

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

PROPOSED PRIVATE PLACEMENT

All definitions used herein shall have the same meaning as defined in the announcement dated 5 July 2021 except where the context otherwise requires or otherwise defined.

Reference is made to the announcement dated 5 July 2021 in relation to the Proposed Private Placement. On behalf of the Board, Affin Hwang IB wishes to announce additional information on the Proposed Private Placement.

1. UTILISATION OF PROCEEDS

Based on the illustrative issue price of RM3.30 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM270.68 million. The proceeds to be raised from the Proposed Private Placement are expected to be utilised by Mi Technovation and its subsidiaries (“Mi Technovation Group” or “Group”) in the following manner:

Utilisation purposes	Amount RM'000	*Expected timeframe for the utilisation
Expansion of the Group's businesses ⁽ⁱ⁾	187,000	Within thirty (30) months
Repayment of bank borrowings ⁽ⁱⁱ⁾	15,000	Within six (6) months
Working capital ⁽ⁱⁱⁱ⁾	64,183	Within eighteen (18) months
Estimated expenses in relation to the Proposed Private Placement ^(iv)	4,500	Within one (1) month
Total estimated proceeds	270,683	

Notes:

* From the date of receipt of the placement proceeds.

(i) Mi Technovation Group plans to utilise approximately RM187.00 million of the proceeds towards business expansion which includes potential acquisitions and/or investments in companies and/or assets and/or strategic collaborations, joint-ventures or alliances that are largely complementary to the existing businesses of the Group i.e. the semiconductor equipment and the semiconductor materials business units. The decision to acquire and/or invest in any such asset or business would involve having to consider criteria such as valuation, capital requirement, business synergies, potential value creation to the existing business of the Group as well as the expected return on investment. Nevertheless, these businesses or assets should generate sustainable revenue and earnings that will contribute to the incremental growth of the Group.

The Company is currently in discussions to explore potential acquisitions and/or investment opportunities that are expected to create synergies and add value to the Group's existing business. In the event of any material development, the Company will make the necessary announcements, if required, in accordance with the Listing Requirements. If the transaction requires shareholders' approval pursuant to the Listing Requirements, the Company will seek the necessary approval from the shareholders of the Company at an extraordinary general meeting to be convened.

The proceeds allocated for the expansion of the Group's businesses will provide financial flexibility to the Group to fund the cost of such acquisitions and/or investments together with bank borrowings and/or internally generated funds of the Group, if required.

For avoidance of doubt, it is the Company's intention to only utilise the funds raised for this segment for the expansion of the Group's businesses within thirty (30) months from the date of receipt of the proceeds, and not for any other purpose. As such, in the event the Company is unable to utilise the funds raised within the timeframe stated above, the Company will make the necessary announcements in accordance with the Listing Requirements.

- (ii) As at the LPD, the total borrowings of the Group amounted to approximately RM113.60 million. The Company intends to utilise approximately RM15.00 million of the proceeds to partially repay the following borrowing:

Type of facility	Purpose of facility	Interest rate per annum %	Amount outstanding as at LPD RM'000
Term loan	To finance the construction cost of the new manufacturing facility in Ningbo, China of Accurus Scientific Co Ltd ("Accurus Scientific")	4.65	28,500

Based on the interest rate of approximately 4.65% per annum, the repayment of the said bank borrowing is expected to result in an estimated interest savings of approximately RM0.70 million per annum. **The early repayment of the term loan above would enable the Group to maximise interest savings over the remaining tenure of the term loan.**

Any variance from the repayment amount stated above and the actual amount payable for the bank borrowings will be adjusted against the amount allocated for working capital of the Group.

- (iii) The proceeds allocated for working capital will be utilised to finance the expansion of the Group's businesses, as and when the need arises as follows:

	% of the allocated proceeds
Operating related expenses such as purchases of materials ^(a) , staff costs ^(b) and factory overheads ^(c)	75.00
Non-operating related expenses such as sales, marketing, research and development expenses	25.00
Total	100.00

Notes:

(a) Comprising materials such as high speed and precision motors, cameras and lenses, maintenance free grade sliders and bearings, precision fabrication parts for both aluminium and steel tool for the semiconductor equipment business unit and tin, silver, copper, ultra-low alpha alloy ingots for the semiconductor materials business unit.

(b) Comprising staff costs such as salaries, statutory employee contributions etc.

(c) Comprising factory overheads such as rental, packaging, freight and related charges for delivery, upkeep of the plant and machinery, utilities and production consumables.

The actual breakdown of the proceeds to be utilised for each component of working capital as disclosed above cannot be determined at this juncture and will be dependent on the operating and funding requirements of the Group at the time of utilisation.

- (iv) The estimated expenses for the Proposed Private Placement consist of professional fees (including estimated placement fee), fee payable to relevant authorities as well as other miscellaneous expenses to be incurred. Any variation to the estimated expenses for the Proposed Private Placement will be adjusted against the amount allocated for working capital of the Group.

The actual gross proceeds to be raised from the Proposed Private Placement will depend on the final issue price and the actual number of Placement Shares to be issued. Any variation between the actual and intended gross proceeds to be raised from the Proposed Private Placement will be adjusted against the amount allocated for the working capital of the Group.

Pending utilisation of the proceeds from the Proposed Private Placement for the abovementioned purposes, the proceeds will be placed in deposits with licenced financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits or any gains arising from instruments will be utilised as additional working capital for the Group **as set out above in Note (iii), Section 1 of this announcement.**

This announcement is dated 13 July 2021.