with them to solve technical challenges at early stages of their product development and providing innovative solutions. With this, we entrench our position in the supply chain as an equipment manufacturer of choice.

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

Review of Operating Activities (cont'd)

Sales & Marketing

In 2018, we ramped up our sales and marketing efforts to promote our new series of products and this has yielded positive results as we successfully commercialized four new series during the course of the year, creating additional momentum prior to us moving into our new Bayan Lepas plant in mid of 2019.

As at the end of 2018, our global customers spanned across ten countries and more than 90% of our revenue for FY18 was derived overseas, primarily from China, Korea and Taiwan being the countries which accounts for the largest portions of global semiconductor spending. 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, US, Singapore and Malaysia which were established to support the sales and marketing function and to provide after sales support. We also appoint external sales agents as local representatives in selected countries to further support our sales and services functions.

To further enhance our profile and showcase our products, we participate in local and international trade exhibitions and conferences organized by various industry related organizations. 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.

This strategy has accomplished positive outcomes for us as almost all our demonstration units were converted to sales within several months. To enable the execution of this strategy, we made the decision to allocate capacity for demonstration units although we have been running on full capacity in 2018. Although this meant forgoing present revenue, we believe it will accelerate the qualification process for our equipment leading to deeper and further market penetration eventually.

Accolades

We 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 three OSATs globally. This award was conferred on us in both 2017 and 2018.

Employee Development Initiatives

Our staff force is our key asset and as a knowledge-oriented organization, one of our continuous pursuit is to uplift our team's competency and skillset. Various training and talent development programmes were conducted throughout 2018 to ingrain an on-going learning culture in our team. We place great emphasis in ensuring that our workforce is professionally fulfilled and appropriately skilled, as this will ultimately translate to the long-term success of our Group.

During the financial year, we conducted an array of technical and non-technical training which included, amongst others, design for manufacturing and assembly, purchasing strategies, Industry 4.0 seminar and various other sessions covering health and safety topics. Further details of our manpower development initiatives are covered in the Sustainability Statement.

Factors affecting operations and impacts

Without exception, as a supplier to the semiconductor industry, our business is seasonal and affected by the cyclical nature of the industry, which is in turn impacted by broad economic trends such as changes in worldwide gross domestic products and consumer spending. The semiconductor industry has in the past, experienced significant and sometimes sudden and prolonged downturns. The financial crisis and global recession in 2008 and 2009 resulted in a downturn in the semiconductor industry. In 2018 and 2019, capex investments by our customers were affected by the on-going trade negotiations which caused uncertainties. Therefore, the first half of 2019 will remain subdued as it may take another few months before we see any rebound in demand in the second half of 2019 regardless of the outcome of trade negotiations. We remain hopeful that our customers will embark on capex spending in the second half of year and with our increased capacity, we are well positioned to capture this upturn.

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

Review of Operating Activities (cont'd)

Factors affecting operations and impacts (cont'd)

To cushion the impact of semiconductor industry cycles and 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 precision engineering and industrial automation. To carry out this expansion, our wholly-owned subsidiaries, Mi Precision Sdn Bhd and Mi Autobotics Sdn Bhd were incorporated in 2017 and 2018, respectively.

The semiconductor industry is continuously evolving with everchanging 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 and cultivating close relationships with IDMs and keeping in pace with upcoming trends, processes and product development.

Business Strategies

Automation & Equipment Business Unit

(i) Automation & Robotics Division

The fourth industrial revolution is driven by the internet-of-things ("IOT") and big data. As vast amount of data is generated, new opportunities and services are created. This is expected to change industrial operations, processes and society itself when Artificial Intelligence ("AI") comes into play. AI and automation are leading a new industrial age with the adoption of smart and mechatronic engineered industry robots. At the core of it, manufacturing processes will be streamlined to achieve optimization as conventional processes utilizing manual labour are deemed risky, susceptible to errors with low throughput. Budget 2019 demonstrates that Malaysia is stepping up its commitment to accelerate the development of Industry 4.0. A RM3 billion Industry Digitalisation Transformation Fund with a subsidised interest rate was created to accelerate the adoption of smart technology consisting of driving automation, robotics and artificial intelligence.

(ii) Semiconductor Equipment Division

Over the medium term, the Semiconductor Equipment Division is still expected to underpin our performance as we seek to build new businesses alongside this core division. As one of the eminent equipment manufacturers for the semiconductor industry, we possess cutting edge technology. With our grasp and expertise in the semiconductor equipment market, we are confident that our planned roll-outs will fit the need of current and potential clients. We have a comprehensive range of products under assembly & packaging and will be increasing our reach into vision inspection and final test equipment.

Precision Engineering Business Unit

Precision engineering is another important segment to us, not only to provide a more stable revenue trend, but also to satisfy our internal requirements for our Automation & Equipment BU. This is expected to shorten our production cycle time as we will be able to manage and plan the output of precision parts to match our internal requirements. It is also paramount that we eventually produce some of our key precision components in-house as part of a programme to safeguard our technology and intellectual property, and also to ensure quality of components used in our end products.

Increased Capacity & New Plant

Our Semiconductor Equipment Division will reside in the new 5-storey, 200,000 square feet Bayan Lepas plant, aptly named Home 1 which construction has completed in the first quarter of 2019. Our occupancy in Home 1 is expected to take place in mid 2019. Home 1 boasts of a 90,000 square feet production floor space, a steep increase from the 17,000 square feet in our previous leased plant which was operating at full capacity. Production capacity will increase by more than four folds, from a maximum of 12 machines per month to a maximum of 45 machines per month. This is to cater for our expanding product series and it is essential that we increase capacity at this point to capture the next wave of demand as the market moves very swiftly. With the completion of Home 1, we are now planning for Home 2 which will be located in Batu Kawan. The Precision Engineering BU and the Automation & Robotics Division will occupy Home 2 in the future.

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

Business Strategies (cont'd)

Other Growth Strategies

We seek to adopt a double pronged strategy, blending internal and inorganic growth in order to achieve our targets in the most efficient and timely manner. Mergers and acquisitions are part of our game plan to gain critical competencies and to possess certain technologies to fortify our position. With our strong financial position, we are proactively identifying and evaluating suitable targets.

Market Outlook

The latest edition of the World Fab Forecast Report published by SEMI in December 2018¹ reported that after three years of consecutive growth from 2016 to 2018, semiconductor equipment sales is poised for a reset in 2019 with a minor 4.0% contraction before growing 20.7% to reach a all time high of USD71.9 billion in 2020. One major factor for the decline is the on-going trade negotiations which has casted uncertainties and led to delays in capex investment decisions by our customers starting in the second half of 2018. Equipment spending could reach a low point in the first quarter of 2019 before a possible up-tick in the second half of 2019. SEMI forecasts that South Korea, China, and Taiwan will remain the top three markets in 2019 and similarly, we expect these three countries to contribute approximately three quarters of our revenue in 2019. In line with SEMI's forecast, we expect 2020 to be rosier and our capacity expansion is to prepare for this upswing which could happen as early as the second half of 2019 notwithstanding outcome of trade negotiations.

New investments will be driven by decisions on capex location as well as newer and more advanced processes due to increasing requirements on speed and performance. With new processes and equipment replacement cycle coming into play, it will set pace for new investments by our customers and this is also driving our product launches in 2019 and 2020.

Concluding Statement

The world of technology demands high-paced change and offers opportunities for innovation and growth. We are well positioned to achieve our targets and have set ourselves a clear direction to build our business for the years ahead.

We want to thank our customers, partners and shareholders for their continued trust. Above all, we want to thank our employees for their commitment and energy. We look forward drive our shared ambitions to greater heights as a team.

OH KUANG ENG

Group Chief Executive Officer

Note 1: Semiconductor Equipment Sales Forecast: \$62 Billion in 2018 A New Record, Market Reset in 2019 with New High in 2020, SEMI



2018 EVENT HIGHLIGHTS

JANUARY 5th



TECHNOLOGY SHARING DAY, HEADQUARTERS, BAYAN LEPAS

Group CEO Mr Oh Kuang Eng ushered in 2018 with the annual Technology Sharing Day. The event was attended by our customers and provides a forum for us to showcase our products, technology and its functionalities.

MAY 22nd - 24th



2018 SEMICON SOUTHEAST ASIA, MITEC KUALA LUMPUR

Mi Equipment is proud to be one of the largest exhibitors, with a total of 9 of our machines on display.

MAY 28th



PROSPECTUS LAUNCH, JW MARRIOTT HOTEL KUALA LUMPUR

One of our most significant events to-date, the launch of our Prospectus ahead of our listing on the Main Market of Bursa Malaysia Securities Berhad. The event was a resounding success with a turnout of approximately 130 guests.



2018 EVENT HIGHLIGHTS (CONT'D)

JUNE 20th



LISTING DAY, BURSA MALAYSIA KUALA LUMPUR

At the sound of the gong at 9am on 20 June 2018, Mi Equipment Holdings Berhad (now known as Mi Technovation Berhad) was officially listed on the Main Market of Bursa Malaysia. Mi Technovation was the largest company by market capitalisation listed on Bursa Malaysia in 2018. This milestone starts a new chapter in our corporate journey. We raised RM190.8 million to fuel our expansion plans.

SEPTEMBER 5th - 7th



2018 SEMICON TAIWAN, TAIPEI NANGANG EXHIBITION CENTER, TAIWAN

We are proud to have participated in SEMICON Taiwan, the premier event in Taiwan for microelectronics manufacturing. Hailed as the second largest semiconductor trade show in the world, it is an important event which connects companies, people, products and information shaping the future of design and manufacturing for semiconductors, nano electronics, MEMS, Photovoltaics and related advanced electronics.

SUSTAINABILITY STATEMENT

About this Statement

The release of the inaugural Sustainability Statement heralds the start of Mi Technovation Berhad's ("Mi Technovation" or the "Group") sustainability reporting journey. The Statement gives an insight into our sustainability initiatives and performance for the year ended 31 December 2018, unless otherwise specified. The Statement covers the operations of Mi Technovation in Malaysia for the following subsidiaries:

- Mi Equipment (M) Sdn Bhd;
- Mi Sales & Services (M) Sdn Bhd (formerly known as Mi Equipment Sales & Services Sdn Bhd); and
- Mi Precision Sdn Bhd.

In preparing this Statement, we are principally guided by the Main Market Listing Requirements on Sustainability Reporting by Bursa Malaysia Securities Berhad ("Bursa Malaysia"). As we embark on our first year of sustainability reporting, we are focused on establishing a structured sustainability framework where we are enhancing the existing governance structure for managing our sustainability risk and opportunities. These also include refining methods to identify, assess, monitor and report on Mi Technovation's sustainability performance in our day-to-day operations.

How We Create Value

Operating Landscape

Semiconductors are critical components used extensively in electronic devices and applications across many industries. These are industries with high technology chain such as communications, advanced electronics, automotive and assembly, diversified industrials as well as biology and pharmaceuticals. As innovation and technology continue to evolve at a blistering pace, the global semiconductor industry remained steadfast whilst recording remarkable growth and revenue gains in 2018¹. This is attributable to the growth seen in sensor and micro-component markets which also induced similar outcomes for storage and memory categories from consumer electronics, wireless communications, industrial and automotive markets. The demand for more powerful chips continues to rise outside of traditional end markets, and more recently, many are betting the Artificial Intelligence ("AI") revolution will support future production capacity and needs.

According to KPMG International Thought Leadership publication titled "*Semiconductors: Can the surge continue?*", the recent emergence of AI, Internet of Things ("IoT") and cloud computing, goes to show the industry is in an advantageous position to thrive and seize opportunities from the current expansion cycle. The publication also reports that the demand for semiconductor materials in these areas will increase more than 60 times in the next five years, surging from \$500 million in 2016 to \$30 billion². As semiconductors enable most modern technologies, businesses that manufacture or supply semiconductor materials and equipment are expected to act proactively, take future-oriented approaches and consider new end markets beyond their existing portfolios as technologies that rely on semiconductors evolve and emerge at virulent speeds.

¹ Semiconductor Industry Association

²"*Semiconductors: Can the surge continue?*", KPMG International, 2017

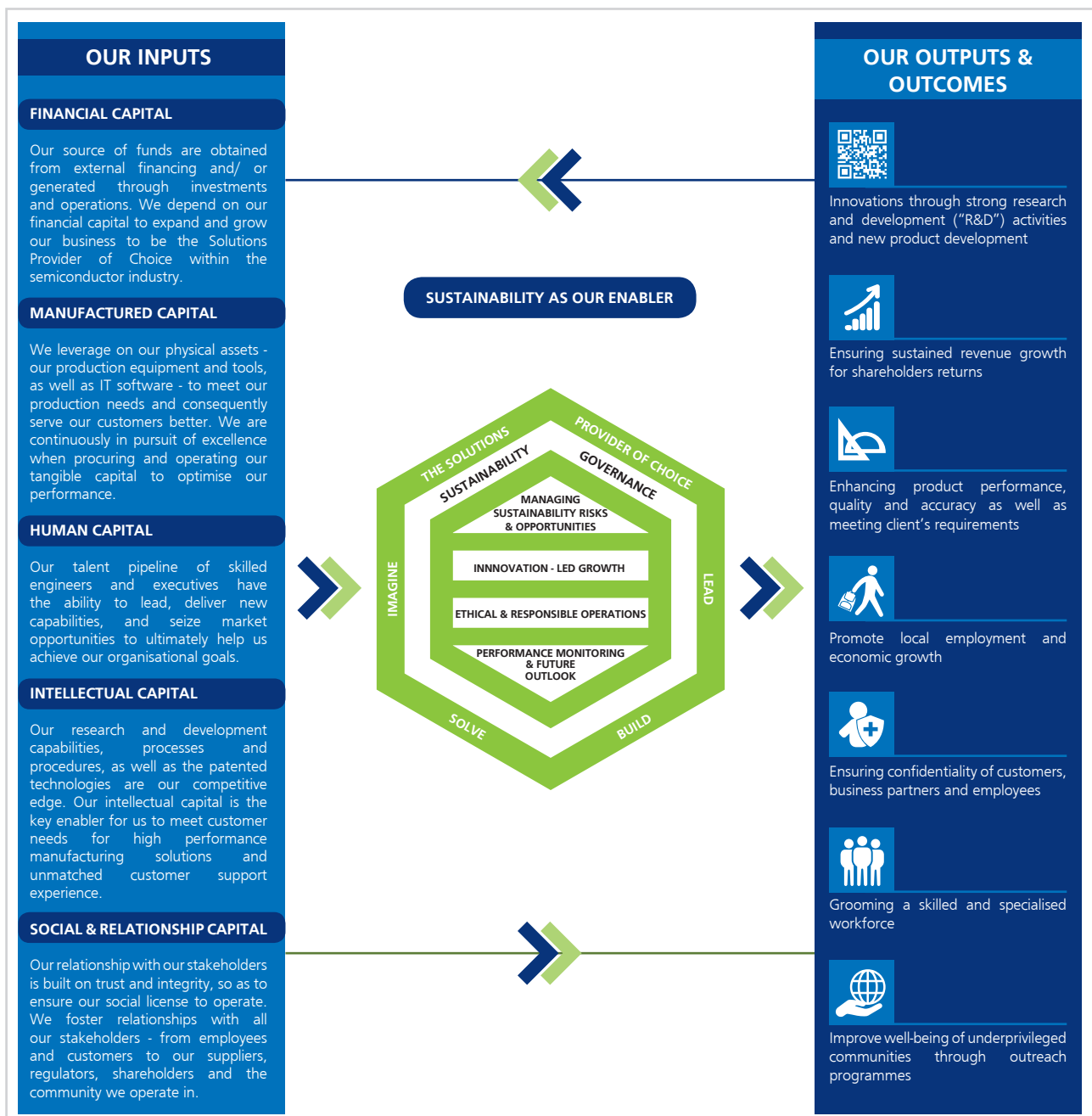


SUSTAINABILITY STATEMENT (CONT'D)

How We Create Value (cont'd)

The Value We Create

Our approach to achieving sustainable business operations is performed through injecting our various capitals such as financial capital, infrastructure/ technological capital and skilled talent into our business operations, to create value to the organisation as well as to various stakeholder groups. Bolstered by our two sustainability themes – Innovation-led Growth and Ethical & Responsible Operations, it guides us to a holistic approach in our business management, incorporating economic, environmental and societal (“EES”) and governance considerations alongside financial ones, to become the Solutions Provider of Choice. This is depicted in the diagram below.



SUSTAINABILITY STATEMENT (CONT'D)

How We Create Value (cont'd)

Setting the Tone from the Top with Our Sustainability Governance Structure

In the near future, we foresee sustainability intertwined with our day-to-day operations. Leveraging on sustainability thinking can translate into increased productivity, cost optimisation and maintaining our license to operate; all of which support business continuity and competitiveness. In anticipation of this, we have established a Sustainability Working Group (“SWG”) during the reporting year to manage and oversee the management of sustainability-related matters. This reflects our efforts to embed sustainability into our corporate culture, beginning with commitment from the Board.

As illustrated in diagram below, the Board of Directors (the “Board”) holds the highest responsibility of setting the overall sustainability-related strategy into the Group’s business operations. Supported by the Top Management and chaired by the Chief Executive Officer (“CEO”), the Top Management is in charge of overseeing the implementation of sustainability strategies based on the direction set by the Board. The Top Management also serves as the intermediary between the Board and the SWG by providing progress status updates and seeking sustainability-related recommendations for approval.

Our sustainability initiatives come under the purview of the SWG, comprising representatives from various business functions. Their key role is to implement and monitor sustainability initiatives as delegated by the Board. In addition to this, the SWG is responsible in managing sustainability disclosure to meet industry-relevant regulatory requirements and facilitate the reporting process prescribed by the local stock exchange.



SUSTAINABILITY STATEMENT (CONT'D)

How We Create Value (cont'd)

Managing Our Stakeholder Relationships

Creating meaningful and lasting relationships with stakeholders is crucial in order to sustain and deliver success, in a rapidly evolving and dynamic industry like ours. As a solution and service provider in the semiconductor industry, we rarely work in isolation. In some way, we have stakeholders that we influence, and others that are influenced by our activities.

We have put in place a selection of engagement channels that enables effective communication with our stakeholders. In adopting appropriate channels specific to stakeholder groups, we are able to gauge stakeholder expectations and requirements and consequently, respond to their needs and interest. The table below summarises our key stakeholders, their areas of interest and platforms we use to engage with them.

Stakeholder Group	Area of Interest	Engagement Channels	How We Respond
Directors	<ul style="list-style-type: none"> Financial performance Corporate Governance practices Business strategy 	<ul style="list-style-type: none"> Quarterly Board meetings On-going interactions Company – related events 	Refer to: <ul style="list-style-type: none"> Ethics & Compliance, page 37 Business Growth, page 35
Management	<ul style="list-style-type: none"> Technologies, innovation and Intellectual Property (“IP”) management Financial performance Corporate Governance practices Product and technical support services quality Business strategy Human capital management 	<ul style="list-style-type: none"> Monthly Management meetings On-going interactions Company – related events 	Refer to: <ul style="list-style-type: none"> Innovation & Intellectual Property Management, page 33 Ethics & Compliance, page 37 Fair Employment Practices & Talent Development, page 40
Employees	<ul style="list-style-type: none"> Employee health and well-being Occupational Safety Compensation and benefits Career development 	<ul style="list-style-type: none"> Employee Manual Handbook Emails Intranet Town hall meetings Performance appraisal Learning and development programmes 	Refer to: <ul style="list-style-type: none"> Fair Employment Practices & Talent Development, page 40 Occupational Health & Safety, page 38
Shareholders/ Investors	<ul style="list-style-type: none"> Business strategy Financial performance Corporate Governance practices 	<ul style="list-style-type: none"> Annual General Meetings Financial reports Investors presentation and meetings 	Refer to: <ul style="list-style-type: none"> Ethics & Compliance, page 37 Business Growth, page 35
Customers	<ul style="list-style-type: none"> Technologies and innovation Product reliability and quality Technical support services Competitive pricing Manufacturing capacity and on – time delivery Data security 	<ul style="list-style-type: none"> On - site visit Trade fairs Exhibitions Customer training and support Feedback survey 	Refer to: <ul style="list-style-type: none"> Innovation & Intellectual Property Management, page 33 Data Security and IT Governance, page 36
Government	<ul style="list-style-type: none"> Corporate Governance practices Compliance with regulations Occupational Health & Safety 	<ul style="list-style-type: none"> Malaysia Employer Federation (“MEF”) membership Monthly meetings arranged by MEF 	Refer to: <ul style="list-style-type: none"> Ethics & Compliance, page 37 Data Security and IT Governance, page 36 Occupational Health & Safety, page 38
Suppliers/ Vendors	<ul style="list-style-type: none"> Value engineering Compliance with regulations Corporate Governance practices Agreeable contracts Terms of payment 	<ul style="list-style-type: none"> Supplier Code of Conduct Supplier assessment Email correspondence On - site visit Daily interactions 	Refer to: <ul style="list-style-type: none"> Ethics & Compliance, page 37 Data Security and IT Governance, page 36 Supply Chain Management, page 37
Communities/ Societies	<ul style="list-style-type: none"> Corporate Governance practices Community involvement Environmental management 	<ul style="list-style-type: none"> Community involvement programmes Career Fairs Corporate website 	Refer to: <ul style="list-style-type: none"> Ethics & Compliance, page 37 Energy & Carbon Management, page 42 Community Investment, page 43
Media	<ul style="list-style-type: none"> Regulatory compliance Community involvement 	<ul style="list-style-type: none"> Press release Press conferences Corporate website 	Refer to: <ul style="list-style-type: none"> Ethics & Compliance, page 37 Community Investment, page 43

SUSTAINABILITY STATEMENT (CONT'D)

How We Create Value (cont'd)

Our Sustainability Priorities

In 2018, we have undertaken a structured materiality process which identifies and prioritises sustainability issues, risks and opportunities unique to our business and stakeholders. Among emerging risks considered in this exercise included but not limited to, technological changes, changing societal behaviours, and tightening legislative requirements and climate change. During the identification stage, a list of relevant sustainability topics are derived from internal sources and insights gained from peer benchmarking, while taking into account significant trends in the semiconductor industry according to available studies and outlooks. This list provided a preliminary prioritisation of our material sustainability matters.

In prioritising the sustainability matters relevant to Mi Technovation, we have taken into account the business perspective by conducting a sustainability impact assessment, as well as our stakeholders' perspectives to allow us to better focus our effort in managing them. In performing this prioritisation exercise, we were assisted by an independent consultant.

This year, we have engaged with three internal stakeholder groups – Directors, Management and employees, and gauged their perception on sustainability matters which they believe as most important to Mi Technovation. In the next reporting year, we are looking to expand our scope of engagement to include external stakeholders for a more diverse and all-inclusive view of our most material sustainability matters.

As a result of the prioritisation exercise, we have identified nine key sustainability topics which are important to Mi Technovation in 2018. The results of the materiality assessment was presented and validated by the Board. This is to ensure material economic, environment and social topics reflect the priorities of Mi Technovation and its stakeholders for 2018.

For the reporting year, our sustainability risks and opportunities are clustered under two overarching themes – Innovation-led Growth, and Ethical & Responsible Operations. The first theme summarises our intention to grow our business by actively innovating and improving our capabilities in technological development to remain competitive in the dynamic business environment. The second theme encapsulates our efforts to operate ethically by upholding our integrity, and managing our responsibility towards our supply chain, employees, environment and community while pursuing our business strategy.

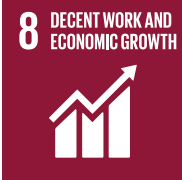
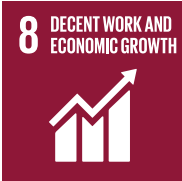



SUSTAINABILITY STATEMENT (CONT'D)

How We Create Value (cont'd)

Our Sustainability Priorities (cont'd)

The table below details our key measures in responding towards these risks and opportunities, and the outcomes attributed by our initiatives. As we work progress into our sustainability journey, we aim to create value in the long run for both our business, and the society by contributing towards the advancement of the United Nation's Sustainability Development Goals ("SDGs")³. Details of our initiatives in managing these sustainability matters are disclosed in the relevant sections of this report.

Themes	Our Sustainability Matters	Our Initiatives	Our Outcomes	Contribution towards the United Nation's Sustainability Development Goals ("SDGs")
INNOVATION-LED GROWTH	Innovation & Intellectual Property Management	<ul style="list-style-type: none"> Knowledge sharing platforms such as Internal Technology Sharing programme and Engineering forum Industry Networking Internal controls to manage intellectual property ("IP") 	<ul style="list-style-type: none"> Successful rollout of Li, Si, Ai and Vi series into the market Increased in research and development investment to improve accuracy, quality and speed of products 	
	Business Growth & Continuity	<ul style="list-style-type: none"> Diversification of product portfolio Strategic ventures into new business segments Construction of new production facility 	<ul style="list-style-type: none"> Broaden customer base New product launches 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 IT audit 	<ul style="list-style-type: none"> Zero IT-related breaches 	
ETHICAL & RESPONSIBLE OPERATIONS	Ethics & Compliance	<ul style="list-style-type: none"> Code of Conduct and ethics related policies Compliance Reporting procedure Dedicated department to manage legal obligations and functions 	<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 Engagement with suppliers from the Approved Vendor List ("AVL") Supplier audit 	<ul style="list-style-type: none"> Strong cohort of local supplier partnership 	
	Occupational Health & Safety	<ul style="list-style-type: none"> Health and Safety Committee Workplace safety inspection Hazard Identification Risk Assessment and Risk Control process Emergency Preparedness and Response plan Health and safety training Health and wellness benefits 	<ul style="list-style-type: none"> Zero cases of safety accidents 	
	Fair Employment Practices & Talent Development	<ul style="list-style-type: none"> Offering internship placements to university students Participation in Career Fairs Investment in technical skills training and career development programmes Human Resource ("HR") Roundtable 	<ul style="list-style-type: none"> Increased in employee satisfaction rate 	
	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"> Providing aid to underprivileged communities Participation in preservation and conservation activities 	<ul style="list-style-type: none"> Improve well-being of underprivileged communities Protecting the ecosystem 	

³ The SDGs, also known as the global sustainability goals, came into effect in January 2016. The SDGs consists of seventeen (17) goals related to sustainable economic growth, social justice and environmental preservation

SUSTAINABILITY STATEMENT (CONT'D)

Innovation-led Growth

Innovation and Intellectual Property Management

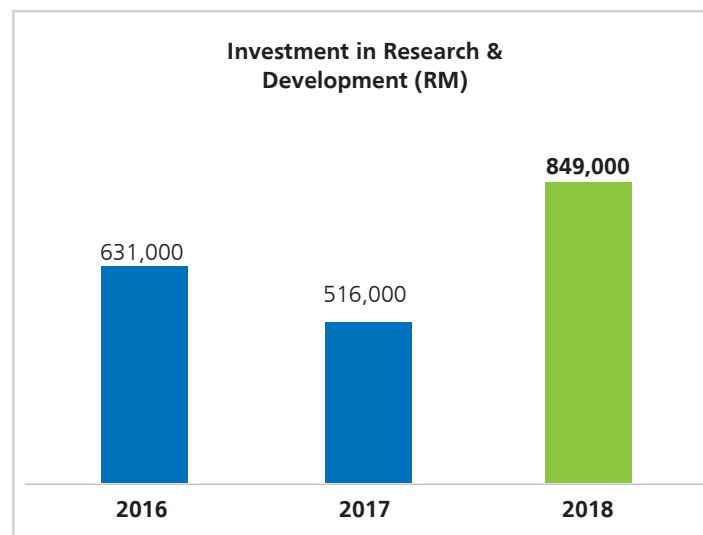
Given the rapid pace of technological change in today's connected and digitalised world, aligning research and development goals to market opportunities is key to grow our business. We place research and development and intellectual property management highly on our agenda to tap into growth markets more successfully and stay ahead of our competitors. As such, innovation is woven deeply into our corporate culture, people as well as the products and solutions we offer – a testament to innovation being placed at the center of everything we do.

Our Research and Development ("R&D") activities are anchored by our R&D objectives, which focuses on the following:

- (a) Continuous development of relevant technologies to meet evolving market needs, customer demands and emerging technologies to remain competitive and commercially relevant;
- (b) Create marketable and cost competitive products; and
- (c) Build on strengths, competencies and domain knowledge of existing products in developing other products in the future.

As of our financial year end 2018, we have a total of 71 development engineers anchoring our R&D activities. Led by our Group CEO, the development engineering team both conduct our R&D activities internally and in close collaborations with our customers on new products, not only to widen our manufacturing capabilities, but also to reinforce the quality and performance of our products e.g. in terms of accuracy and speed.

In 2018, our R&D expenditures were RM849,000, a 65% increase from 2017, signifying the intensified activities related to the development of machine prototypes and machine testing.



SUSTAINABILITY STATEMENT (CONT'D)

Innovation-led Growth (cont'd)

Innovation and Intellectual Property Management (cont'd)

We are looking to continuously expand our product line-ups, and by doing so, strengthening our competitive edge in the industry. To date, Mi Technovation has developed various assembly and packaging equipment, vision inspection equipment and final test equipment that help customers to accelerate speed, vision inspection and test quality.

Encouraging Innovative Culture

In an effort to encourage innovation at Mi Technovation, we undertake several initiatives aiming at broadening our knowledge pipeline. Our periodic Internal Technology Sharing programme and Engineering forum provide excellent platforms for information sharing across business functions. These platforms allow our team to stay well-informed of the latest technology development, knowledge and skills - all of which will contribute to improving overall organisational performance and efficiency.

Through Technology Days, we invited semiconductor industry players to witness prototypes of our new products and technology solutions. To further engage, encourage and sustain employee innovation input, we have introduced a CEO Recognition Award. Employees are rewarded for submitting ideas whether big or small, with winning ideas subsequently funded and piloted by an implementation team, including the people originally responsible for the idea. In essence, we want our employees to work on projects that excite them, develop and test new ideas instead of suppressing their imagination and creativity.

Industry Networking and Collaboration

We recognise that our relationships with external stakeholders is an equally important element to achieving innovation excellence. We continually seek out new opportunities by building collaborative relationships, listening to the needs of our customers, and ultimately, maintaining and strengthening our relationships with semiconductor players and suppliers from different segments of the semiconductor industry value chain. We do this through active participation in local and international trade exhibitions. The table below summarises the trade exhibitions and events Mi Technovation has participated from 2016 to 2018.

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

Innovation Property Management

Through combination of meticulous mechanics and rigid construction, our offerings ensure the delivery of high performance, reliability and value to Integrated Device Manufacturers ("IDM"s) and Outsourced Semiconductor Assembly and Test Companies ("OSAT"s) worldwide. Our team of in-house engineers and designers develop our machines and equipment from scratch, which are custom designed and catered to our customer's needs and working environment.

To safeguard our inventions, our Intellectual Property ("IP") management ensures our R&D achievements are protected with intellectual property rights. In view of many R&D activities focused on crowded technical areas, a patent search prior to R&D itself is a crucial step to ensure that we do not infringe on any third party's IP rights. We conduct periodic training sessions to ensure that all our design engineers are well-equipped with the required knowledge and skills with regards to IP management. We take a step further by engaging patent agents to assist in filing the patents and advise on product designs to minimise our exposure to infringement.

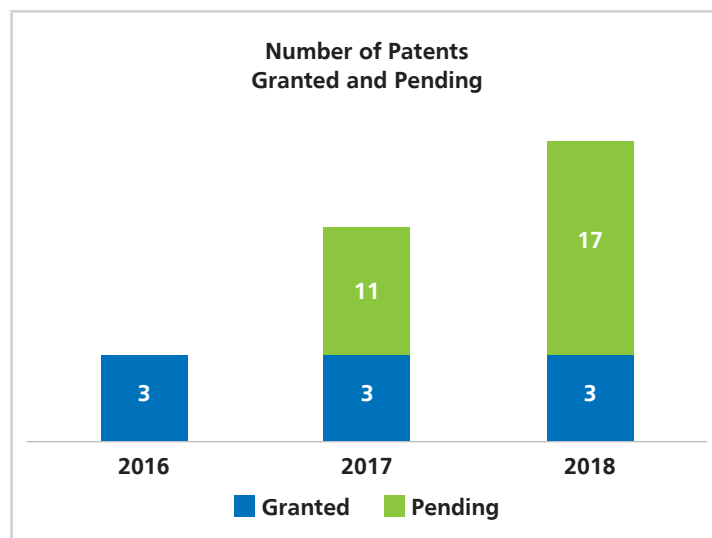
SUSTAINABILITY STATEMENT (CONT'D)

Innovation-led Growth (cont'd)

Innovation and Intellectual Property Management (cont'd)

Innovation Property Management (cont'd)

In addition, we have incorporated IP management practices internally and across the supply chain, by factoring IP protection into our new supplier's evaluation and into the Supplier Code of Conduct. By doing so, it builds alignment between sourcing and compliance functions. To date, the Group owns 3 patents, with 17 more patents currently being applied for. We are expecting to see a steady growth in the number of patents as we progress forward. In 2018, there were no infringement cases reported.



Business Growth and Continuity

With artificial intelligence, virtual and augmented reality taking shape and form the forthcoming Industry 4.0, the semiconductor industry will be taken to new heights as they are the driving forces of technological development and progress.

To capitalize on market opportunities, we are diversifying our product portfolio in order to remain competitive in the industry. Our R&D team have conceptualised a new assembly and packaging machine bearing the name Ai5000, with the first unit being sold in September 2018. The machine is typically used as a bonder for precision chips or optical components in the semiconductor industry.

We are also in the midst of venturing into the automation and robotics equipment segment as part of our business expansion. Another new business division on manufacturing precision fabricated parts will be one of the few efforts of enhancing our supply chain performance and improving our machine build cycle time. Fabrication activities have since commenced operations in April 2018.

The relocation to the Bayan Lepas factory to increase production capacity is currently underway. These facilities will bring about an overall production capacity of up to 45 machines per month in mid of 2019. As we grow our capacity, we are able to support larger orders and cater to urgent orders. For more information on our future plans, please refer to Management Discussion & Analysis section of the Annual Report.

SUSTAINABILITY STATEMENT (CONT'D)

Innovation-led Growth (cont'd)

Data Security and IT Governance

Ever since the advent of digital age, technology has grown by leaps and bounds with information technology ("IT") permeating into every sphere of life. However, this has opened a new window for new vulnerabilities by exposing individuals and businesses to cyber perpetrators. With 2017's headlining outbreaks such as Equifax and WannaCry, data breaches and attacks are becoming more severe and sophisticated. As a tech company, we realise security breaches can take many forms and they are ever changing. For this reason, we are continuously enhancing our internal IT governance and infrastructures to improve data integrity and security.

Protecting the confidentiality and integrity of our employees, business partners and customers is of utmost priority to us. The Group's standard operating procedures underline clear rules and guidelines on accessing, transferring and managing information and data in a responsible manner. To embed protection and security practices as part of the Group's corporate culture, we have invested in various IT infrastructures into our daily operations. Presided by the Security and IT department, all matters related to information security and protection initiatives and risks are monitored in order to create a strong and resilient control environment. These diagrams are some of our internal mechanisms we have invested in:

IT Asset Management System	Uninterrupted Power Supply ("UPS"), alternative internet service provider and scheduled server and database backup
<ul style="list-style-type: none"> • Ensure all IT Assets are documented and identifiable • Ensure all IT Assets are maintained and renewed according to the defined asset specification and expected life • Ensure all IT purchase align with the Group's needs and standards • Ensure safe disposal of IT Assets. 	<ul style="list-style-type: none"> • Reduce outages and accidents • Improve energy efficiency • Distribute minimal power to server in the event of power interruption • Retrieve lost, stolen or destroyed information and data in the event of failure or power shut down
Firewall and antivirus	Strict surveillance, access controls, password security and restricted access to sensitive information and data
<ul style="list-style-type: none"> • Prevent unauthorised transfer of sensitive data outside of the business and protection against viruses and hackers 	<ul style="list-style-type: none"> • Prevent leakage and loss of confidential information and data

To ensure full and continuous adherence to the Personal Data Protection Act 2010 ("PDPA"), we conduct awareness trainings aimed at educating our employees from all hierarchical levels on our policies and best practices. Among the initiatives are:

- Code of Ethics and Data Privacy briefing during on-boarding programmes for new employees; and
- Refresher Training to revisit policies, responsibilities, processes and systems that manage data and information privacy and the consequences of non-compliance to the Group.

In 2018, four network security audits were performed to test the effectiveness of our control environment. We have identified several security loopholes and consequently implemented remediation actions to improve the quality of our security controls and systems. Moving forward, we are currently preparing to roll out a Crisis Management and Disaster Recovery Plan to further strengthen our operational resilience. To date, there were no IT-related breaches reported.

SUSTAINABILITY STATEMENT (CONT'D)

Ethical & Responsible Operations

Ethics and Compliance

Given the increasing regulatory requirements to operate a business domestically and across borders, businesses are under immense pressure to demonstrate compliance, accountability and transparency. At the same time, the call for good corporate governance has put the spotlight on businesses to act ethically and with integrity to foster confidence among customers, financial markets and investors. In this regard, we place close attention to all regulations that are applicable to us and make every effort to meet them, and ensure our international subsidiaries are also meeting respective local governmental regulations.

Our Group is guided by the Code of Conduct, which details the standards of professional behaviour expected of all employees and directors in conducting business. The Code of Conduct also 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.

We have also established a Whistle Blowing policy for employees to report any misconduct, criminal offence or malpractices. Under this policy, complaints are reported to the Management, and where it is warranted, an Investigating Officer will conduct an investigation and subsequently recommend disciplinary or remedial action. For further information, documents on our policies are published on our corporate website at <https://www.mi-eq.com/investor-relation/corporate-governance/>. In 2018, there has been no cases of ethical breaches.

To ensure compliance with legal requirements in our business operations, we practice proper documentation of our contractual obligations at all times to give reasonable assurance that transactions are properly authorised and accurately recorded. Additionally, we select employees to participate in external trainings, briefings and seminars covering legal topics on Sales and Service Tax ("SST"), Employees Provident Fund ("EPF"), Social Security Organization ("SOCSO"), Malaysian Financial Reporting Standards ("MFRS"), and the Occupational Safety and Health Act. This is followed by knowledge sharing sessions to update on the new rulings and legal requirements that will inevitably affect the business.

We also engage regularly with the Malaysian Employers Federation ("MEF") to ensure our operations do not violate employment and labour laws. With operations around the world, the Group is subjected to regulatory requirements that vary from jurisdiction to jurisdiction. These typically include business licenses, registrations and permits in jurisdictions where Mi Technovation conducts business. Hence, a designated department is tasked to manage our legal obligations and ensures that our operations are continually compliant with the respective rules and regulations.

Supply Chain Management

The success of our business is closely linked to the performance of our supply chain. In other words, the operational performance of our supply chain will impact customer's perception of the business and the service they receive from it. At Mi Technovation, a significant component of our supply chain are our suppliers and distribution networks. We incorporate environmental, social and economic perspectives in planning and execution to ensure optimal productivity and efficiency whilst minimising business risk costs.

Integrating Sustainability into Our Supply Chain

At Mi Technovation, we require our suppliers to comply with our Supplier Code of Conduct. We expect suppliers to meet international standards on human rights, environment, safety and health as described in our Code. The existence of the Code also ensures supplies are procured only from legal sources with good track records, aligned with the Group's effort in promoting social responsibility within the supply chain.

New Supplier Evaluation

In selecting new suppliers, we evaluate their capabilities in terms of financial performance, production capabilities, and ability to deliver products in a timely manner and at specific quality standards. To further heighten efficiency and productivity, we only collaborate with trustable and credible suppliers from our Approved Vendor List ("AVL"). In this manner, we are able to speed up the procurement process by eliminating the supplier evaluation and selection phase.

SUSTAINABILITY STATEMENT (CONT'D)

Ethical & Responsible Operations (cont'd)

Supply Chain Management (cont'd)

Reducing Supply Chain Risk

Our suppliers are important to the smooth functioning of our operations, thereby positioning themselves as critical building blocks of our value chain. To reduce risk of disruption within the supply chain, we have a comprehensive set of internal controls to monitor supply chain activities against production and delivery needs. Our procurement practices and processes on the other hand, are guided by the Procurement standard operating procedures to ensure delivery demands are met on time. Furthermore, we engage with alternative suppliers to minimise our dependency on our major suppliers. We also carry out periodical audits and assessments on our current suppliers and subcontractors to ensure quality consistently upheld and uncompromised.

Supporting Local Suppliers

Generally, 70% of our material supplies are procured locally, as compared to 30% procured from foreign suppliers. Through local procurement, the quality of our material supplies are optimised and delivery times are significantly shortened – a built-in advantage from the closer distance proximity, which also reduces the environmental impact of our transportation i.e. carbon emissions.

Supplier Engagement

Additionally, we engage regularly with our suppliers to strengthen our business relationship, which helps to fulfil quality and delivery commitments of our customers. Methods of engagement include face-to-face meetings and frequent site visits which have helped us to develop a strong and established structure of communication - a key element to a successful collaboration. In the near future, we plan to embark a Vendor Development programme as part of the Group's effort to enhance supplier capability and encourage them to adopt industry best practices. Our successful partnerships are demonstrated in table below.

	Average Years or Relationship	2016	2017	2018
Suppliers	4	269	329	335
Subcontractors	5	2	2	2

Occupational Health and Safety

We believe a safe and healthy workplace is the core of the Group's success. At Mi Technovation, our suite of offerings are developed in-house with the capability and expertise of our development engineering team. In this manner, our employees are directly and indirectly exposed to an array of work place hazards. Via our Safety and Health Policy, we aim to create an accident-free environment across our workstations, thus ensuring the safety and well-being of our employees.

To uphold this responsibility, the Safety and Health Committee ("SHC"), which consists of representatives from Manufacturing, Engineering, IT, Facility & Commodity departments has been established. The roles and responsibilities of the Committee are:

- Assist in enhancing the effectiveness of safety and health rules and safe systems of work;
- Reviewing the effectiveness of safety and health programmes;
- Carrying out studies on the trends of work-related incidents, hazards, injury or ill health in the workplace;
- Reporting any unsafe or unhealthy conditions or practices at the place of work together with recommendations for corrective actions;
- Reviewing safety and health policies and recommend improvement and remedial measures;
- Inspecting operating facilities and sites every once in three months; and
- Discussing the observations of the members of the committee made during the inspection of the place of work.

In addition to that, employees are encouraged to report any occupational incidents to the committee for further investigation and corrective actions. The committee also facilitates regular dialogue sessions with employees to communicate on the development, implementation and effectiveness of our safety and health practices – all of which are our efforts to continually develop the safety culture.

SUSTAINABILITY STATEMENT (CONT'D)

Ethical & Responsible Operations (cont'd)

Occupational Health and Safety (cont'd)

Occupational Safety Preventive Measures

As a demonstration of our commitment to upholding the highest standards of safety, we rely on comprehensive preventive measures, and the cooperation of our employees to adhere to the best practices in their day-to-day operations. Our preventive controls are designed strictly to comply with the Occupational Safety and Health Act 1994 and Factories and Machinery Act 1967 regulations. We inspect emergency preparedness equipment such as the firefighting system, fire extinguisher, medical equipment and facility, emergency exit signage and light to ensure they are available, maintained well and functioning in the event of emergencies. This inspection is carried out on a quarterly basis. In order to maintain the safety at our workstations, SHC performs quarterly workplace safety inspections, depending on hazard potential. In conducting these inspections, we aim to prevent, if not eliminate incidents, injuries and illnesses arising from unsafe or unhealthy work conditions and processes. This is accompanied by the Hazard Identification Risk Assessment and Risk Control ("HIRARC") process conducted every two years or in the event a new work process is introduced into our daily operations. We assess and identify risk arising from our facilities and processes to establish control procedures to prevent these risks from becoming harmful to our employees.

Another important element to our safety culture and practices is the Emergency Preparedness and Response plan. We ensure all employees are familiar and well-versed with the plan to minimise safety incidents in the event of emergencies.

Health and Safety Training

To further strengthen our safety environment, we conduct various awareness trainings to promote safety awareness and best practices among our employees. The table below outlines the list of trainings related to health and safety that were provided to all employees at Mi Technovation.

Name of Training	Description	Employee Category
HIRARC as a Tool for Work Safety Plan for Occupational Safety & Health at the Workplace	Training to identify, prevent, prepare, mitigate, respond to and recover from workplace hazards	SHC members
Basic First Aid training	Training to educate employees the basic knowledge and skills necessary to provide basic life support care to an ill or injured person	Emergency Response Team ("ERT") members
New Hires Orientation	Briefing to new employees on the Group's policies and internal controls related to safety and health	New employees
ERT training	Training to promote preparedness in terms of basic emergency response skills, and how to recover from emergencies	ERT members
Safety and Health Committee ("SHC") Training	Training to understand Malaysian OHS legal requirements and implications to the organisation's operation	SHC members
Fire Drill Demonstration – Theory and Practical training	Training to educate employees on the evacuation process and methods of fire protection	All employees
Subcontractor's Safety Awareness training	Training on safety and health policies, procedures and systems	Subcontractor

We are pleased to report that there were no cases of occupational health and safety accidents and fatality reported in 2018.

SUSTAINABILITY STATEMENT (CONT'D)

Ethical & Responsible Operations (cont'd)

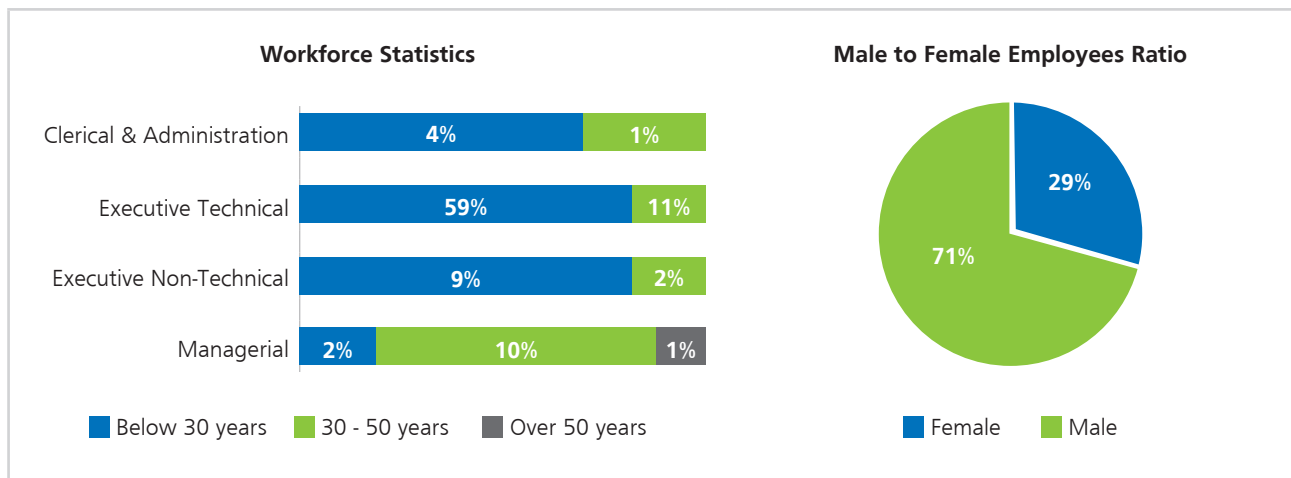
Occupational Health and Safety (cont'd)

Health and Wellness

The well-being of our employees matters to us. We equally emphasise on work-life balance among our employees by providing healthcare and wellness benefits. We provide employees with medical and healthcare benefits such as Group Hospitalisation and Surgery ("GHS") as well as Group Personal Accident ("GPA") insurance. On top of that, we organise health screenings and seminars to promote healthy lifestyle habits. Our efforts extend further to organising sports activities such as weekly badminton, futsal and table tennis sessions. Employees also have free access to our in-house gym facility to encourage fitness in the workplace and improve work productivity. Other initiatives include participating in the International Penang Marathon and snooker competitions. Also part of our fitness initiative is the Weight Loss Challenge. In 2018, a total of sixty six employees participated in the programme, whereby twenty five of participating employees successfully achieved their weight loss target. These initiatives represent Mi Technovation's efforts in creating a healthy workplace for everyone.

Fair Employment Practices & Talent Development

Our employees are the lifeblood of our business and we are responsible for their well-being and inclusion. Knowing our employees are the frontrunners in delivering success and achieving our business goals, we require an ensemble of talents who not only possess exceptional skillsets, but also demonstrate positive attitudes and share the same vision as we do. To do so, we cultivate a working environment that inspires and encourages lifelong learning, formed under the leadership based on respect and mutual trust.



Diversity & Inclusion

As shown in diagram above, we embrace a primarily young and dynamic workforce. 75% of employees aged below 30 years old formed the largest group, followed by 25% of employees aged between 30 to 50 years old, and only one person aged above 50 years serving the Group. In 2018, our Group comprises of mostly male employees with 71% of Mi Technovation's workforce, and women represented by 29% of total workforce. Moving forward, it is our goal to achieve inclusivity and diversity by recruiting people from diverse backgrounds, education and experiences.

Local Recruitment

Among our initiatives to promote local recruitment include the Collegiate Talent Development programme. In 2018, approximately 15 internship placements were granted to local undergraduate students from diverse backgrounds to learn the ropes of the semiconductor industry. We also organise industrial visits for undergraduate students to interact with industry professionals and observe the working methods and best practices of our business in the semiconductor industry. In addition to that, we participated in Career Fairs organised by higher education institutions such as Universiti Tunku Abdul Rahman, Universiti Teknologi Petronas, Universiti Sains Malaysia and University Malaysia Perlis. Our close relationship with these institutions has provided us a close-up access to outstanding students with promising career prospects.

SUSTAINABILITY STATEMENT (CONT'D)

Ethical & Responsible Operations (cont'd)

Fair Employment Practices & Talent Development (cont'd)

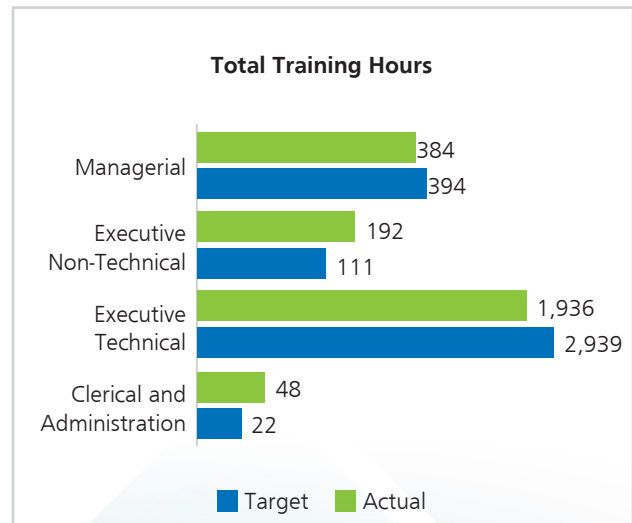
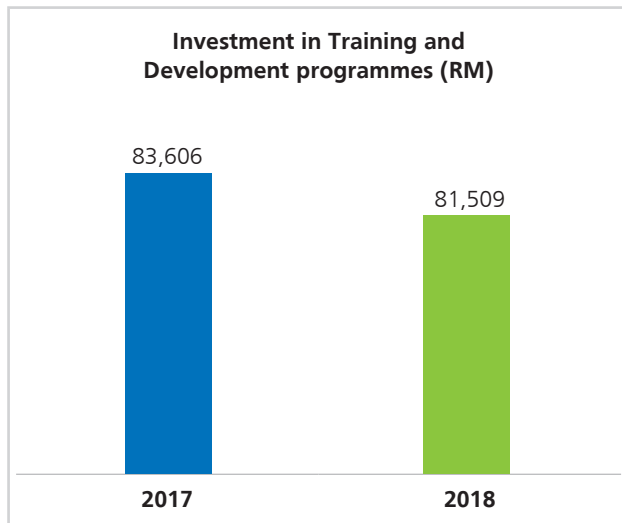
Training & Development

For the year, we focused on enhancing employee skills and competencies, emphasising on future relevant functional and leadership skills, whilst creating opportunities for career progression. In view of this, we conducted a Training Needs Analysis (“TNA”) to evaluate core competencies of employees and identify skill gaps that are aligned with industry demands. From the results of the analysis, relevant internal and external trainings are identified and rolled out as part of the Employee Career Development framework.

As we seek to become the Global Solutions Provider of Choice, the need for technical expertise and knowledge is impetus to our future growth. In 2018, we have activated the Technical Knowledge-Sharing programme designed to build a strong pipeline of engineers in technical areas covering LED technology, wafer fabrication, buyoff procedure and Geometric Dimensioning & Tolerancing (GD&T). Other programmes cover training on design for manufacturing and assembly, and C# programming.

To further improve the capability of our workforce, we also provide non-technical training programmes, including programmes on project management, supply chain management, human resource, and tax for specific functions.

In 2018, we have invested RM81,509 in employee development and adopting various career development trainings Group wide.



SUSTAINABILITY STATEMENT (CONT'D)

Ethical & Responsible Operations (cont'd)

Fair Employment Practices & Talent Development (cont'd)

Career Development Programmes

The future success of the Group rests on the shoulders of our younger talents. In pursuit of our goals and ambitions, an equally important equation to succeed is the organisation's ability to groom its existing talent base. Our future leaders should be able to lead and deliver on new capabilities whilst seizing market opportunities. At Mi Technovation, we provide an array of career development programmes that focuses on grooming high performing employees to take on leadership positions that require greater responsibility. The table below outlines the career development programmes available in Mi Technovation.

Type of Career Development Programme	Descriptions
Succession Planning	A process to groom high performing employees through taking the lead of various operations within the Group and actively participate in discussions for decision making
Mentoring/ Coaching	A programme where a junior member is mentored by a senior employee through on-the-job learning and training
Formal Induction programme	A comprehensive program for new joiners, covering topics on Company profile, as well as fundamental HR, Safety and IT-related modules
Career Path Matrix	Career path matrix for career progression opportunities
Education Assistant Scheme	A programme to sponsor employees pursuing post graduate studies/ professional qualifications

Employee Engagement

On top of career development opportunities, employee engagement is also part of our responsibilities as an employer. We prioritise employee engagement because we seek to build a work culture that is open, dynamic and nurturing. In respect to this, employees are able to raise issues concerning employee welfare, work environment and way of work to the Management through a communication platform, known as the HR Roundtable. Held twice annually, each department representatives are encouraged to voice out pressing issues and concerns that are affecting work productivity and employee well-being.

A further measure of success in our employment practices is the decline in our attrition rate over the years. In 2018, our attrition rate was recorded at 12%, which is lower than the rates recorded in the previous years. The reduction in attrition rate is mainly due to our increased focus on our employees' journey with us.

Energy and Carbon Management

Environmental sustainability is no longer a voluntary option, but has emerged to become a critical component of a future proof business. The ongoing rise of climate change hazards and deteriorating natural resources have called for a united action to ensure environmental impacts are reduced and managed in a responsible manner.

Due to the nature of our operations, we consume a considerable amount of energy where majority is contributed by electricity consumption. In 2018, our electricity consumption is 902,581 kWh, which translates to 606 tCO₂-e of greenhouse gas emissions⁴ ("GHG"). Currently to conserve energy, we practice basic habits to reduce our electricity usage, including switching off lights during lunch hour and after working hours. Down the road, we are looking into several initiatives to ensure our existing and future operations have minimal impacts to the environment.

⁴ Our GHG emissions is calculated using GHG Protocol.

SUSTAINABILITY STATEMENT (CONT'D)

Ethical & Responsible Operations (cont'd)

Community Investment

Today, businesses operate in a community-conscious landscape where society and consumers expect greater community involvement. Since our inception, we have taken an active role in volunteering work and charitable activities in hopes of contributing positively towards the social development and welfare of the community we operate in, as well as protecting our surrounding environment. Details of our community engagements are shown below.

Social Engagements



Over the years, we have supported various charity organisations by contributing in the form of monetary and non-monetary means. In total, RM45,000 was donated to Penang Cheshire Home, Eden Handicap Service Centre Bhd. and Gan En Zhi Jia Bhd to financially assist the disabled and special needs community. We have also organised a trip to Rumah Charis, a non-profit welfare organisation housing 27 senior citizens aged between 60 to 90 years old. In addition to distributing RM5,000 worth of ang paos, we also contributed grocery items and essentials.

Industrial Visit



In education, we have organised an industrial visit at our factory by university students and staff of the National Institute of Occupational Safety and Health ("NIOSH") to learn the best industry practices on occupational health and safety management. Students and staff were able to combine theoretical knowledge with industrial knowledge and learn more about the industrial environment.

Mangrove Tree Planting



In collaboration with Penang Inshore Fisherman Welfare Association ("PIFWA"), Mi Technovation participated in Mangrove Trees Planting Program at Sungai Acheh, Nibong Tebal. A total of 15 employees participated in this initiative, planting 100 mangrove trees in 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Mi Technovation Berhad (the “Group” or the “Company”) was officially listed on the Main Market of Bursa Malaysia Securities Berhad on 20 June 2018.

The Board of Directors (“The Board”) of Mi Technovation Berhad recognises the importance to conduct good corporate governance practice and 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 is made pursuant to paragraph 15.25(1) of Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). In producing this Corporate Governance Overview Statement, guidance was drawn from Practice Note 9 of MMLR and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia.

The Corporate Governance Overview Statement is supplemented with a Corporate Governance Report which provides detailed articulation on the application of each Practice as prescribed in the Malaysian Code on Corporate Governance (“MCCG”). The Corporate Governance Report is available on the Group’s website (www.mi-eq.com) and via an announcement on Bursa Malaysia’s website.

The Corporate Governance Overview 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 of Mi Technovation Berhad believes that dynamic corporate governance framework is crucial to provide a solid foundation and structure for effective and responsible decision-making of the Group.

Mi Technovation Berhad’s overall approach to corporate governance is to:

- have the appropriate people, process and structures to support the Group to achieve its long-term sustainability and profitability;
- drive application of good corporate governance practices by aligning the interests of shareholders, the Board and the Management; and
- meet shareholders’ expectation of comprehensive corporate governance as its responsibility to shareholders, customers and the community in which it operates.

In its effort to promote meaningful and thoughtful application of good governance practices, the Board regularly reviews the Company’s corporate governance policies and procedures to ensure they reflect the latest curation of thoughts, market dynamics and best practices whilst simultaneously addressing the needs of the Group. This was proved to be particularly imperative during the year as the domestic corporate governance ecosystem was introduced to a series of corporate governance reforms, namely the operationalisation of Companies Act 2016, the release of the latest iteration of MCCG, amendments to the Main Market Listing Requirements as well as the issuance of the Corporate Governance Guide (3rd Edition).

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 shareholder value. To fulfil this role, among other duties, the Board is responsible to review and adopt strategic plans for the Group including setting performance objectives and approving operating budgets for the Group and to ensure that the strategies promote sustainability within the aspects of environment, social and economy and necessary resources are in place for the Company to meet its business objectives. The Board is also responsible to review the adequacy and the integrity of our Group’s internal control systems and risk management framework, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board, which is led by the Chairman, delegates the implementation and monitoring of these set directions and Group’s internal control systems to the local management of main operating subsidiaries. All Board authorities conferred on the Management is delegated through the Group Chief Executive Officer (“Group CEO”) and this will be considered as the Group CEO’s authority and accountability as far as the Board is concerned. The Group CEO has the executive responsibility for the day-to-day operation of the Group’s business, and he is assisted by Executive Directors to implement the policies, strategies and decisions adopted by the Board.

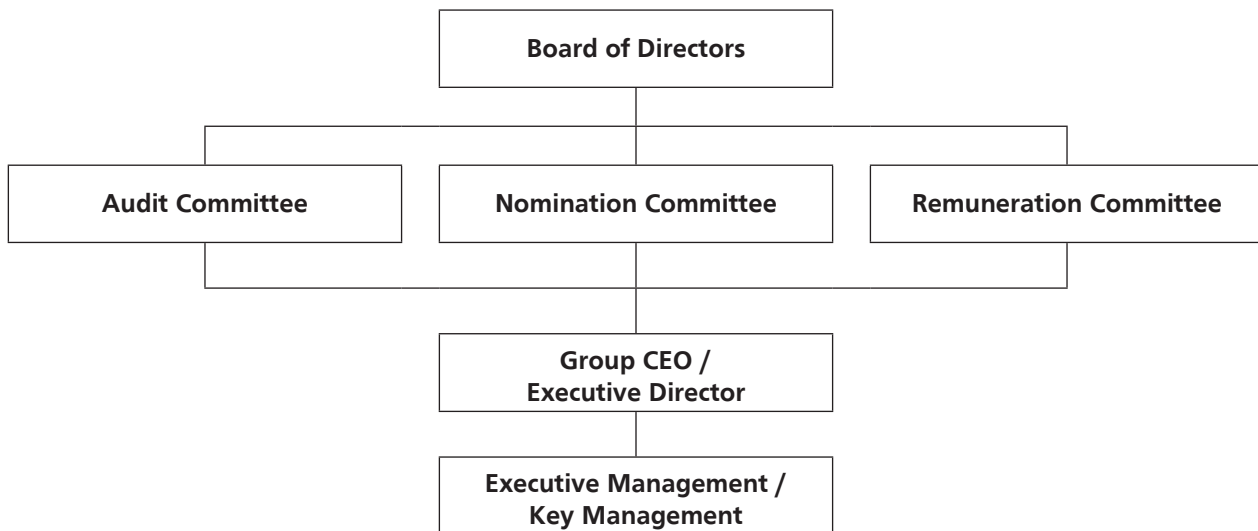
CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Board Responsibilities (cont'd)

The roles of the Non-Executive Chairman and the Group CEO are split. The Group CEO and the Executive Directors are the “Executive” Directors on the Board. The Executive Directors are involved in overseeing the day-to-day business operations and management within their assigned areas of responsibility. The Independent Directors are not involved in the day-to-day business operation of the Group but they provide independent judgement, experience and objectivity without being subordinated to operational considerations.

The organization structure of the Group is illustrated below:



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:

- Audit Committee

Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company and each of its subsidiaries.

- Nomination Committee

Nomination Committee is to ensure that the Directors of the Board bring characteristics to the Board, which provide a required mix of responsibilities, skills and experience. The Nomination Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of Non-Executive participation and establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee member.

- Remuneration Committee

Remuneration Committee is to set the policy framework and make recommendations to the Board on all elements of the remuneration, terms of employment, reward structure and fringe benefits for Executive Directors, the Chief Executive and other selected top management positions with the aim to attract, retain and motivate individuals of the highest quality.

The Board Committees are authorised to act on behalf of the Board in accordance with their specific Terms of Reference (“ToR”) for various Board Committees. The ToR of each Board Committees 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 Composition & Diversity

The present Board consists of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions. 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 2018, 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 is in compliance with Practice 4.4 of MCGG.

During the financial year ended 31 December 2018 ("FYE 2018"), 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 four (4) times in FYE 2018 at quarterly intervals basis. 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, documents which include the agenda and Board papers are circulated to all the members to obtain further explanation. The Board papers, among others, include the minutes of preceding meetings of the Board or Board Committees, Group's quarterly financial statements, current review of the operations of the Group, 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. Every Director also has 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.

Board Committee Membership and Meeting Attendance are outlined below:

Number of meeting held	During FYE 2018		In respect of FYE 2018	
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Oh Kuang Eng	4/4			
Mr. Koay Huck Kim	4/4			
Ms. Ong Tee Ni	4/4			
Non-Executive Directors				
Mr. Foo Hee Chaik	4/4	2/2	1/1	2/2
Mr. Lee Boon Leng	4/4	2/2	1/1	2/2
Mr. Tan Boon Hoe	4/4	2/2	1/1	2/2

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Board Charter, Code of Conduct for Company Directors and Whistleblowing Policy

The Board has the following in place:-

(a) Board Charter

Board Charter is adopted to ensure that the members of the Board are aware of their roles, duties and responsibilities and the application of principles and practices of good corporate governance in their business conduct and dealings in respect of, and on behalf of the Company and the various laws and legislations governing them and the Company.

(b) Code of Conduct and Ethics for Management and Employees (the "Code")

The Code is established and adopted to 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 Company operates.

(c) Whistleblowing Policy

The Group acknowledges the importance of lawful and ethical behaviours in all its business activities. All employees of the Group are encouraged to raise genuine concerns about possible improprieties in matters of financial reporting, compliance, malpractices and unethical business conduct within the Group. The Policy encourages Whistle Blower to feel confident in raising genuine concerns and to question and act on those concerns, provides ways to raise those concerns and get feedback on action taken. It re-assures Whistle Blower that they will be protected from possible reprisals or victimization.

The Board Charter, Code of Conduct and Ethics for Management and Employees as well as Whistleblowing Policy are to be reviewed regularly by the Board. These documents are available on the Company's website.

Sustainability Strategies

Our Group's approaches to achieving sustainable business operations is through injection of various capitals and skilled talent into our business operations and creation of value to the organisation as well as the various stakeholder groups. Our strategy guides us to a holistic approach in our business management, incorporating economic, environmental and societal aspects and governance considerations alongside financial ones, to become the global solutions provider of choice.

The Group's efforts in this regard are set out in the Sustainability Statement in this Annual Report.

Annual Assessment

The Nomination Committee ("NC") reviews annually the appropriate balance and size of Non-Executive participation and establishes procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, and contribution of each individual Director and Board Committee member.

The evaluation involves individual Director completing separate evaluation questionnaires regarding the processes of the Board and its Board Committees, their effectiveness and where improvements could be considered. On 25 February 2019, the NC has assessed the effectiveness of the Board, the respective Board Committee and their Independence ("the Assessment") in respect of the FYE 2018. The evaluation process also involved a peer assessment, where Directors will assess the performance of their fellow Directors as a whole annually, the Board Committees and the contribution of each individual Director including his time commitment, character, experience 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Re-election of Directors

The NC has assessed the Directors who are subject to retirement at the forthcoming Annual General Meeting ("AGM") in accordance with the Company's Constitution and the relevant provisions of the Companies Act 2016. At least one-third of the Directors are subject to retirement by rotation at each AGM, provided always that all Directors shall retire from office at least once in every three years.

At the forthcoming AGM of the Company, the following Directors are due for retirement and are eligible for re-election pursuant to Clause 165 of the Company's Constitution:

- i) Mr. Oh Kuang Eng
- ii) Ms. Ong Tee Ni

Directors' Training

The Company has adopted 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.

The following are the seminars, conference, forum, workshop trainings and exhibition attended by the Directors during the year:

Directors	Details of Programme
Mr. Foo Hee Chaik	Mandatory Accreditation Programme Tax Updates 2019
Mr. Oh Kuang Eng	Technology Sharing Day SEMICON SEA 2018 Mandatory Accreditation Programme SEMICON TAIWAN 2018 Tax Updates 2019
Mr. Koay Huck Khim	Technology Sharing Day Mandatory Accreditation Programme Tax Updates 2019
Ms. Ong Tee Ni	Technology Sharing Day Mandatory Accreditation Programme Tax Updates 2019
Mr. Tan Boon Hoe	Latest Development in MFRS/IFRS and IC Interpretation – An Overview Tax Updates 2019
Mr. Lee Boon Leng	Mandatory Accreditation Programme Tax Updates 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Annual Assessment of Independence

The presence of the Independent Non-Executive Directors is essential in providing unbiased, independent judgement, and objectivity without being subordinated to operational considerations to ensure that the interests of all shareholders, and not only the interests of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subject to objective and impartial consideration by the Board.

The Board, through the NC, has assessed the Independence of its Independent Non-Executive Directors on an annual basis based on criteria set out in the MMLR. The present Independent Directors of the Company 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 the Independent Directors have served the Board for a term of more than nine (9) years.

Remuneration

The Board, via Remuneration Committee ("RC"), has established and adopted a Director and Selected Top Management's Remuneration Policy Framework ("Remuneration Policy") on 26 December 2018. The Board will periodically review this Remuneration Policy. The objective of the Remuneration Policy is to serve as the guiding document for the Board and RC to set an appropriate level of remuneration that allow the Group to be able 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. The RC is also responsible to provide appropriate disclosure of the use of discretion, if required, so that shareholders can understand the basis of its recommendation.

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 Group CEO) remuneration and approved by the Board, with the presence of a majority of Non-Executive Directors. The Board Chairman and Independent Non-Executive Directors receive a fee for their services and do not receive any other benefits from the Group, nor do they participate in any of the bonus.

On 26 December 2018, the RC undertook a review of the Board Remuneration. 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 2018 were set out in the Corporate Governance Report 2018.

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 comprised 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 ToR approved by the Board and is available on the Company's website.

A review on the term of office and assessment on the performance of the AC for FYE2018 had been conducted by the Board, through the Nomination Committee on 25 February 2019. The Board was satisfied that the AC has discharged its duties in accordance with the ToR.

An AC Report of the Group detailing its composition and a summary of activities during the FYE2018 are set out on pages 52 to 55 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Assessment of External Auditors

The Board, through the AC, maintains a transparent and professional relationship with the external auditors. In respect of FYE 2018, the AC had held three 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 excluding the attendance of directors and employees of the Group.

The AC had evaluated the qualifications, performance and independence of the external auditors and determined whether to re-appoint the current external auditors. With due consideration, the AC 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 2019.

Further details of the activities of External Audit function are set out on page 54 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 2018, the Board has appointed KPMG Management & Risk Consulting Sdn Bhd ("KPMG") to facilitate the adoption of Enterprise Risk Management ("ERM") by documenting the risk register and identifying the key risks faced by the Company as well as documenting the internal control mechanism.

The Group outsourced its internal audit function to KPMG. 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 the Institute of Internal Auditors ("IIA"), 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 2018 are set out on pages 56 to 58 of this Annual Report.

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 includes the quarterly results announcements, quarterly investor's briefing, relevant announcements and circulars, announcements to Bursa Malaysia, 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

Conduct of General Meetings

The Company's first AGM after officially listed on the Main Market of Bursa Malaysia on 20 June 2018, is to be held on 11 June 2019.

Shareholders are encouraged to attend the AGM and participate in questioning on the resolutions set out and thereafter to vote on them. The Board takes note that the presence of all Directors will provide opportunity for shareholders to effectively engage each Director.

The notice to the upcoming AGM in 2019 has been provided more than twenty-eight (28) days in advance to enable shareholders to make adequate preparation.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors passed on 16 April 2019.

AUDIT COMMITTEE REPORT

The Board of Directors of Mi Technovation Berhad (the "Group" or the "Company") is pleased to present the Audit Committee ("AC" or the "Committee") report for financial year ended 31 December 2018 ("FYE2018").

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").

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 FYE2018, the AC held two (2) meetings after officially listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 20 June 2018. The attendance record of each member during the period is shown in the table below:

Members	Total Number of Meetings	Number of Meetings Attended
Tan Boon Hoe	2	2
Lee Boon Leng	2	2
Foo Hee Chaik	2	2

The Company Secretary acts as secretary to the AC. The minutes of each meeting are kept and distributed electronically to members of the Committee and the Board of Directors.

AUTHORITY

The Committee is authorized by the Board:

- to investigate any matter within its Terms of Reference
- to have the resources in order to perform its duties as set out in its Terms of Reference
- 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
- to meet with the external auditors, excluding the attendance of the executive members of the Committee, 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
- determine the adequacy of the control environment of the Group.

The roles and responsibilities of the AC are clearly detailed in the Terms of Reference, addressing the Listing Requirements imposed by Bursa Malaysia. The copy of the AC Terms of Reference is available on the Corporate Governance section of the Company's website.

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
- make recommendations to the Board, review the quarterly and year-end financial statements, focusing particularly on:
 - a) any changes in or implementation of major accounting policies
 - b) 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
 - c) significant adjustments arising from the audit
 - d) the going concern assumption; and
 - e) compliance with accounting standards and other legal requirements

SUMMARY OF WORK OF THE COMMITTEE

Summary of work undertaken by the AC during the FYE2018 are described below:

(a) 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 ("MFRS") as well as the applicable disclosure provisions of the MMLR of Bursa Malaysia.
- Reviewed the Group's audited financial statements for FYE2018 prior to recommending the audited financial statements for consideration and approval by the Board, 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. There were no new or revised MFRSs in FYE2018 that had a material effect on the financial performance or position of the Group.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF WORK OF THE COMMITTEE (cont'd)

(b) External Audit

- Prior to the issuance of the Group's audited financial statements, the AC had reviewed the audit status update presented by the external auditors which covered the audit scope, areas of audit emphasis, audit materiality, 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 the external auditors, BDO PLT ("BDO") the result of the audit, the Auditors' Report, and confirmed that the external auditors received full co-operation from the Management and gained unrestricted access to the Group's records. In addition, the AC held one private session with the external auditors excluding the attendance of directors and employees of the Group.
- For FYE2018, BDO has identified one (1) Key Audit Matter ("KAM") of the Group, which is impairment of trade receivable that requires management to exercise significant judgements in determining the probability of default by trade receivables and appropriate forward-looking information.

In responding to the KAM, the external auditors have performed various audit procedures and did not identify any material exceptions.

- Following the input from management and considering BDO's comments, the AC is satisfied that the accounting treatments applied under the financial reporting standards, the significant judgements, key assumptions and conclusions reached are appropriate.
- The AC also reviewed and discussed with the external auditors on the effectiveness of the Company's internal controls, accounting and reporting matters as well as external auditors' recommendations for improvement in the system of internal controls noted in the course of their audit work. The findings on systems of internal controls from external auditors were not significantly different from the findings from internal auditors. During FYE2018, there were no significant and unusual events or transactions highlighted by the management as well as external auditors.
- The AC was satisfied that the level of fees paid/payable in respect of the services provided by BDO is appropriate. The amount of external audit fees and non-audit fees incurred for the FYE2018 are set out on page 60 under the Additional Compliance Information of this Annual Report.
- The AC evaluated the qualifications, performance and independence of the external auditors and determined whether to re-appoint the current external auditors. With due consideration, the AC 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 and the audit fee payable to the external auditors for financial year 2019.

(c) Risk Management and Internal Audit

- During FYE2018, the internal audit function was outsourced to KPMG Management & Risk Consulting Sdn. Bhd. ("KPMG"). KPMG has conducted an Enterprise Risk Management ("ERM") to assist Management in identifying the key risks and document the internal control mechanism. The AC has reviewed and discussed the result of the ERM assessment with the internal auditors. Subsequently, a risk based internal audit plan for FYE2018 has been approved by the AC.
- Based on the approved internal audit plan, the internal audit function assessed the internal controls of business processes, namely "Leakage of Engineering and Financial Information" and "Recording of Inventory and Stock" ("IA FYE2018"). The internal audit findings, including the recommendations for improvement were reported to the AC. In the course of the internal audit, there were no significant and unusual events or transactions highlighted by the management as well as the internal auditors.
- 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 by Internal Audit Function for FYE2018 amounted to RM75,000 (FYE2017:NIL).

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF WORK OF THE COMMITTEE (cont'd)

(d) 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 term of office and assessment on the performance of the AC for FYE2018 had been conducted by the Board, through the Nomination Committee on 25 February 2019. The Board was satisfied that the AC has discharged its duties in accordance with the Terms of Reference.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

The Board of Directors (the "Board") of Mi Technovation Berhad ("the Group" or "the Company") hereby presents its Statement on Risk Management and Internal Control (the "Statement") pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and has been prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" (the "Guidelines").

BOARD'S RESPONSIBILITY

The Board recognizes its responsibility for maintaining and reviewing the adequacy and integrity of the risk management and internal control system to safeguard its stakeholders' interests.

In evaluating the adequacy of the Group's system of risk management and internal control, the Board is assisted by the Audit Committee ("AC"), which comprises solely of Independent Non-Executive Directors. 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.

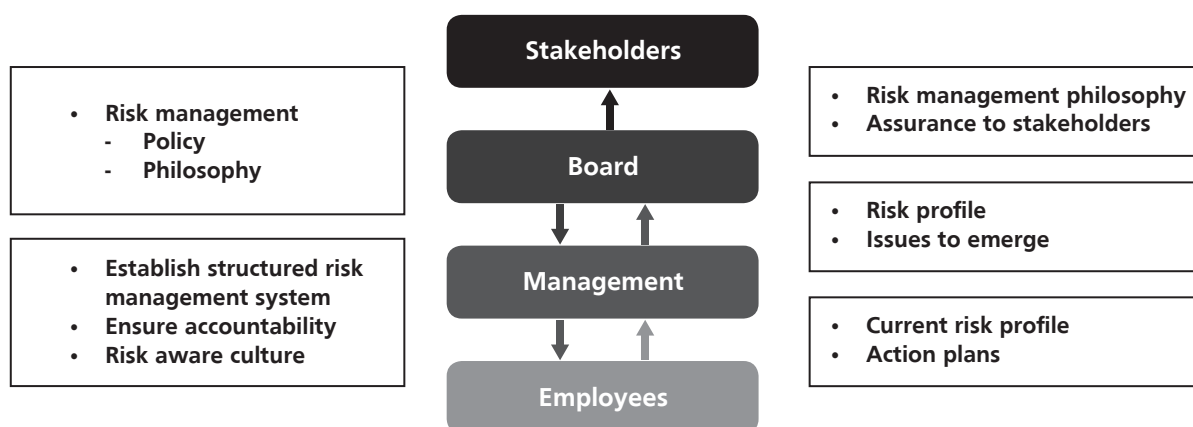
RISK MANAGEMENT FRAMEWORK

The Group has established and adopted Risk Management Framework ("RMF") which is designed to exhibit the context for an embedded Enterprise Risk Management ("ERM") framework within the Group of Companies.

The objectives of the Group's RMF 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 Division/ 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 internal control system is in place.

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 co-operates with each other to monitor and manage risks. The role and responsibility of each level of the Group are illustrated in the diagram below:



For the financial year ended 31 December 2018 ("FYE2018"), the Board appointed KPMG Management & Risk Consulting Sdn. Bhd. ("KPMG") to conduct Enterprise Risk Management ("ERM") to assist Management in identifying the key risks and document the internal control mechanism.

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

RISK MANAGEMENT FRAMEWORK (cont'd)

This ERM exercise includes:-

- Identify specific risks faced by the Group via interviews with relevant key personnel;
- Identify the causes and consequence of the risks;
- Assess the likelihood and impact of the risks concerned materializing;
- Determine the controls in place or to be implemented in order to minimize or mitigate the risks; and
- Evaluate and determine the risk rating after considering the control effectiveness.

The result of ERM assessment together with key internal controls were presented to the Corporate Management and subsequently brought to the attention of AC and Board for further deliberation. The Management action plan include continuously assess the controls deployed to mitigate the risks to a level within the risk appetite of the Group, especially on the need to implement additional controls to reduce the risk's impact.

INTERNAL AUDIT FUNCTION

During FYE2018, the internal audit function was outsourced to 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 ("IIA") to provide independent, clear and practical advice for the right processes and internal controls to be in place.

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 internal audit function assessed the internal controls of selected business processes as approved by the AC and the internal audit findings, including the recommendations for improvement were reported to the AC.

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.

OTHER KEY ELEMENTS OF INTERNAL CONTROL SYSTEM

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

(a) Lines of Responsibility and Delegation of Authority

- The Group's Management reporting structure with defined lines of responsibility is in place for all business units.
- Clearly defined and documented lines and limits of authority are established for all business units for approving capital expenditure, operating expenditure and matters on financial, treasury, human resources and related party transactions, keeping potential risk exposures under control.

(b) Financial Performance Review

- Quarterly report and information covering key financial results of the Group are prepared and reported to the Board.

(c) Approval of Annual Budget

- 2018 annual budgets are prepared by the Group's business units, presented and approved by the CEO prior to the official listing of the Company on Main Market of Bursa Malaysia. Analysis of variances against budget are presented and communicated to Management for monitoring and improvement purposes.

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

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

(d) Written Policies and Procedures

- Documented value statement and policies and procedures are in place, made available to all employees and subject to periodic review to ensure the effectiveness.
- Safety & Health Committees are assigned to address and ensure occupational safety and health policies and procedures are in compliance with the regulations.

(e) Code of Conduct and Whistle-blowing Policy and Procedures

- Code of Conduct and Ethics for Management and employees are in place to 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 Company operates.
- The Group has established a Whistle Blowing Policy. All employees of the Group are encouraged to 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.

REVIEW BY THE BOARD

The Board strongly believes that the system of risk management and internal control that has been in place are adequate and effective to manage the risk of the Group. However, given the inherent limitation in the system of risk management and internal control, such systems established in place by Management are designed to reduce but may not eliminate the risk of failure to achieve the Group's corporate objectives. Such systems can provide only reasonable but not absolute assurance against material error, fraud, misstatement or losses.

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

REVIEW BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of Listing Requirement, the external auditors, BDO PLT, Chartered Accountants has reviewed this Statement for inclusion in this Annual Report of the Group for FYE2018.

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 Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group 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:

- 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
- is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control 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.

This Statement is made in accordance with the resolution of the Board dated 16 April 2019.

DIRECTORS' RESPONSIBILITY STATEMENT IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act 2016 to prepare financial statements that give a true and fair view of the state of affairs, including the cash flows and results of the Company and Group as at the end of each financial year.

In preparing the financial statements for the financial year ended 31 December 2018, the Directors have considered:

- that the Group and the Company have adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement;
- that applicable accounting standards have been followed; and
- that the financial statements have been prepared on a going concern basis.

The Directors have responsibility to ensure that proper accounting records are maintained which disclose with reasonable accuracy the financial positions of the Company and Group, to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2016.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company, 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 Malaysia”).

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 2018, 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	18,225	28%
2	Construction of new factory cum office in Batu Kawan, Penang	Within 30 months	75,000	-	0%
3	R&D	Within 24 months	6,000	-	0%
4	Working capital	Within 36 months	36,788	508	1%
5	Listing expenses	Within 1 month	8,100	8,100	100%
TOTAL			190,888	26,833	

The utilization of gross proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 28 May 2018.

2. Audit and Non-Audit Services

During the financial year ended 31 December 2018 (“FYE 2018”), 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	30,000	146,604
Non-Audit Fees	40,200	72,110

The non-audit fees paid to Messrs BDO PLT includes an amount of RM 35,000 in respect of professional services for assessment and adoption of new MFRS.

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 FYE2018.

4. Recurrent Related Party Transactions

The Company and its subsidiaries did not have any recurrent related party transactions during FYE 2018.

A decorative graphic consisting of overlapping diamonds. The top-left diamond shows a close-up of a microchip on a blue circuit board. The bottom-right diamond is a solid lime green. The other two diamonds are dark blue with a network of white icons representing various digital devices and connectivity.

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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 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

CHANGE OF NAME

On 27 December 2018, the Company changed its name from Mi Equipment Holdings Berhad to Mi Technovation Berhad.

RESULTS

	Group RM	Company RM
Profit for the financial year, attributable to owners of the parent	<u>44,349,000</u>	<u>28,605,859</u>

DIVIDENDS

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

	RM
In respect of financial year ended 31 December 2018:	
First single tier interim dividend of RM0.03 per ordinary share, paid on 30 August 2018	15,000,000
Second single tier interim dividend of RM0.02 per ordinary share, paid on 21 December 2018	<u>10,000,000</u>
	<u>25,000,000</u>

No final dividend has been recommended by the Directors for the financial year ended 31 December 2018.

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

During the 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.

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.

DIRECTORS

The Directors who have held office since the date of the last report are:

Mi Technovation Berhad (formerly known as Mi Equipment Holdings Berhad)

Oh Kuang Eng

Ong Tee Ni

Koay Huck Khim

Foo Hee Chaik

Tan Boon Hoe

Lee Boon Leng

Subsidiaries of Mi Technovation Berhad (formerly known as Mi Equipment Holdings Berhad)

Oh Kuang Eng *

Ong Tee Ni

Teo Chee Kheong (Appointed as Director of Suzhou Mi Equipment Co., Ltd. on 18 March 2019)

* Mr. Oh Kuang Eng resigned as the Director of Suzhou Mi Equipment Co., Ltd. on 18 March 2019 and remained as Director of other subsidiaries of the Company.

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 2018 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 31.12.2018
	Balance as at 1.1.2018	Bought	Sold	
Shares in the Company				
<u>Direct interests</u>				
Oh Kuang Eng	358,521,394	250,000	(18,521,000)	340,250,394
Ong Tee Ni	1,480,628	55,600	(50,000)	1,486,228
Koay Huck Khim	0	500,000	0	500,000
Foo Hee Chaik	0	300,000	0	300,000
Tan Boon Hoe	0	300,000	(100,000)	200,000
Lee Boon Leng	0	65,000	0	65,000

By virtue of Mr. Oh Kuang Eng's substantial interest in the shares of the Company, he is deemed to have interest in the shares of all the subsidiaries to the extent that the Company has an interest.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial period, 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 24 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' REMUNERATION

Benefits of the Directors who held office during the financial years ended 31 December 2018 and 31 December 2017 are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company:				
Fees	144,000	0	144,000	0
Salaries and bonuses	1,246,336	1,917,437	655,500	0
Contributions to defined contribution plans	196,020	213,674	116,280	0
Social security contributions	2,309	2,279	1,770	0
Other benefits	27,000	0	27,000	0
	<u>1,615,665</u>	<u>2,133,390</u>	<u>944,550</u>	<u>0</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 amount of insurance premium paid by the Company during the financial year ended 31 December 2018 was RM24,500.

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.

DIRECTORS' REPORT (CONT'D)

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

(I) AS AT END OF THE FINANCIAL YEAR (continued)

- (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.

(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 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 is disclosed in Note 28 to the financial statements.

DIRECTORS' REPORT (CONT'D)

AUDITORS

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

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2018 amounted to RM68,000 and RM122,604 respectively.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

Oh Kuang Eng
Director

Penang
16 April 2019

Ong Tee Ni
Director

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 71 to 117 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 2018 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
16 April 2019

Ong Tee Ni
Director

STATUTORY DECLARATION

I, Oh Kuang Eng, being the Director primarily responsible for the financial management of Mi Technovation Berhad (formerly known as Mi Equipment Holdings Berhad), do solemnly and sincerely declare that the financial statements set out on pages 71 to 117 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 16 April 2019

Before me,

Commissioner for Oaths

Oh Kuang Eng

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Mi TECHNOVATION BERHAD (FORMERLY KNOWN AS Mi EQUIPMENT HOLDINGS BERHAD) (Company No. 1235827-D) (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mi Technovation Berhad (formerly known as Mi Equipment Holdings Berhad), which comprise the statements of financial position as at 31 December 2018 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 71 to 117.

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 2018, 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 2018, the carrying amount of trade receivables of the Group amounted to RM67,884,848, which were net of impairment losses of RM150,106. The details of trade receivables have been disclosed in Note 7 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 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Mi TECHNOVATION BERHAD (FORMERLY KNOWN AS Mi EQUIPMENT HOLDINGS BERHAD) (Company No. 1235827-D) (Incorporated in Malaysia) (CONT'D)

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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Mi TECHNOVATION BERHAD (FORMERLY KNOWN AS Mi EQUIPMENT HOLDINGS BERHAD) (Company No. 1235827-D) (Incorporated in Malaysia) (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 (continued):

- (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.

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 5 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

Koay Theam Hock
02141/04/2021 J
Chartered Accountant

Penang
16 April 2019

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	57,590,753	26,957,084	30,552	0
Investments in subsidiaries	5	0	0	66,802,953	65,802,953
Deferred tax assets	6	3,838	2,335	0	0
Other receivables	7	0	0	5,457,279	0
		<u>57,594,591</u>	<u>26,959,419</u>	<u>72,290,784</u>	<u>65,802,953</u>
Current assets					
Inventories	8	43,354,252	36,433,922	0	0
Trade and other receivables	7	74,478,718	40,523,259	43,950,440	0
Current tax assets		86,773	78,200	0	0
Short term funds	9	183,605,895	0	139,064,899	0
Cash and bank balances	10	19,799,116	52,633,613	1,445,901	977
		<u>321,324,754</u>	<u>129,668,994</u>	<u>184,461,240</u>	<u>977</u>
TOTAL ASSETS		<u>378,919,345</u>	<u>156,628,413</u>	<u>256,752,024</u>	<u>65,803,930</u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	11	252,615,378	65,803,001	252,615,378	65,803,001
Reserves	12	78,233,782	58,951,816	3,568,152	(37,707)
TOTAL EQUITY		<u>330,849,160</u>	<u>124,754,817</u>	<u>256,183,530</u>	<u>65,765,294</u>
LIABILITIES					
Non-current liabilities					
Borrowing	13	4,369,945	0	0	0
Provisions	14	2,557,893	3,772,627	0	0
Deferred tax liabilities	6	0	57,310	0	0
		<u>6,927,838</u>	<u>3,829,937</u>	<u>0</u>	<u>0</u>
Current liabilities					
Trade and other payables	15	35,769,100	25,104,876	568,494	38,636
Provisions	14	2,974,821	2,685,310	0	0
Borrowing	13	2,382,736	0	0	0
Current tax liabilities		15,690	253,473	0	0
		<u>41,142,347</u>	<u>28,043,659</u>	<u>568,494</u>	<u>38,636</u>
TOTAL LIABILITIES		<u>48,070,185</u>	<u>31,873,596</u>	<u>568,494</u>	<u>38,636</u>
TOTAL EQUITY AND LIABILITIES		<u>378,919,345</u>	<u>156,628,413</u>	<u>256,752,024</u>	<u>65,803,930</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 2018

	Note	Group		Company	
		1.1.2018 to 31.12.2018 RM	1.1.2017 to 31.12.2017 RM	1.1.2018 to 31.12.2018 RM	19.6.2017 to 31.12.2017 RM
Revenue	17	160,392,052	173,321,976	32,554,702	0
Cost of sales		(86,217,872)	(75,437,344)	0	0
Gross profit		74,174,180	97,884,632	32,554,702	0
Other operating income		5,999,920	693,117	3,048,856	0
Sales and marketing expenses		(12,371,027)	(5,714,238)	0	0
General and administrative expenses		(23,028,710)	(32,082,244)	(6,997,699)	(37,707)
Profit/(Loss) from operations		44,774,363	60,781,267	28,605,859	(37,707)
Finance costs	18	(293,845)	0	0	0
Profit/(Loss) before tax	20	44,480,518	60,781,267	28,605,859	(37,707)
Tax expense	21	(131,518)	(1,476,861)	0	0
Profit/(Loss) for the financial year/period, attributable to owners of the parent		44,349,000	59,304,406	28,605,859	(37,707)
Other comprehensive loss, net of tax:					
Items that may be subsequently reclassified to profit or loss					
Foreign currency translations, net of tax	21(d)	(67,034)	(85,147)	0	0
Total comprehensive income/(loss), attributable to owners of the parent		44,281,966	59,219,259	28,605,859	(37,707)
Earnings per share attributable to owners of the parent:					
Basic and diluted (sen)	22	10.15	33.45		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Non-distributable				Distributable	
		Share capital RM	Legal reserve RM	Exchange translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM	Total equity RM
Balance as at 1 January 2017		2,250,040	6,244	376,347	(4,998)	66,407,875	69,035,508
Profit for the financial year		0	0	0	0	59,304,406	59,304,406
Other comprehensive loss, net of tax		0	0	(85,147)	0	0	(85,147)
Total comprehensive income		0	0	(85,147)	0	59,304,406	59,219,259
Transactions with owners:							
Issuance of ordinary shares	11	50	0	0	0	0	50
Acquisition of subsidiaries in business combination under common control	11	63,552,911	0	0	(63,552,911)	0	0
Dividends paid	23	0	0	0	0	(3,500,000)	(3,500,000)
Total transactions with owners		63,552,961	0	0	(63,552,911)	(3,500,000)	(3,499,950)
Balance as at 31 December 2017		65,803,001	6,244	291,200	(63,557,909)	122,212,281	124,754,817
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	11	190,887,760	0	0	0	0	190,887,760
Share issue expenses	11	(4,075,383)	0	0	0	0	(4,075,383)
Dividends paid	23	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

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Note	Non-distributable	Distributable	Total equity RM
		Share capital RM	(Accumulated losses)/ Retained earnings RM	
Balance as at 19 June 2017 (Date of incorporation)		50	0	50
Loss for the financial period		0	(37,707)	(37,707)
Other comprehensive income, net of tax		0	0	0
Total comprehensive loss		0	(37,707)	(37,707)
Transaction with owners:				
Ordinary shares issued pursuant to acquisition of subsidiaries	11	65,802,951	0	65,802,951
Total transaction with owners		65,802,951	0	65,802,951
Balance as at 31 December 2017		65,803,001	(37,707)	65,765,294
Balance as at 1 January 2018		65,803,001	(37,707)	65,765,294
Profit for the financial year		0	28,605,859	28,605,859
Other comprehensive income, net of tax		0	0	0
Total comprehensive income		0	28,605,859	28,605,859
Transactions with owners:				
Issuance of ordinary shares	11	190,887,760	0	190,887,760
Share issue expenses	11	(4,075,383)	0	(4,075,383)
Dividends paid	23	0	(25,000,000)	(25,000,000)
Total transactions with owners		186,812,377	(25,000,000)	161,812,377
Balance as at 31 December 2018		252,615,378	3,568,152	256,183,530

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		1.1.2018 to 31.12.2018 RM	1.1.2017 to 31.12.2017 RM	1.1.2018 to 31.12.2018 RM	19.6.2017 to 31.12.2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		44,480,518	60,781,267	28,605,859	(37,707)
Adjustments for:					
Depreciation of property, plant and equipment	4	2,218,781	2,021,601	2,010	0
Dividend income		0	0	(31,500,000)	0
Gain on disposal of property, plant and equipment		(3,859)	0	0	0
Impairment loss on trade receivables	7	150,106	0	0	0
Interest expense	18	293,845	0	0	0
Interest income		(3,611,779)	(671,739)	(3,048,856)	0
Property, plant and equipment written off	4	105,430	5,602,086	0	0
Provision for:					
- warranty replacement costs	14	2,891,500	3,296,079	0	0
- technical support services	14	0	1,901,731	0	0
Reversal of provision for warranty replacement costs	14	(1,969,304)	(4,986,948)	0	0
Unrealised (gain)/loss on foreign exchange		(2,084,940)	2,510,756	0	0
Inventories written down		99,515	0	0	0
Operating profit/(loss) before changes in working capital		42,569,813	70,454,833	(5,940,987)	(37,707)
Increase in inventories		(7,019,845)	(12,897,841)	0	0
Increase in trade and other receivables		(32,257,593)	(27,084,313)	(35,407,719)	0
Increase in trade and other payables		10,577,916	12,542,685	529,858	38,636
Warranty paid	14	(550,561)	(469,865)	0	0
Technical support related expenses paid	14	(1,296,858)	0	0	0
Cash generated from/(used in) operations		12,022,872	42,545,499	(40,818,848)	929
Tax refunded		0	583	0	0
Tax paid		(454,240)	(1,435,720)	0	0
Net cash from/(used in) operating activities		11,568,632	41,110,362	(40,818,848)	929

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

	Note	Group		Company	
		1.1.2018 to 31.12.2018 RM	1.1.2017 to 31.12.2017 RM	1.1.2018 to 31.12.2018 RM	19.6.2017 to 31.12.2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Incorporation of a subsidiary	5	0	0	(2)	(2)
Additional investment in a subsidiary	5	0	0	(999,998)	0
Dividend received		0	0	17,500,000	0
Interest received		3,611,779	671,739	3,048,856	0
Proceeds from disposal of property, plant and equipment		346,444	0	0	0
Purchase of property, plant and equipment	4	(33,327,836)	(31,413,578)	(32,562)	0
Withdrawal of deposits with a licensed bank (more than three (3) months)		0	10,000,000	0	0
Net cash (used in)/from investing activities		<u>(29,369,613)</u>	<u>(20,741,839)</u>	<u>19,516,294</u>	<u>(2)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	23	(25,000,000)	(3,500,000)	(25,000,000)	0
Interest paid		(293,845)	0	0	0
Proceeds from issuance of ordinary shares	11	190,887,760	50	190,887,760	0
Share issue expenses	11	(4,075,383)	0	(4,075,383)	0
Repayment of term loan		(2,160,828)	0	0	0
Drawdown of term loan		8,453,869	0	0	0
Placement of deposits pledged to licensed banks		0	(2,096,953)	0	0
Withdrawal of deposits pledged to a licensed bank		0	2,083,768	0	0
Net cash from/(used in) financing activities		<u>167,811,573</u>	<u>(3,513,135)</u>	<u>161,812,377</u>	<u>0</u>
Net increase in cash and cash equivalents		150,010,592	16,855,388	140,509,823	927
Effect on foreign exchange rates changes		710,610	(460,526)	0	0
Cash and cash equivalents at beginning of financial year/date of incorporation		<u>50,581,710</u>	<u>34,186,848</u>	<u>977</u>	<u>50</u>
Cash and cash equivalents at end of financial year/period	10(b)	<u>201,302,912</u>	<u>50,581,710</u>	<u>140,510,800</u>	<u>977</u>

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Term loan (Note 13)	
	2018	2017
Group	RM	RM
At 1 January	0	0
Cash flows	6,293,041	0
Non-cash flows:		
- Effect of foreign exchange	459,640	0
At 31 December	<u>6,752,681</u>	<u>0</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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.

Bursa Malaysia Securities Berhad has, vide its letter dated 27 March 2018, approved the admission of the Company to the Official List, and the listing of and quotation for its entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad. The ordinary shares of the Company were listed on the Main Market of Bursa Malaysia Securities Berhad on 20 June 2018.

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 Plot 13, Bayan Lepas Technoplex, MK 12, Industrial Zone Phase 4, 11900 Bayan Lepas, Penang.

The consolidated financial statements for the financial year ended 31 December 2018 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 16 April 2019.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities 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 30(a) to the financial statements.

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.

In the previous financial year, the Group applied merger method of accounting on a retrospective basis arising from the acquisition of the entire equity interest of Mi Equipment (M) Sdn. Bhd. and Mi International Pte. Ltd. by the Company in business combinations under common control. Consequently, the Group presented comparative information as if the business combinations had taken place before the start of the earliest period presented in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

3. BASIS OF PREPARATION (continued)

Consequently, the following accounting treatment has been applied in the consolidated financial statements arising from the business combinations under common control:

- (a) Assets and liabilities of Mi Equipment (M) Sdn. Bhd. and Mi International Pte. Ltd. were recognised and measured at their pre-business combination carrying amount without restatement to fair value;
- (b) Retained earnings and other equity reserves of the Group as at 1 January 2016 are those of Mi Equipment (M) Sdn. Bhd. and Mi International Pte. Ltd.;
- (c) Share capital as at 1 January 2016 reflects the share capital of Mi Equipment (M) Sdn. Bhd. and Mi International Pte. Ltd. prior to the incorporation of the Company; and
- (d) The statements of financial position as at 31 December 2017 represents the financial position of the Group after reflecting the effect of the acquisitions in the previous financial year.

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

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

As at 31.12.2018

Group	Cost	Accumulated depreciation	Carrying amount
			RM
	RM	RM	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 2018 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at	Additions	Written off	Transferred to inventories	Currency translation differences	Depreciation charge for the financial year	Balance as at
	1.1.2017						31.12.2017
	RM	RM	RM	RM	RM	RM	RM
Carrying amount							
Leasehold land	0	23,332,783	0	0	0	(173,422)	23,159,361
Building	0	5,600,000	(5,600,000)	0	0	0	0
Plant and machinery	1,502,302	628,680	0	(866,470)	2,075	(732,243)	534,344
Motor vehicles	1,159,515	325,195	0	0	(7,557)	(370,377)	1,106,776
Office equipment	564,126	920,888	(2,086)	(12,955)	(1,261)	(362,762)	1,105,950
Production equipment	239,763	213,493	0	0	0	(91,873)	361,383
Clean room	54,820	0	0	0	0	(18,576)	36,244
Furniture and fittings	365,524	119,024	0	0	(2,111)	(208,794)	273,643
Sports equipment	8,955	44,000	0	0	0	(5,765)	47,190
Laboratory equipment	0	149,246	0	0	0	(17,037)	132,209
Renovation	165,386	0	0	0	(4,919)	(40,752)	119,715
Capital work-in-progress	0	80,269	0	0	0	0	80,269
	4,060,391	31,413,578	(5,602,086)	(879,425)	(13,773)	(2,021,601)	26,957,084
Group							
Leasehold land		23,332,783				(173,422)	23,159,361
Plant and machinery		628,680				(94,336)	534,344
Motor vehicles		1,981,688				(874,912)	1,106,776
Office equipment		2,063,068				(957,118)	1,105,950
Production equipment		596,264				(234,881)	361,383
Clean room		92,880				(56,636)	36,244
Furniture and fittings		720,549				(446,906)	273,643
Sports equipment		65,491				(18,301)	47,190
Laboratory equipment		149,246				(17,037)	132,209
Renovation		159,621				(39,906)	119,715
Capital work-in-progress		80,269				0	80,269
	29,870,539					(2,913,455)	26,957,084

As at 31.12.2017

Cost RM

Accumulated depreciation RM

Carrying amount RM

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1.1.2018 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.12.2018 RM
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

- (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:

Leasehold land	45 - 60 years
Building	2%
Plant and machinery	33%
Motor vehicles	20%
Office equipment	20% to 33%
Production equipment	20%
Clean room	20%
Furniture and fittings	20% to 33%
Sports equipment	20%
Laboratory equipment	20%
Renovation	33%

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Leasehold land is analysed as:

	2018 RM	2017 RM
Short term (unexpired period less than 50 years)	12,347,238	12,627,326
Long term (unexpired period more than 50 years)	10,745,891	10,532,035
	<u>23,093,129</u>	<u>23,159,361</u>

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*.

- (c) Leasehold land of the Group with a carrying amount of RM12,347,238 (2017: RM12,627,326) is charged to a local bank as securities for bank facilities granted to the Group.
- (d) As at the end of the previous financial year, land title for leasehold land with a carrying amount of RM10,532,035 had yet to be issued by the relevant authority to the Group.
- (e) In the previous financial year, the Group obtained an approval from Majlis Bandaraya Pulau Pinang for the demolition of an existing factory building acquired together with a piece of leasehold land. The demolition of the factory building was completed on 7 December 2017. As a result, the factory building was written off by way of charge out to the statements of profit or loss and other comprehensive income, which amounted to RM5,600,000 during the previous financial year.

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
Unquoted shares, at cost	<u>66,802,953</u>	<u>65,802,953</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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective ownership interest		Principal activities
		2018 %	2017 %	
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 Precision Sdn. Bhd.	Malaysia	100	100	Manufacture and sales of precision fabrication parts
Mi Autobotics Sdn. Bhd.	Malaysia	100	0	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. Currently, Mi Autobotics Sdn. Bhd. has not commenced operations.
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

* The financial statements of these subsidiaries were audited by auditors other than the auditors of the Company.

Subsidiary not required to be audited in its country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES (continued)

- (c) On 10 January 2018, the Company acquired additional 999,998 ordinary shares at RM1 each in Mi Precision Sdn. Bhd. for a total cash consideration of RM999,998. There was no change to the Group's shareholding in the subsidiary.
- (d) On 20 September 2018, the Company incorporated Mi Autobotics Sdn. Bhd. for a cash consideration of RM2.
- (e) Acquisitions of subsidiaries in the previous financial year
- (i) The Company completed the acquisition of entire equity interest in Mi Equipment (M) Sdn. Bhd., for a total consideration of RM63,455,445, which was satisfied via the issuance of 352,530,250 ordinary shares at an issue price of RM0.18 per share. Consequently, Mi Equipment (M) Sdn. Bhd. became a wholly owned subsidiary of the Company.
- (ii) The Company completed the acquisition of entire equity interest in Mi International Pte. Ltd. (formerly known as MiE Technology Pte. Ltd.), for a total consideration of SGD757,113 (equivalent to RM2,347,506), which was satisfied via the issuance of 13,041,700 ordinary shares at an issue price of RM0.18 per share. Consequently, Mi International Pte. Ltd. became a wholly owned subsidiary of the Company.
- (f) In the previous financial year, the Company incorporated Mi Precision Sdn. Bhd. for a cash consideration of RM2.
- (g) Business combinations under common control that were undertaken in previous financial year are disclosed in Note 3 to the financial statements.

6. DEFERRED TAX

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

	Group	
	2018	2017
	RM	RM
Balance as at 1 January	54,975	0
Recognised in profit or loss (Note 21)	(58,195)	55,876
Exchange differences	(618)	(901)
Balance as at 31 December	<u>(3,838)</u>	<u>54,975</u>
Presented after appropriate offsetting:		
Deferred tax assets	(3,838)	(2,335)
Deferred tax liabilities	0	57,310
	<u>(3,838)</u>	<u>54,975</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

6. DEFERRED TAX (continued)

- (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	
	2018	2017
	RM	RM
Balance as at 1 January	57,310	0
Recognised in profit or loss	(56,686)	58,288
Exchange differences	(624)	(978)
Balance as at 31 December	<u>0</u>	<u>57,310</u>

Deferred tax assets of the Group

	Unused tax losses	
	2018	2017
	RM	RM
Balance as at 1 January	(2,335)	0
Recognised in profit or loss	(1,509)	(2,412)
Exchange differences	6	77
Balance as at 31 December	<u>(3,838)</u>	<u>(2,335)</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	
	2018	2017	2018	2017
	RM	RM	RM	RM
Unused tax losses	4,304,737	0	472,032	0
Unabsorbed capital allowances	116,936	0	1,407	0
	<u>4,421,673</u>	<u>0</u>	<u>473,439</u>	<u>0</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.

The unabsorbed tax losses up to the year of assessment 2018 shall be deductible until year of assessment 2025. The unabsorbed tax losses for the year of assessment 2019 onwards will expire in seven (7) years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<u>Non-current assets</u>				
Other receivables				
Subsidiaries	0	0	5,457,279	0
<u>Current assets</u>				
Trade receivables				
Third parties	68,034,954	35,671,849	0	0
Dividend receivable from a subsidiary	0	0	14,000,000	0
	68,034,954	35,671,849	14,000,000	0
Less: Impairment losses	(150,106)	0	0	0
	67,884,848	35,671,849	14,000,000	0
Other receivables				
Third parties	3,935,950	3,558,132	0	0
Subsidiaries	0	0	29,888,327	0
Deposits	702,579	292,115	0	0
	4,638,529	3,850,247	29,888,327	0
Total current receivables	72,523,377	39,522,096	43,888,327	0
Prepayments	1,955,341	1,001,163	62,113	0
	74,478,718	40,523,259	43,950,440	0

- (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 30 to 180 days (2017: 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 which are not payable within the next one (1) year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

7. TRADE AND OTHER RECEIVABLES (continued)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	4,253,768	3,646,078	45,293,676	0
United States Dollar	67,447,997	35,621,349	4,051,930	0
Taiwan Dollar	147,495	36,730	0	0
Singapore Dollar	63,312	161,929	0	0
Chinese Yuan	610,805	52,287	0	0
Others	0	3,723	0	0
	<u>72,523,377</u>	<u>39,522,096</u>	<u>49,345,606</u>	<u>0</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.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For incorporating of forward-looking information into the determination of expected credit losses, the Group uses general macroeconomic factors such as projected gross domestic product and inflation rate as a broad guidance of credit.

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 as at 31 December 2018 are as follows:

	Current	1 - 90 days past due	91 - 180 days past due	More than 180 days past due	Total
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

During the financial year, the Group did not renegotiate the terms of any trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

7. TRADE AND OTHER RECEIVABLES (continued)

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

	Group	
	2018	2017
	RM	RM
At 1 January under MFRS 139	0	0
Restated through opening retained earnings	0	0
Opening impairment loss of trade receivables in accordance with MFRS 9	0	0
Charge for the financial year	150,106	0
At 31 December	<u>150,106</u>	<u>0</u>

(g) For other receivables and non-trade portion of amount owing by subsidiaries, the Group and the Company apply general approach to measure expected credit losses, which include a three-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 amount owing by subsidiaries based on 12-months 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 27 to the financial statements.

8. INVENTORIES

	Group	
	2018	2017
	RM	RM
At cost		
Raw materials	9,576,877	5,076,528
Work-in-progress	10,044,754	19,494,033
Finished goods	23,080,798	11,859,030
Trading goods	64,773	4,331
Goods-in-transit	587,050	0
Total	<u>43,354,252</u>	<u>36,433,922</u>

(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 RM63,990,571 (2017: RM56,901,190).

(c) During the financial year, the Group had written down inventories amounted to RM99,515 (2017: RMNil), which was recognised as cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

9. SHORT TERM FUNDS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Financial assets at fair value through profit or loss				
Money market funds	183,605,895	0	139,064,899	0

- (a) Short term funds of the Group and of the Company are investments in money market funds on highly liquid principal guaranteed investments, which are readily convertible to a known amounts of cash and be subject to an insignificant risk of changes in value.
- (b) 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.
- (c) The currency exposure profile of short term funds are as follow:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	165,574,568	0	139,064,899	0
United States Dollar	18,031,327	0	0	0
	183,605,895	0	139,064,899	0

- (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 27 to the financial statements.

10. CASH AND BANK BALANCES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	17,442,760	49,707,674	1,445,901	977
Deposits with licensed banks	2,356,356	2,925,939	0	0
	19,799,116	52,633,613	1,445,901	977

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

10. CASH AND BANK BALANCES (continued)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	11,194,814	20,851,620	1,445,901	977
United States Dollar	7,619,279	30,667,657	0	0
Taiwan Dollar	83,391	85,798	0	0
Singapore Dollar	537,785	454,376	0	0
Chinese Yuan	344,771	537,540	0	0
Others	19,076	36,622	0	0
	<u>19,799,116</u>	<u>52,633,613</u>	<u>1,445,901</u>	<u>977</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	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	17,442,760	49,707,674	1,445,901	977
Deposits with licensed banks	2,356,356	2,925,939	0	0
Short term funds (Note 9)	183,605,895	0	139,064,899	0
	<u>203,405,011</u>	<u>52,633,613</u>	<u>140,510,800</u>	<u>977</u>
Less: Deposits pledged to a licensed bank	(2,102,099)	(2,051,903)	0	0
	<u>201,302,912</u>	<u>50,581,710</u>	<u>140,510,800</u>	<u>977</u>

- (c) Deposits pledged to a licensed bank are for term loan granted to the Group as disclosed in Note 13(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 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

11. SHARE CAPITAL

	Group	
	Number of ordinary shares	RM
Issued and fully paid		
2018		
As at 1 January 2018	365,572,000	65,803,001
Issuance of ordinary shares pursuant to Initial Public Offering	134,428,000	190,887,760
Share issue expenses	0	(4,075,383)
As at 31 December 2018	<u>500,000,000</u>	<u>252,615,378</u>
2017		
As at 1 January 2017	2,100,000	2,250,040
Issuance of ordinary shares	50	50
Effects of business combinations under common control:		
- Elimination of issued and paid up ordinary share capital of Mi Equipment (M) Sdn. Bhd.	(2,000,000)	(2,000,000)
- Elimination of issued and paid up ordinary share capital of Mi International Pte. Ltd.	(100,000)	(250,040)
- Restated to the ordinary share capital of the Company	365,571,950	65,802,951
	363,471,950	63,552,911
As at 31 December 2017	<u>365,572,000</u>	<u>65,803,001</u>
Company		
Issued and fully paid		
2018		
As at 1 January 2018	365,572,000	65,803,001
Issuance of ordinary shares pursuant to Initial Public Offering	134,428,000	190,887,760
Share issue expenses	0	(4,075,383)
As at 31 December 2018	<u>500,000,000</u>	<u>252,615,378</u>
2017		
As at 19 June 2017 (date of incorporation)	50	50
Issuance of ordinary shares	365,571,950	65,802,951
As at 31 December 2017	<u>365,572,000</u>	<u>65,803,001</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

11. SHARE CAPITAL (continued)

- (a) During the 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.
- (b) In the previous financial year, the issued and paid up share capital of the Company has been increased from RM50 to RM65,803,001 by way of issuance of 365,571,950 new ordinary shares of RM0.18 each pursuant to the acquisitions of subsidiaries.
- (c) As at 1 January 2017, the number of ordinary shares of the Group is on a combined basis as explained in Note 3 to the financial statements.
- (d) The owners of the parent 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.

12. RESERVES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Non-distributable:				
Legal reserve	41,896	6,244	0	0
Exchange translation reserve	224,166	291,200	0	0
Reorganisation debit reserve	(63,557,909)	(63,557,909)	0	0
Distributable:				
Retained earnings/(Accumulated losses)	141,525,629	122,212,281	3,568,152	(37,707)
	<u>78,233,782</u>	<u>58,951,816</u>	<u>3,568,152</u>	<u>(37,707)</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.

- (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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

13. BORROWING

	Group	
	2018 RM	2017 RM
<i>Term loan</i>	4,369,945	0
Non-current	2,382,736	0
Current	<u>6,752,681</u>	<u>0</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 10(c) to the financial statements;
 - (ii) legal charge over leasehold land of the Group as disclosed in Note 4(c) to the financial statements; and
 - (iii) joint and several guarantee by certain Directors of the Group.
- (d) Information on financial risks of borrowing is disclosed in Note 27 to the financial statements.

14. PROVISIONS

	Group	
	2018 RM	2017 RM
Non-current		
Provision for warranty replacement costs	2,557,893	2,504,806
Provision for technical support services	0	1,267,821
	<u>2,557,893</u>	<u>3,772,627</u>
Current		
Provision for warranty replacement costs	2,369,948	2,051,400
Provision for technical support services	604,873	633,910
	<u>2,974,821</u>	<u>2,685,310</u>
Total provisions		
Provision for warranty replacement costs	4,927,841	4,556,206
Provision for technical support services	604,873	1,901,731
	<u>5,532,714</u>	<u>6,457,937</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

14. PROVISIONS (continued)

(a) Provision for warranty replacement costs

The Group provides a three (3) years 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.

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	
	2018	2017
	RM	RM
Balance as at 1 January	4,556,206	6,716,940
Provision made during the financial year	2,891,500	3,296,079
Amount used during the financial year	(550,561)	(469,865)
Provision reversed during the financial year	(1,969,304)	(4,986,948)
Balance as at 31 December	<u>4,927,841</u>	<u>4,556,206</u>

(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	
	2018	2017
	RM	RM
Balance as at 1 January	1,901,731	0
Provision made during the financial year	0	1,901,731
Amount used during the financial year	(1,296,858)	0
Balance as at 31 December	<u>604,873</u>	<u>1,901,731</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables				
Third parties	11,907,179	14,623,696	0	0
Other payables				
Third parties	11,749,058	1,353,970	71,835	0
Subsidiary	0	0	0	29,136
Accrued expenses	12,112,863	9,127,210	496,659	9,500
	23,861,921	10,481,180	568,494	38,636
Total trade and other payables	35,769,100	25,104,876	568,494	38,636

- (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 (2017: 30 to 90 days).
- (c) Non-trade portion of amount owing to subsidiary represented advances which were unsecured, interest-free and payable within one (1) year in cash and cash equivalents.
- (d) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	25,170,868	16,750,899	568,494	38,636
United States Dollar	7,716,473	3,700,587	0	0
Singapore Dollar	607,927	2,073,543	0	0
Taiwan Dollar	525,145	609,264	0	0
Swiss Franc	317,745	1,123,645	0	0
Euro	786,717	281,164	0	0
Chinese Yuan	602,547	508,770	0	0
Others	41,678	57,004	0	0
	35,769,100	25,104,876	568,494	38,636

- (e) Information on financial risks of trade and other payables is disclosed in Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

16. COMMITMENTS

(a) Capital commitments

	Group	
	2018	2017
	RM	RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Approved but not contracted for	88,849,163	140,000,000
Contracted but not provided for	32,925,765	0
	<u>121,774,928</u>	<u>140,000,000</u>

(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 the end of each reporting period as follows:

	Group	
	2018	2017
	RM	RM
Not later than one (1) year	345,570	580,754
Later than one (1) year and not later than five (5) years	113,580	145,278
	<u>459,150</u>	<u>726,032</u>

17. REVENUE

	Group		Company	
	1.1.2018	1.1.2017	1.1.2018	19.6.2017
	to	to	to	to
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM	RM	RM	RM
Sale of goods	160,233,932	172,496,034	0	0
Services rendered	158,120	103,703	0	0
Management fee	0	0	1,054,702	0
Other revenue:				
- Dividend income	0	0	31,500,000	0
- Lease income	0	722,239	0	0
	<u>160,392,052</u>	<u>173,321,976</u>	<u>32,554,702</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2018 (CONT'D)****17. REVENUE (continued)**

- (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) Dividend income

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

- (c) Lease income

In the previous financial year, the Group had entered into lease agreements with customers on leasing out wafer level chip scale packaging sorting machines. The Group determined that it retains all the significant risks and rewards of ownership of these machines which were leased out as operating leases due to the lease period of three (3) years out of the economic lives of the machines of ten (10) years. The lease agreements were terminated during the financial year and the machines were subsequently sold to the customers.

18. FINANCE COSTS

	Group	
	1.1.2018 to 31.12.2018 RM	1.1.2017 to 31.12.2017 RM
Interest expense on term loan	293,845	0

19. EMPLOYEE BENEFITS

	Group		Company	
	1.1.2018 to 31.12.2018 RM	1.1.2017 to 31.12.2017 RM	1.1.2018 to 31.12.2018 RM	19.6.2017 to 31.12.2017 RM
Wages, salaries and bonuses	26,806,993	19,630,001	1,443,400	0
Contributions to defined contribution plans	1,985,889	1,436,584	164,142	0
Social security contributions	531,894	336,236	4,506	0
Other benefits	700,476	326,031	165,064	0
	<u>30,025,252</u>	<u>21,728,852</u>	<u>1,777,112</u>	<u>0</u>

- (a) Included in the employee benefits of the Group and the Company are Directors' remuneration amounting to RM1,615,665 (2017: RM2,485,365) and RM944,550 (2017: RMNil) respectively.
- (b) Estimated monetary value of benefits-in-kind provided to the Executive Directors of the Group is RM4,167 (2017: RM5,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

20. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	1.1.2018 to 31.12.2018 RM	1.1.2017 to 31.12.2017 RM	1.1.2018 to 31.12.2018 RM	19.6.2017 to 31.12.2017 RM
Profit/(Loss) before tax is arrived at after charging:				
Auditors' remuneration:				
- statutory audit	146,604	96,085	30,000	4,500
- other services	44,000	564,817	38,000	9,000
Depreciation of property, plant and equipment	2,218,781	2,021,601	2,010	0
Directors' remuneration:				
<i>Directors of the Company</i>				
- fees	144,000	0	144,000	0
- other emoluments	1,471,665	2,133,390	800,550	0
<i>Directors of a subsidiary</i>				
- emoluments other than fees	0	351,975	0	0
Impairment loss on trade receivables	150,106	0	0	0
Inventories written down	99,515	0	0	0
Listing expenses	1,248,896	3,026,448	4,275,344	0
Loss on fair value changes in short term funds	0	0	45,550	0
Property, plant and equipment written off	105,430	5,602,086	0	0
Provision for technical support services	0	1,901,731	0	0
Provision for warranty replacement costs	2,891,500	3,296,079	0	0
Realised loss on foreign exchange	0	2,862,193	7,678	0
Rental expense	2,011,561	1,834,814	1,514	0
Unrealised loss on foreign exchange	0	2,510,756	0	0
and crediting:				
Gain on disposal of property, plant and equipment	3,859	0	0	0
Gain on fair value changes in short term funds	87,340	0	0	0
Gain on redemption of short term funds	36,176	0	0	0
Government grant	17,606	15,000	0	0
Interest income	3,611,779	671,739	3,048,856	0
Realised gain on foreign exchange	107,111	0	0	0
Reversal of provision for warranty replacement costs	1,969,304	4,986,948	0	0
Unrealised gain on foreign exchange	2,084,940	0	0	0

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

21. TAX EXPENSE

	Group	
	1.1.2018 to 31.12.2018 RM	1.1.2017 to 31.12.2017 RM
Current tax expense based on profit for the financial year	87,883	365,865
Underprovision of tax expense in prior years	20,227	9,771
	<u>108,110</u>	<u>375,636</u>
Deferred tax (Note 6):		
Relating to origination and reversal of temporary differences	(52,795)	25,220
(Over)/Underprovision in prior years	(5,400)	30,656
	<u>(58,195)</u>	<u>55,876</u>
Withholding tax expenses	81,603	1,045,349
	<u>131,518</u>	<u>1,476,861</u>

(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/(loss) multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	1.1.2018 to 31.12.2018 RM	1.1.2017 to 31.12.2017 RM	1.1.2018 to 31.12.2018 RM	19.6.2017 to 31.12.2017 RM
Profit/(Loss) before tax	<u>44,480,518</u>	<u>60,781,267</u>	<u>28,605,859</u>	<u>(37,707)</u>
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	10,675,324	14,587,504	6,865,406	(9,050)
Tax effects in respect of:				
Non-allowable expenses	2,090,746	3,524,264	1,279,477	9,050
Non-taxable income	(485,956)	(253,707)	(8,258,508)	0
Tax incentives and allowances	(13,385,263)	(17,263,520)	0	0
Different tax rates in foreign jurisdictions	322,268	(39,451)	0	0
Different tax rate for the first RM500,000 of chargeable income	0	(52,400)	0	0
Utilisation of previously unrecognised tax losses	0	(111,605)	0	0
Deferred tax assets not recognised	817,969	0	113,625	0
Withholding tax expenses	81,603	1,045,349	0	0
Underprovision of tax expense in prior years	20,227	9,771	0	0
(Over)/Underprovision of deferred tax in prior years	(5,400)	30,656	0	0
	<u>131,518</u>	<u>1,476,861</u>	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

21. TAX EXPENSE (continued)

(c) On 9 March 2015, a subsidiary of the Group, Mi Equipment (M) Sdn. Bhd., 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.

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

	Before tax RM	Group Tax effect RM	After tax RM
2018			
Item that may be subsequently reclassified to profit or loss			
Foreign currency translations	(67,034)	0	(67,034)
2017			
Item that may be subsequently reclassified to profit or loss			
Foreign currency translations	(85,147)	0	(85,147)

22. 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.

	Group	
	1.1.2018 to 31.12.2018	1.1.2017 to 31.12.2017
Profit for the financial year attributable to owners of the parent (RM)	44,349,000	59,304,406
Weighted average number of ordinary shares in issue (unit)	437,021,403	177,314,222
Basic earnings per share (sen)	10.15	33.45

(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 2018 (CONT'D)

23. DIVIDENDS

	Group and Company	
	Dividend per share RM	Amount of dividend RM
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>
	Group	
	Dividend per share RM	Amount of dividend RM
2017		
In respect of financial year ended 31 December 2016:		
Third single tier interim dividend of Mi Equipment (M) Sdn. Bhd.	0.50	1,000,000
In respect of financial year ended 31 December 2017:		
Single tier interim dividend of Mi Equipment (M) Sdn. Bhd.	1.25	2,500,000
		<u>3,500,000</u>

24. 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	
	1.1.2018 to 31.12.2018 RM	19.6.2017 to 31.12.2017 RM
Subsidiaries:		
Management fee	1,054,702	0
Dividend income	<u>31,500,000</u>	<u>0</u>

Balances with related parties at the end of the financial year are disclosed in Notes 7 and 15 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

24. 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	
	1.1.2018 to 31.12.2018 RM	1.1.2017 to 31.12.2017 RM	1.1.2018 to 31.12.2018 RM	19.6.2017 to 31.12.2017 RM
Short term employee benefits	3,775,290	2,767,580	1,283,920	0
Post-employment benefits				
- contribution to defined contribution plans	440,275	315,030	170,858	0
	<u>4,215,565</u>	<u>3,082,610</u>	<u>1,454,778</u>	<u>0</u>

Included in the total remuneration of key management personnel are:

	Group		Company	
	1.1.2018 to 31.12.2018 RM	1.1.2017 to 31.12.2017 RM	1.1.2018 to 31.12.2018 RM	19.6.2017 to 31.12.2017 RM
Directors' remuneration	<u>1,615,665</u>	<u>2,485,365</u>	<u>944,550</u>	<u>0</u>

25. 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.
- Lease income - leasing of wafer level chip scale packaging sorting machines.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

25. OPERATING SEGMENTS (continued)

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).

	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 cost	(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 2018 (CONT'D)

25. OPERATING SEGMENTS (continued)

2017	Machine RM	Spare parts RM	Services RM	Lease income RM	Eliminations RM	Consolidated RM
Revenue from external customers	164,134,290	8,361,744	103,703	722,239	0	173,321,976
Inter-segment revenue	665,565	239,235	29,015,913	0	(29,920,713)	0
Total revenue	<u>164,799,855</u>	<u>8,600,979</u>	<u>29,119,616</u>	<u>722,239</u>	<u>(29,920,713)</u>	<u>173,321,976</u>
Interest income	636,131	32,407	402	2,799	0	671,739
Segment profit/(loss) before tax	57,486,700	4,230,925	20,446,314	(967,989)	(20,414,683)	60,781,267
Tax expense						(1,476,861)
Other material non-cash items:						
- Depreciation of property, plant and equipment	(1,914,437)	(97,530)	(1,210)	(8,424)	0	(2,021,601)
- Property, plant and equipment written off	(5,600,276)	0	(1,810)	0	0	(5,602,086)
- Provision for technical support services	(1,901,731)	0	0	0	0	(1,901,731)
- Provision for warranty replacement costs	(3,296,079)	0	0	0	0	(3,296,079)
- Reversal of provision for warranty replacement costs	4,986,948	0	0	0	0	4,986,948
- Unrealised loss on foreign exchange	(2,377,662)	(121,129)	(1,502)	(10,463)	0	(2,510,756)
Additions to non-current assets other than financial instruments	29,748,365	1,515,516	18,796	130,901	0	31,413,578
Assets						
Segment assets	100,573,597	3,170,765	37,355	132,548	0	103,914,265
Deferred tax assets						2,335
Current tax assets						78,200
Cash and bank balances						<u>52,633,613</u>
						<u>156,628,413</u>
Liabilities						
Segment liabilities	30,232,020	1,211,159	15,021	104,613	0	31,562,813
Deferred tax liabilities						57,310
Current tax liabilities						<u>253,473</u>
						<u>31,873,596</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

25. 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	
	1.1.2018 to 31.12.2018 RM	1.1.2017 to 31.12.2017 RM
Revenue from external customers		
Southeast Asia	32,445,960	44,232,959
Northeast Asia	117,434,803	110,411,947
North Atlantic	10,511,289	18,677,070
	<u>160,392,052</u>	<u>173,321,976</u>

	Group	
	2018 RM	2017 RM
Non-current assets		
Southeast Asia	56,736,934	25,980,459
Northeast Asia	857,657	977,847
North Atlantic	0	1,113
	<u>57,594,591</u>	<u>26,959,419</u>

(b) Major customers

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

	Group	
	1.1.2018 to 31.12.2018 RM	1.1.2017 to 31.12.2017 RM
Customer A	0	30,253,811
Customer B	46,212,983	0
Customer C	23,404,227	0
Customer D	0	24,543,360
	<u>69,617,210</u>	<u>54,797,171</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

26. 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 2018 and 31 December 2017.

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, 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Provisions	5,532,714	6,457,937	0	0
Borrowing	6,752,681	0	0	0
Trade and other payables	35,769,100	25,104,876	568,494	38,636
Total liabilities	48,054,495	31,562,813	568,494	38,636
Less:				
Short term funds	(183,605,895)	0	(139,064,899)	0
Cash and bank balances	(19,799,116)	(52,633,613)	(1,445,901)	(977)
Net (cash)/debt	<u>(155,350,516)</u>	<u>(21,070,800)</u>	<u>(139,942,306)</u>	<u>37,659</u>
Total capital	330,849,160	124,754,817	256,183,530	65,765,294
Net (cash)/debt	<u>(155,350,516)</u>	<u>(21,070,800)</u>	<u>(139,942,306)</u>	<u>37,659</u>
Equity	<u>175,498,644</u>	<u>103,684,017</u>	<u>116,241,224</u>	<u>65,802,953</u>
Gearing ratio	*	*	*	<1%

* 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 2018.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

26. FINANCIAL INSTRUMENTS (continued)

(b) Categories of financial instruments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Financial assets				
Amortised cost				
Trade and other receivables (excluding prepayments)	72,523,377	39,522,096	49,345,606	0
Cash and bank balances	19,799,116	52,633,613	1,445,901	977
	<u>92,322,493</u>	<u>92,155,709</u>	<u>50,791,507</u>	<u>977</u>
Fair value through profit or loss				
Short term funds	183,605,895	0	139,064,899	0
	<u>275,928,388</u>	<u>92,155,709</u>	<u>189,856,406</u>	<u>977</u>
Financial liabilities				
Amortised cost				
Trade and other payables	35,769,100	25,104,876	568,494	38,636
Borrowing	6,752,681	0	0	0
	<u>42,521,781</u>	<u>25,104,876</u>	<u>568,494</u>	<u>38,636</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 are 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 2018 (CONT'D)

27. 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 and interest rate 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. 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 Company.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. Information regarding credit enhancement for trade and other receivables is disclosed in Note 7 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

	2018		2017	
	RM	% of total	RM	% of total
By geographical location				
Southeast Asia	11,896,975	17%	8,710,008	24%
Northeast Asia	54,062,509	80%	23,377,052	66%
North America	1,925,364	3%	3,584,789	10%
	<u>67,884,848</u>	<u>100%</u>	<u>35,671,849</u>	<u>100%</u>

At the end of each reporting period, approximately 39% (2017: 45%) of the trade receivables of the Group were due from two (2) major customers.

Company

At the end of the reporting period, trade receivable of the Company is solely from its subsidiary.

(b) Liquidity and cash flow risk

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(b) Liquidity and cash flow risk (continued)**

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 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>
As at 31 December 2017			
Financial liability			
Trade and other payables	25,104,876	0	25,104,876
Total undiscounted financial liability	<u>25,104,876</u>	<u>0</u>	<u>25,104,876</u>
Company			
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>
As at 31 December 2017			
Financial liability			
Trade and other payables	38,636	0	38,636
Total undiscounted financial liability	<u>38,636</u>	<u>0</u>	<u>38,636</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

27. 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, Singapore Dollar ('SGD') 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)	
		2018	2017
		RM	RM
Group			
USD/RM	- strengthen by 10% (2017: 10%)	5,975,838	4,756,720
	- weaken by 10% (2017: 10%)	<u>(5,975,838)</u>	<u>(4,756,720)</u>
SGD/RM	- strengthen by 10% (2017: 10%)	(519)	(110,750)
	- weaken by 10% (2017: 10%)	<u>519</u>	<u>110,750</u>
CHF/RM	- strengthen by 10% (2017: 10%)	(24,149)	(85,397)
	- weaken by 10% (2017: 10%)	<u>24,149</u>	<u>85,397</u>
Company			
USD/RM	- strengthen by 10% (2017: 10%)	307,947	0
	- weaken by 10% (2017: 10%)	<u>(307,947)</u>	<u>0</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(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 would fluctuate because of changes in market interest rates. The exposure to market risk of the Group for changes in interest rates relates primarily to the borrowing and deposits placed with licensed banks of the Group.

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

	Note	Weighted effective interest rate %	Within one (1) year RM	1 - 2 years RM	2 - 3 years RM	Total RM
Group						
2018						
Fixed rate						
Deposits with licensed banks	10	0.57	<u>2,356,356</u>	<u>0</u>	<u>0</u>	<u>2,356,356</u>
Floating rate						
Borrowing	13	4.40	<u>2,382,736</u>	<u>2,489,717</u>	<u>1,880,228</u>	<u>6,752,681</u>
2017						
Fixed rate						
Deposits with licensed banks	10	0.46	<u>2,925,939</u>	<u>0</u>	<u>0</u>	<u>2,925,939</u>

28. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

- (a) On 28 January 2019, a subsidiary of the Group, Mi International Pte. Ltd., incorporated a wholly-owned subsidiary, Mi Sales & Services (S) Pte. Ltd. in Singapore with an issued and paid-up share capital of SGD2.00 (equivalent to RM6.07). The purpose of incorporating Mi Sales & Services (S) Pte. Ltd., is to set up a platform to undertake sales and services business activities.
- (b) On 1 February 2019, the Company acquired additional 900,000 ordinary shares at SGD1.00 each in Mi International Pte. Ltd., for a total cash consideration of SGD900,000 (equivalent to RM2,726,550).
- (c) On 18 February 2019, a subsidiary of the Group, Mi International Pte. Ltd., has increased its equity investment in Mi Equipment (Taiwan) Co., Ltd., by way of cash at TWD8,000,000 (equivalent to RM1,060,168).
- (d) On 16 April 2019, a subsidiary of the Group, Mi International Pte. Ltd., has increased its equity investment in Suzhou Mi Equipment Co., Ltd., by way of cash at USD240,000 (equivalent to RM991,320).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

29. COMPARATIVE FIGURES

Certain comparative figures of the Group have been reclassified to conform with the current year's presentation so as to reflect appropriate presentation of the financial statements of the Group.

	As previously reported RM	Reclassi- fication RM	As reclassified RM
Statement of Profit or Loss and Other Comprehensive Income			
Revenue	173,321,976	0	173,321,976
Cost of sales	(79,988,058)	4,550,714	(75,437,344)
Gross profit	93,333,918	4,550,714	97,884,632
Other operating income	693,117	0	693,117
Sales and marketing expenses	(6,507,266)	793,028	(5,714,238)
General and administrative expenses	(26,738,502)	(5,343,742)	(32,082,244)
Profit from operations	60,781,267	0	60,781,267
Finance costs	0	0	0
Profit before tax	60,781,267	0	60,781,267
Tax expense	(1,476,861)	0	(1,476,861)
Profit for the financial year, attributable to owners of the parent	59,304,406	0	59,304,406
Other comprehensive loss, net of tax:			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translations, net of tax	(85,147)	0	(85,147)
Total comprehensive income, attributable to owners of the parent	59,219,259	0	59,219,259

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

30. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

(a) New MFRSs adopted during the financial year

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfer of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48

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 9 described in the following section.

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139.

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- (a) Those to be measured at amortised cost; and
- (b) Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- (a) The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- (b) A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

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

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

MFRS 9 *Financial Instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- (a) Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- (b) The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. 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.

Impairment for receivables from related parties are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve months expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

30. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)**(a) New MFRSs adopted during the financial year (continued)****MFRS 9 *Financial Instruments* (continued)**

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 January 2018:

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139 RM	New under MFRS 9 RM
Group				
Financial assets				
Trade and other receivables (net of prepayments)	L&R	AC	39,522,096	39,522,096
Cash and bank balances	L&R	AC	52,633,613	52,633,613
Financial liabilities				
Trade and other payables	OFL	AC	25,104,876	25,104,876
Company				
Financial assets				
Cash and bank balances	L&R	AC	977	977
Financial liabilities				
Trade and other payables	OFL	AC	38,636	38,636

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018 (CONT'D)

30. 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 2019

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

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 Interest 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
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments to the Standards, since the effects would only be observable for the future financial years.

LIST OF PROPERTIES

No.	Name of registered owner / Address	Description	Land area (sq. meter)	Tenure	Carrying amount as at 31 December 2018 (RM'000)	Date of acquisition
1.	Mi Equipment (M) Sdn Bhd No. 20, Medan Bayan Lepas Technoplex, MK12, Taman Perindustrian Bayan Lepas, 11900 Bayan Lepas, Pulau Pinang.	5-storey detached factory (The construction had commenced on 26 February 2018 and is expected to complete by mid of 2019)	8,162	Leasehold for 60 years and will expire on 30 January 2063	12,347	11.07.2017
2.	Mi Equipment (M) Sdn Bhd PT5974, Mukim 13, Daerah Perai Selatan, Negeri Pulau Pinang held under HS(D) 50686	Vacant land	24,702	Leasehold for 60 years and will expire on 26 February 2078	10,746	05.10.2016

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

Total Number of Issued Shares	:	500,000,000
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	%
9	less than 100 shares	99	0.00
626	100 to 1,000 shares	440,901	0.09
1,608	1,001 to 10,000 shares	7,654,435	1.53
596	10,001 to 100,000 shares	18,337,765	3.67
142	100,001 to less than 5% of issued shares	153,566,800	30.71
1	5% and above of issued shares	320,000,000	64.00
2,982		500,000,000	100.00

DIRECTORS' SHAREHOLDINGS IN THE COMPANY

Name	Direct	%	Indirect	%
Foo Hee Chaik	300,000	0.06	-	-
Oh Kuang Eng	340,485,000	68.10	-	-
Ong Tee Ni	1,486,200	0.30	-	-
Koay Huck Khim	500,000	0.10	-	-
Tan Boon Hoe	200,000	0.04	-	-
Lee Boon Leng	65,000	0.01	-	-

LIST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Name	Direct	%	Indirect	%
Oh Kuang Eng	340,485,000	68.10	-	-

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2019 (CONT'D)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

NO.	NAMES	NO. OF SHARES HELD	%
1	Oh Kuang Eng	320,000,000	64.00
2	Oh Kuang Eng	20,485,000	4.10
3	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB For Lim Ka Kian (PB)	12,005,000	2.40
4	Sim Ah Yoong	10,653,400	2.13
5	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investments Small-Cap Fund	8,065,300	1.61
6	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Namal (L) Ltd.	6,400,000	1.28
7	Teh Kiak Seng	5,000,000	1.00
8	Chuah Kim Seah	4,600,000	0.92
9	Wang Chung Chen	4,276,300	0.86
10	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An For DBS Bank Ltd.(SFS)	4,202,600	0.84
11	Malacca Equity Nominees (Tempatan) Sdn. Bhd. Exempt An For Phillip Capital Management Sdn. Bhd.	3,250,000	0.65
12	Maybank Nominees (Tempatan) Sdn. Bhd. Etiqa Life Insurance Berhad (Balance)	2,966,500	0.59
13	Malacca Equity Nominees (Tempatan) Sdn. Bhd. Exempt An For Phillip Capital Management Sdn. Bhd. (EPF)	2,717,200	0.54
14	Maybank Nominees (Tempatan) Sdn. Bhd. National Trust Fund (IFM Eastspring) (410140)	2,485,500	0.50
15	Cartaban Nominees (Tempatan) Sdn. Bhd. PAMB For Prulink Equity Focus Fund	2,384,800	0.48
16	Lim Ka Kian	2,169,900	0.43
17	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan)(Nomura)	2,100,000	0.42
18	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investment Smy Focus Fund	1,978,900	0.40
19	Lim Ka Kian	1,828,000	0.37
20	Maybank Securities Nominees (Asing) Sdn. Bhd. Pledged Securities Account For Fabry Continuation LLC	1,600,000	0.32
21	Ong Tee Ni	1,486,200	0.30
22	Tung Chun Kang	1,400,000	0.28
23	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investments Islamic Small-Cap Fund	1,395,300	0.28
24	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Wanjun Engineering Sdn. Bhd. (E-BBB)	1,345,000	0.27
25	Evelyn Ng Zhen Zhing	1,332,800	0.27
26	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (F Templeton)	1,284,100	0.26
27	Chung Shan Kwang	1,270,000	0.25
28	HSBC Nominees (Asing) Sdn. Bhd. KBL Euro PB For Incometric Global Valor	1,250,000	0.25
29	Maybank Nominees (Tempatan) Sdn. Bhd. MTrustee Berhad For Tenaga Nasional Berhad Retirement Benefit Trust Fund (RB-TNB-Nomur)(419513)	1,155,000	0.23
30	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad For CIMB-Principal Small Cap Fund (240218)	1,108,300	0.22

NOTICE OF ANNUAL GENERAL MEETING



Mi TECHNOVATION BERHAD
(Company No.: 1235827-D)
(formerly known as Mi Equipment Holdings Berhad)
(Incorporated in Malaysia)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2nd Annual General Meeting (“AGM”) of the Company will be held at Matahari 1, LG Level – North Wing, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang, Malaysia on Tuesday, **11 June 2019** at 11.00 a.m. for the following purposes: -

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who retired in accordance with Article 165 of the Constitution of the Company, and being eligible have offered themselves for re-election: -
 - (i) Mr. Oh Kuang Eng (Resolution 1)
 - (ii) Ms. Ong Tee Ni (Resolution 2)
3. To approve payment of the Directors’ Fees of up to RM144,000 in respect of the financial year ending 31 December 2019. (Resolution 3)
4. To approve payment of benefits payable to Directors up to an amount of RM63,000 for the period from 12 June 2019 until the Company’s next AGM which will be held in 2020. (Resolution 4)
5. To re-appoint Messrs BDO PLT as Auditors to hold office until the conclusion of the next AGM and to authorise the Board to fix their remuneration. (Resolution 5)

SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions : -

6. **Authority to issue and allot shares pursuant to Section 75 of the Companies Act 2016 (“the Act”)** (Resolution 6)

THAT, subject always to the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Constitution of the Company and approvals of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and are hereby empowered pursuant to Section 75 of the Act, to issue and allot shares in the capital of the Company, at any time upon such terms and conditions and for such purposes and to such person(s) whomsoever as the Board of Directors of the Company (“Board”) may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of the shares issued pursuant to this resolution does not exceed ten (10) per centum of the total issued share capital of the Company for the time being and THAT the Board be and is also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued and THAT such authority shall continue in force until the conclusion of the next AGM of the Company.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. **Proposed renewal authority to buy back its own shares by the Company ("Proposed Share Buy-Back Renewal")** (Resolution 7)

"**THAT** subject to the Act, provisions of the Company's Constitution, Main Market Listing Requirements of Bursa Securities and any prevailing laws, guidelines, rules and regulations issued by the relevant authorities, the Board be authorised to purchase its own shares through Bursa Securities, subject to the following:

- (a) the aggregate number of 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 Shares at any point in time;
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained earnings of the Company;
- (c) the authority conferred by this resolution would be effective immediately upon the passing of this ordinary resolution and will continue to be in force until:
 - (i) the conclusion of the next AGM of the Company following this AGM at which such resolution was passed at which time the said authority shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
 - (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
 - (iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first and, in any event, in accordance with the provisions of the Listing Requirement of Bursa Securities or any other relevant authorities;

AND THAT the Board 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 Company's shares."

8. To transact any other ordinary business for which due notice has been given.

Further notice is also hereby given that for purpose of determining a member who shall be entitled to attend this 2nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 28 May 2019. Only a depositor whose name appears on the Record of Depositors as at 28 May 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

Ch'ng Lay Hoon (MAICSA 0818580)
Company Secretary

Penang

26 April 2019

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:

Proxy:-

- (a) A member of the Company (Except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- (b) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- (c) The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointer. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- (d) The instrument appointing a proxy must be deposited at the Registered Office of the Company at *Suite 12-A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang* not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournments thereof.

Explanatory Note On Special Business

(i) *Authority to Issue Shares (Resolution 6)*

The proposed resolution is in relation to authority to allot shares pursuant to Section 75 of the Act, and if passed, will give a renewed mandate to the Board, from the date of above AGM, authority to issue and allot shares in the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company ("General Mandate"). This General Mandate, unless revoked or varied at a general meeting of the Company, will expire at the conclusion of the next AGM of the Company or the period within which the next AGM of the Company is required by law to be held whichever is the earlier.

At this juncture, there is no decision to issue new shares. However, should the need arise to issue new shares the General Mandate would avoid any delay and costs in convening a general meeting of the Company to specifically approve such issue of share. If there should be a decision to issue new shares after the General Mandate is obtained, the Company would make an announcement in respect of the purpose and utilization of the proceeds arising from such issue.

(ii) *Proposed Renewal of Share Buy-Back (Resolution 7)*

The proposed resolution, if passed, will provide the mandate for the Company to buy back its own shares up to a limit 5% of the total issued and paid-up share capital of the Company. The explanatory notes on Resolution 7 are set out in Statement dated 26 April 2019 accompanying the Annual Report.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27 (2) of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad

- 1) Save for re-election of the retiring Directors, there were no directors standing for election at the 2nd AGM.
- 2) The proposed Ordinary Resolution 6 for the general mandate for issue of securities is a fresh mandate being sought for shareholders' approval.



Mi TECHNOVATION BERHAD
(Company No.: 1235827-D)
(formerly known as Mi Equipment Holdings Berhad)
(Incorporated in Malaysia)

PROXY FORM

CDS ACCOUNT NO.	NO. OF SHARES HELD

I/We, _____
Full name in capital letters as per Identity Card ("MYKAD")/Passport/Certificate of Incorporation

MYKAD/Passport No./Company No. _____ of _____

(Full address)

telephone no. _____, being a member of **Mi TECHNOVATION BERHAD** *(formerly known as Mi Equipment Holdings Berhad)* ("the Company") hereby appoint _____

(Full name in capital letters)

MYKAD/Passport No. _____ of _____

(Full address)

And/or failing him _____

(Full name in capital letters)

MYKAD/Passport No. _____ of _____

(Full address)

or failing the abovenamed proxies, the Chairman of the Meeting, as *my/our proxy to vote for *me/us on *my/our behalf at the 2nd Annual General Meeting of the Company, to be held at Matahari 1, LG Level – North Wing, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang, Malaysia on Tuesday, 11 June 2019 at 11.00 a.m. and at any adjournment thereof. My/our proxy/proxies is to be vote as indicated below:

	Resolution	For	Against
1.	Re-election of Mr. Oh Kuang Eng as Director		
2.	Re-election of Ms. Ong Tee Ni as Director		
3.	Payment of Directors' fees for the financial year ending 31 December 2019		
4.	Payment of benefits payable to Directors		
5.	Re-appointment of Auditors		
6.	Approval to issue and allot shares pursuant to Section 75 of the Companies Act 2016		
7.	Approval on the renewal of share buy-back by the Company		

*Strike out whichever is inapplicable

(Please indicate with "X" in the spaces on how you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain from voting at his discretion.)

Dated this _____ day of _____ 2019

The proportions of my/our holding to be represented by my/our proxies are as follows: -		
	No. of Shares	Percentage
First Proxy		
Second Proxy		
Total		100%

Signature(s)/Common Seal of Member(s)

NOTES:

- For the purpose of determining a member of the Company who shall be entitled to attend and vote at this 2nd Annual General Meeting, the Company shall be requesting the Record of Depositors as at 28 May 2019. Only a depositor whose name appears on the Record of Depositors as at 28 May 2019 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.
- Proxy:-
 - A member of the Company (Except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
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 - The instrument appointing a proxy must be deposited at the Registered Office of the Company at Suite 12-A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournments thereof.

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The Company Secretary
Mi TECHNOVATION BERHAD (1235827-D)

SUITE 12-A, LEVEL 12, MENARA NORTHAM
NO. 55 JALAN SULTAN AHMAD SHAH
10050 GEORGETOWN
PENANG

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*INSPIRING
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Mi TECHNOVATION BERHAD

(formerly known as Mi EQUIPMENT HOLDINGS BERHAD)

(Company No. 1235827-D)

NO. 20, MEDAN BAYAN LEPAS TECHNOPLEX, MK 12, TAMAN PERINDUSTRIAN BAYAN LEPAS,
11900 BAYAN LEPAS, PULAU PINANG, MALAYSIA.

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