Financial Results: Second quarter results for 3 months ended 30 June 2019 (2Q2019)

1) 2Q2019 Income statement review

	2Q2019 (RM '000)	1Q2019 (RM '000)	QoQ Variance (%)	2Q2018 (RM '000)	YoY Variance (%)
Revenue	46,134	29,483	+56.5%	54,335	-15.1%
Gross Profit	23,693	14,063		24,978	
GP Margin	**51.4%**	**47.7%**			
Profit before Tax	17,384	6,895	+152.1%	16,620	+4.6%
PBT Margin	**37.7%**	**23.4%**			
Profit after tax	17,376	6,870		16,600	

- Revenue for 2Q2019 closed at RM46.1 million or 56.5% higher quarter-on-quarter. The improvement in revenue this quarter as compared to the preceding quarter was due to the delivery of a higher number of machines with higher selling prices. Year-on-year revenue declined by 15.1% and this was attributable to the overall slowdown in the semiconductor industry. In its latest report, Semiconductor Industry Association (SIA) stated that mid-year global semiconductor sales in 2019 declined by 14.5% as compared to 2018.

- Gross profit of RM23.7 million exceeded the preceding quarter which was RM14.1 million. For 2Q2019, our Group recorded gross profit margin of 51.4% which is slightly above the range we have guided, from 40% to 50%. Our continuous drive to achieve greater operational efficiencies improved gross profit margins by 3.7 percentage points as compared to 1Q2019, primarily from lower material cost content and lower subcontractor costs.

- Profit before tax (PBT) for the reporting quarter was RM17.4 million, representing a significant increase of 152.1% as compared to the preceding quarter and an increase of 4.6% to the similar quarter of the last financial year. This was mainly due to higher revenue, lower commission payable to external sales agents and gains from foreign exchange. In 2Q2019, our gains from foreign exchange was RM0.89 million as compared to losses of RM1.01 million in 1Q2019.

- The group recorded PBT margin of 37.7% which is the highest achievement since listing and above our targeted range of 20% to 30%. This is an exceptional achievement despite external challenges such as overall industry slowdown and delays in customers' budget spending. This signifies that the Group continues to strive higher amid turbulent macro environment.

- Our maintenance capex is expected to be approximately RM8 million per annum.

- Our Group's effective tax rate for the quarter is 0.05%.

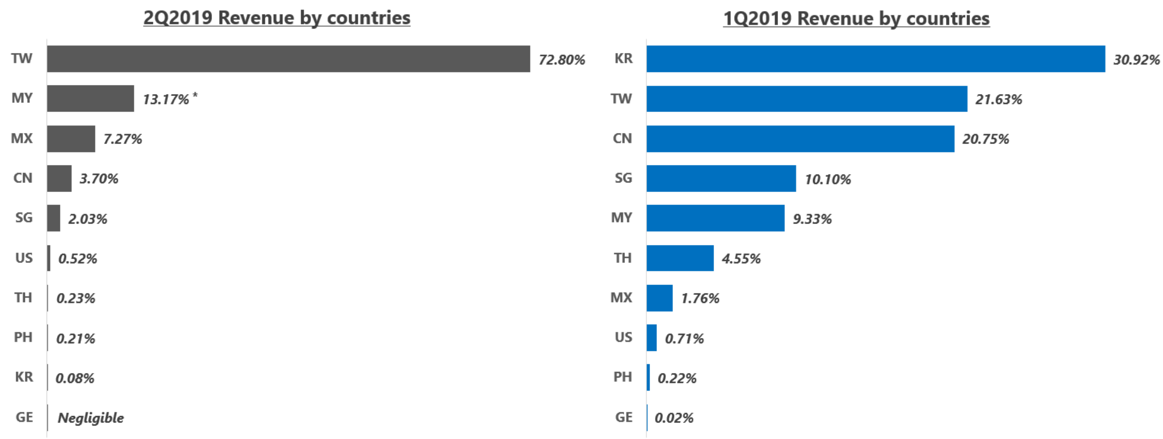
- Our subsidiary, Mi Equipment (M) Sdn Bhd is entitled to pioneer status incentives for the design, development and manufacturing of vision inspection and taping equipment and related components. The profit derived from these activities is exempted from tax for a total relief period of five (5) years from 18 January 2014 to 17 January 2019 subject to a further renewal of another five (5) years.

- Application for pioneer status renewal and extension for a second 5-year period had been submitted to Malaysian Investment Development Authority ("MIDA") on 19 November 2018 and additional information has been furnished to MIDA in mid-May 2019. We have strictly complied with all pioneer status conditions.

- Further, Mi Equipment has submitted application for pioneer status incentives for its new product series. Approval-in-principle has been granted by MIDA via its letter dated 21 September 2018 for the design, development and manufacturing of die bonding systems and related modules for semiconductor industry. We are currently preparing the submission for pioneer status certificate to MIDA.

- While we are focused on growing Mi Equipment and increasing our international market presence via Mi International, we are simultaneously putting in place infrastructure for Mi Autobotics and Mi Components. We aim to ultimately be a player with multiple products across multiples industry by 2023.

2) Review of revenue breakdown by countries



** 12.81% contribution by foreign owned and 0.36% by Malaysian owned companies*

- The chart above shows our consolidated revenue breakdown by countries for 2Q2019 and 1Q2019. Similar to the last 2 quarters, revenue in 2Q2019 was derived from 10 countries.

- Taiwan was the single largest contributor in 2Q2019 with 72.80% which was a significant increase from 21.63% in 1Q2019. As stated previously, we foresee Taiwan to be a beneficiary of the trade war and we are increasing our presence by setting up our first overseas engineering centre in Hsinchu by 3Q2019. SEMI forecasts that Taiwan will dethrone South Korea as the largest equipment market and lead the world with 21.1% growth this year followed by China and Korea.

- Malaysia moved to second largest contributor in 2Q2019 with 13.17%, from fifth position in 1Q2019 with 9.33%. Customers in Malaysia comprised foreign-owned and local-owned. Foreign-owned customers contributed 12.81% while local-owned companies contributed 0.36%.

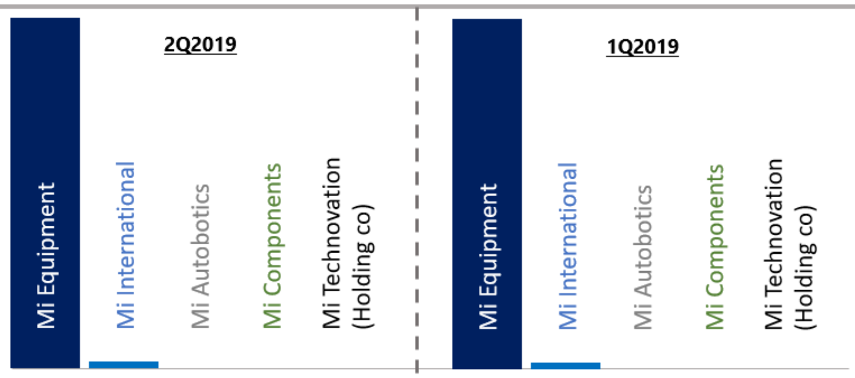
- Mexico took third position in 2Q2019 with 7.27%, an increase from 1.76% last quarter, from sales of spare parts, accessories and upgrades to our Integrated Design Manufacturer (IDM) customer in Mexico.

- China contributed only 3.70% due to our customers' purchase cycle and the overall growth deceleration in China.

- Sales to Korea dropped from 30.92% to 0.08% as large shipments were completed in 1Q2019.

3) Review of performance by subsidiaries

The contribution of our subsidiaries on a consolidated group level is shown below:



Group level	2Q2019 Mi Equipment	2Q2019 Mi International	2Q2019 Mi Autobotics	2Q2019 Mi Components	2Q2019 Mi Technovation (Holding co)	1Q2019 Mi Equipment	1Q2019 Mi International	1Q2019 Mi Autobotics	1Q2019 Mi Components	1Q2019 Mi Technovation (Holding co)
Revenue contribution (Consolidated)	99.53%	0.47%	0%	0%	0%	99.44%	0.56%	0%	0%	0%
Revenue contribution (Consolidated) (RM mil)	45.91	0.22	0	0	0	29.32	0.16	0	0	0

- Mi Equipment contributed 99.5% of our group revenue in 2Q2019 with the sales of equipment, spare parts, accessories and upgrades.

- At company level, Mi Equipment registered revenue of RM46.03 million and profit after tax of RM17.60 million. However, as the other subsidiaries are not yet profitable and incurring start-up costs, this has slightly offset a portion of Mi Equipment's profit and the Group as a whole recorded profit after tax of RM17.38 million.

- Mi International contributed 0.47% of our group revenue, which comprises spare parts sales.

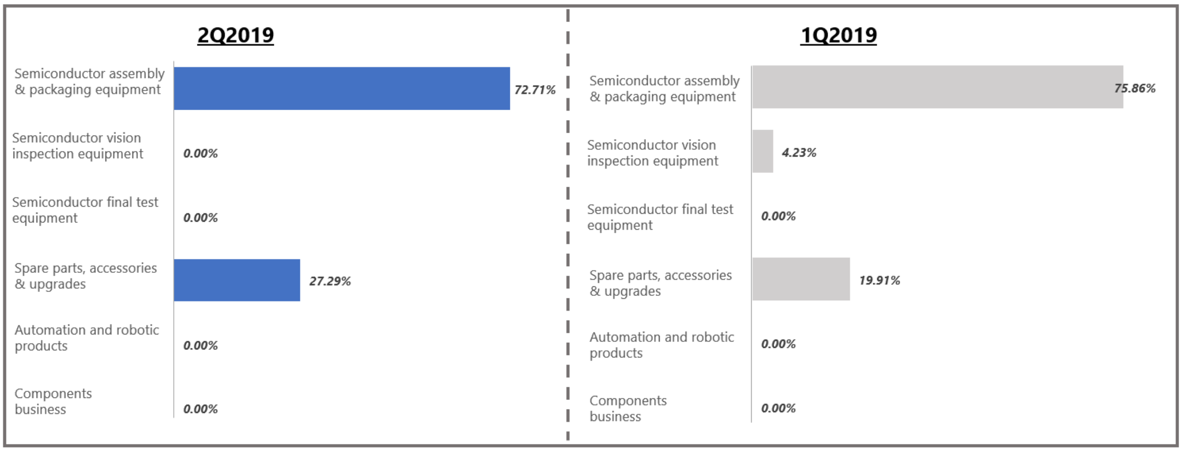
- Mi Components (*formerly known as Mi Precision*) was only serving Mi Equipment's internal requirements in 2Q2019 and hence all its revenue and profits were eliminated on consolidation.

- Mi Autobotics was in pre-production stage and has not recorded revenue in 2Q2019. It recorded losses mainly due to headcount related and other set-up expenses.

- Moving forward, when Mi International, Mi Autobotics and Mi Components record external revenue and profit, the contribution from Mi Equipment will decrease. This is in line with our group's strategy to move into multiple products across multiple industries.

4) Review of product breakdown

The contribution by product breakdown on a consolidated basis is set out below:



4a) Semiconductor equipment

- Our assembly & packaging equipment contributed 72.71% to group revenue in 2Q2019 as compared to 75.86% in 1Q2019. Although percentage contribution reduced due to higher total revenue, absolute revenue improved to RM33.54 million in 2Q2019 from RM23.61 million in 1Q2019.

- We currently have 15 demonstration units in the market as of 30 June 2019.

4b) Spare parts, accessories & upgrades

- Spare parts, accessories and upgrades contributed 27.29% in 2Q2019 which is a significant increase from 19.91% in 1Q2019 due to higher sales to several key customers.

4c) Automation & robotic products

- Mi Autobotics has yet to generate revenue and in pre-production stage.

4d) Components business

- For 2Q2019, the components business was contributed from the trading of machinery piece parts, serving the internal demand from Mi Equipment for precision metal components.

5) Outlook & Prospects

- As reported by numerous industry associations, the semiconductor industry is expected to experience a contraction year in 2019. The uncertainty of investment direction and timing of capex spending from key customers are expected to impact our growth this year. Ultimately, capex decisions still need to be made and players will need to move ahead, taking into account the worst-case scenarios forecasted.

- We observed improvements in the capex investment quantum of our key customers in 2H2019 which will give us the opportunity to register better performance in 2H2019 or otherwise early 2020, depending on revenue recognition due to timing of billing and shipment.

- We are positive on the situation as the worst-case scenario caused by the trade war has been taken into account by most of our customers. The restructuring of the global supply chain, especially with the new supply chain eco-system in China, has increased activities and expanded the market for semiconductor equipment. Mi Equipment will be one of the beneficiaries if we are able to participate in this eco-system.

- Our subsidiary, Mi Equipment has moved into the newly completed Bayan Lepas facilities in the second quarter and we have commenced the construction of our Batu Kawan plant for Mi Autobotics and Mi Components which has currently reached 22% completion. We are putting in place our group wide infrastructure to catch the upcycle which is widely anticipated to begin in 2020 by the industry.

5a) Mi Equipment

- **Expansion and Investment Plan**

(i) Commissioning of new plant (Home 1)

Home 1 for Mi Equipment and Mi Technovation was completed on schedule in 2Q2019 and relocation has taken place. The plant is running smoothly with no disruptions or transition issues as the relocation was well-planned.

(ii) We are also in the midst of setting up our Engineering Centre in Taiwan by 3Q2019 in Hsinchu together with Mi International. Engineering lab set-up and recruitment are underway. One senior engineer has also been transferred from Mi Equipment as at 30 June 2019.

- **New product launch & technology**

(i) Mi Equipment launched the latest Mi40 assembly and packaging machine in the Semiconductor SEA 2019 Exhibition in May 2019. The qualification process for Mi40 is going smoothly and we are optimistic that it will translate to sales in 2H2019.

(ii) We are a technology company and protecting our proprietary intellectual property is important to us. As at the end of 2Q2019, we have 3 patents granted, 19 patents pending and 3 patents in drafting stage.

- **Outlook and prospects for the Equipment market**

The trade war has led to the divergence of supply chains thus equipment makers may benefit from a new regional supply chain ecosystem, led by China and supported by Chinese and Taiwanese companies. Mi Equipment views this positively as we will be one of the beneficiaries if we are able to participate in this eco-system.

We are of the view that 5G is the game changer which brings about new assembly and packaging processes, leading to better prospects for semiconductor equipment makers. However, more time is required for the standardization of 5G technology and specifications.

5b) Mi Autobotics

- **Expansion and Investment Plan**

(i) While the operations of Mi Equipment has been relocated to Home 1 in June 2019, Mi Autobotics continues to occupy the existing leased Bayan Lepas factory until Home 2, which is located in Batu Kawan, be ready by March 2020.

(ii) Budgeted capex is approximately RM2.0 million for research & development (R&D), production equipment, hardware and software.

- **New product launch & technology**

Mi Autobotics is a new entity established to develop and build advanced automation and robotic solutions with artificial intelligence for the manufacturing sector in Industry 4.0 era. We are currently conducting R&D in 2019 and working closely with our technology partners on such developments. We are targeting to launch our Oto and Kobot series products by 4Q2019. Mi Autobotics has also started the development of the artificial intelligent products which are used to perform data mining, artificial intelligence analysis and decision making to assist engineers and operators to respond to and prevent the possible excursions. The Engeye Series products are expected to be launched in mid-2020.

- **Outlook and prospects for Mi Autobotics**

The worst-case scenario of the trade war has been accounted for and the market is now adapting to the new business environment. The emergence of a new ecosystem as a result of the trade war represents an opportunity for Mi Autobotics, which focuses on Industrial 4.0 enabled automation or robotics solutions. These solutions will be much needed in regions where skilled labour is scarce or demands higher wages. We are now expediting the development of our products to catch the next wave in manufacturing, which is the formation of the new ecosystem.

5c) Mi Components

- **Expansion and Investment Plan**

  Mi Components capex investment plan of approximately RM 2.0 million is on-going, with all related production equipment delivered and being setup. Training of resources and manpower are also currently in progress. The first production line will be in place by 3Q2019.

- **New product launch & technology**

  (i) Mi Components will commence fabrication, assembly and testing of full precision modules for pick and place machines that is produced by Mi Equipment by 3Q2019. The first product, being the Pick-Up Head will be fully characterized, tested and we expect full release in 4Q2019.

  (ii) We will engage into metal components manufacturing in significant volume for both internal and external designs and expand our capacity when we relocate to Batu Kawan Home 2 in 1Q2020.

- **Outlook and prospects for the components market**

  When fully developed, our metal components manufacturing business will contribute higher revenue but with slimmer margins as compared to our equipment business. For 2019, Mi Components is still relatively new and will support internal and external requirements at 80:20 ratio.

5d) Mi International

- **Expansion and Investment Plan**

  Mi International has relocated into the new office in the central business district of Singapore which serves as the headquarters for Mi International.

- **Outlook and prospects for Mi International**

  Being the marketing and overseas investment arm of the Mi Technovation group, Mi International's outlook and prospects would mirror those of each subsidiary elaborated above.

  2Q2019 has witnessed some improvements from 1Q2019 resulting from stronger demand in North Asia, primarily Taiwan.

  Besides the current core business activities of sales and after sales services for the Group, Mi International would expand into external party business collaborations to increase its product and technology portfolio ownership.