**FYE2020 First Quarter Results for Period Ended 31 March 2020 (1Q2020)**

1) **1Q2020 Income statement review**

<table>
<thead>
<tr>
<th></th>
<th>1Q2020 (RM '000)</th>
<th>4Q2019 (RM '000)</th>
<th>QoQ Variance (%)</th>
<th>1Q2019 (RM '000)</th>
<th>YoY Variance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>35,243</td>
<td>68,215</td>
<td>-48.3%</td>
<td>29,483</td>
<td>19.5%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>14,147</td>
<td>31,539</td>
<td>-55.1%</td>
<td>14,063</td>
<td>0.6%</td>
</tr>
<tr>
<td>GP Margin</td>
<td>40.1%</td>
<td>46.2%</td>
<td></td>
<td>47.7%</td>
<td></td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>10,335</td>
<td>17,711</td>
<td>-41.6%</td>
<td>6,895</td>
<td>49.9%</td>
</tr>
<tr>
<td>PBT Margin</td>
<td>29.3%</td>
<td>26.0%</td>
<td></td>
<td>23.4%</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>10,183</td>
<td>17,505</td>
<td>-41.8%</td>
<td>6,870</td>
<td>48.2%</td>
</tr>
</tbody>
</table>

- In 1Q2020, the Mi Technovation group recorded revenue of RM35.2 million which is 48.3% lower quarter-on-quarter (QoQ) but 19.5% higher year-on-year (YoY). Seasonally, Q1 is a low quarter and this year, the situation was exacerbated by the pandemic outbreak.

- The Movement Control Order (MCO) implemented on 18 March 2020 resulted in temporary disruptions where activities in Home 1 were halted from 18 March – 31 March, resumed at 25% rate from 1 April to 20 April, 50% rate from 21 April to 3 May with full resumption from 4 May onwards.

- Gross profit of RM14.1 million was 55.1% lower compared to the preceding quarter which was RM31.5 million and flat YoY. We incurred higher headcount cost and direct depreciation as compared to last year. We also incurred higher material contents for the product mix sold in 1Q2020 and consequently, gross profit margin was lower at 40.1%, which is at the low end of the range we have guided, between 40% to 50%.

- Profit before tax (PBT) for the reporting quarter was RM10.3 million, which was a 49.9% increase YoY but a 41.6% decline QoQ. The YoY increase was mainly due to foreign exchange gains from the appreciation of the USD against MYR. Forex gains in 1Q2020 was RM6.4 million (4Q19: forex losses RM2.8 million, 1Q19: forex losses RM1.0 million). PBT this quarter was also impacted by the loss on fair value of bond funds amounting to RM1.7 million where our IPO proceeds were placed pending utilization.

- The group recorded PBT margin of 29.3% which is once again within the targeted range of 20% to 30%.

- Our group maintenance capex is approximately RM14 million for FY2020 where RM10 million is earmarked for Mi Equipment and RM4 million for Mi Autobotics.

- Our Group’s effective tax rate for the quarter is 1.47%.
2) **Review of revenue breakdown by countries**

- The chart above shows our consolidated revenue breakdown by countries for 1Q2020 and 4Q2019. Revenue in 1Q2020 was derived from 8 countries. The top 6 countries which contributed more than 99% of revenue was similar when compared to 4Q2019.

- For four quarters in a row, Taiwan has been the largest contributor and accounted for 55.7% of revenue for 1Q2020. We expect Taiwan to maintain as a top market for us in 2020.

- China took the second spot with contribution of 37.6%. Activities in China ramped-up in efforts to forge its own semiconductor supply chain from chip design to manufacturing. In 2020, China will continue to be an important market for new equipment. We see China be another key market for us in 2020 as we are continuing to collaborate with our customers in China for further enhancements for our final test equipment.

- USA and Singapore were third and fourth respectively, and sales to these countries comprised of spare parts, accessories and upgrades.
3) **Review of performance by subsidiaries**

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

- Mi Equipment contributed 90.35% of our group revenue in 1Q2020 with the sales of equipment, spare parts, accessories and upgrades.

- Mi International contributed 9.65% of our group revenue, which comprises spare parts sales and equipment sales. During this quarter and at the request of a China customer, some equipment sales are booked through Mi International’s subsidiary, Suzhou Mi Equipment Co. Ltd.

- Mi Autobotics registered a small revenue for spare parts sales this quarter following the sale of an *Oto Series* in 4Q2019. To date, it has received additional orders from two USA based customers in the semiconductor industry for the *Oto Series* (specialized Artificial Intelligence enabled machines). We expect this momentum to continue with installation of our factory automation solutions in more overseas sites by our customers in the upcoming quarters for both the *Oto* and *Kobot Series*.

- For FY2020, we are targeting Mi Autobotics to contribute approximately 15%-20% revenue to the Group.
4) **Review of product breakdown**

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

<table>
<thead>
<tr>
<th>1Q2020 Revenue by Products</th>
<th>4Q2019 Revenue by Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semiconductor assembly &amp; packaging equipment</td>
<td>84.96%</td>
</tr>
<tr>
<td>Semiconductor vision inspection equipment</td>
<td>1.56%</td>
</tr>
<tr>
<td>Semiconductor final test equipment</td>
<td>0.00%</td>
</tr>
<tr>
<td>Spare parts, accessories &amp; upgrades</td>
<td>13.48%</td>
</tr>
<tr>
<td>Automation and robotic products</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**4a) Semiconductor equipment**

- Our assembly & packaging equipment contributed 84.96% to group revenue in 1Q2020 as compared to 87.06% in 4Q2019. *Mi Series* remains the largest contributor to revenue.
- We currently have 16 demonstration units in the market as of 31 March 2020. These demonstration units comprise *Mi Series, Li Series* and *Vi Series*.
- We are currently undertaking the relocation of the development centre for the *Si, Vi* and *Ai Series* from Malaysia to overseas and as such, the progress and information of these 3 series will be updated in future announcement(s).
- Our order visibility is currently up to 6 weeks.

**4b) Spare parts, accessories & upgrades**

- Spare parts, accessories and upgrades contributed 13.48% in 1Q2020 as compared to 9.74% in the preceding quarter. This product segment typically contributes 12%-15% to revenue.

**4c) Automation & robotic products**

- Mi Autobotics has started generating revenue after 9 months pre-operating period. In less than a year, the product has been successfully developed and commercialised and we expect this momentum to maintain as the pandemic has accelerated the adoption of Industry 4.0. We expect the *Oto* and *Kobot Series* to contribute in the coming quarters with orders in hand from two USA based customers.
4d) Components business

- We are currently re-evaluating our business strategy in Mi Components after witnessing the repercussions from lockdown effected from COVID-19. We are considering various options to reposition ourselves to ensure business sustainability and flexibility.
- Further information on the direction of Mi Components will be released together with next quarter’s results.

5) Outlook & Prospects

- We have not experienced significant order reductions or deferments and expect the first half of 2020 to remain status quo as most of our customers have not revised their capex budgets. At this juncture, there is little visibility for 2H2020 because our customers are adopting a wait-and-see approach due to numerous variables which are unresolved such as the timing for containment of the pandemic and trade war tensions.

- Although our industry may experience some uncertainties in the medium term for the coming one or two quarters, the long-term positive outlook has been made clearer by the pandemic. Moving forward, the adoption of technology-based hardware and solutions and thus usage of chips will only be more aggressive as more applications are being developed ranging from home medical devices, disinfectors, tracking algorithms etc.

- The current contraction is mainly driven by the supply side as the industry has witnessed supply chain disruptions stemming from lockdowns and restrictions. We expect this is to be short term in nature and pent-up demand will resurface when the situation improves.

- With our solid financial position, we are well positioned to weather potential near-term challenges and will continue to execute our strategy for medium and long-term growth, positioning ourselves to capture the resurgence in demand. This includes investment in both capacities and technologies to remain relevant.

6) Mi Equipment: Semiconductor Equipment Business Unit

6a) Assembly & Packaging Equipment

Mi & Li Series: Die sorting equipment, Malaysia (Penang) Technology Centre (Operational)
Ai Series: Die bonding & LAB equipment, Korea (Suwon) Technology Centre (Operational)

- In 2020, Assembly & Packaging equipment will remain as a key revenue contributor.
- We expect our flagship Mi Series WLCSP sorting machine to continue gaining market share with its new Mi40 model.
- As for the Li Series which caters to FOWLP wafer/panel reconstruction process, the targeted launching for the new platform has been deferred to 3Q2020 as development timing was affected by the MCO.
- We have started our LAB (laser assisted bonding) equipment development in Suwon, Korea and expect to deliver the first prototype by year end.
6b) Final Test Equipment

**Si Series**: Fine pitch test equipment, China Technology Centre (In-progress)

- The pace of transferring product development activities to China will experience some slowdown due to operations lockdown and travel restrictions.
- The collaboration with our customers in China for further enhancements is in progress.

6c) Vision Inspection Equipment

**Vi Series**: IR & 3D inspection equipment (Taiwan)

- The pandemic and associated restrictions have demonstrated the importance of having alternative manufacturing locations to mitigate risks. Drawing from this, we will be setting up a manufacturing facility in Hsinchu, Taiwan for our high-performance Vi Series. Renovation will commence in June with targeted occupancy in 4Q 2020. Our main manufacturing facilities will still be in Penang, Malaysia.

6d) Intellectual Properties and Patents

- We are a technology company and protecting our proprietary intellectual property is important to us. As at the end of 1Q2020, we have 4 patents granted, 20 patents pending and 2 patents in drafting stage.

6e) Outlook and prospects for the Semiconductor Equipment market

While we may see some contractions in the short to medium term, we believe that the overall growth in demand for chips will still be intact as technology advances. Technology is still at the forefront driving economic growth and investments into 5G, the IoT and high-performance computing are on-going. As a result of the pandemic, more applications are being developed ranging from home medical devices, disinfectors, tracking algorithms etc for mass usage. We seek to benefit from this as higher performance applications and real time data will require more advanced technology and higher density of semiconductor content.

In the longer run and with the potential decoupling of supply chains, we can be a beneficiary if we are able to seize this opportunity to supply equipment to the new sites.
7) Mi Autobotics: Automation, Robotics & AI Business Unit

7a) Expansion and Investment Plan

- CCC for Home 2 in Batu Kawan has been obtained and we are planning for occupancy when the CMCO concludes.

- Budgeted capex for 2020 is approximately RM4.0 million for research & development (R&D), production equipment, hardware and software.

7b) New product launch & technology

The Oto Series has been proven commercially viable with revenue recorded in 4Q2019 and new orders in hand for the coming quarters. Prototypes for the Kobot Series are being developed and the application for these products could be across industries. Potential customers from Taiwan, China and US have been approached to discuss projects involving both the Oto and Kobot Series.

The Engeye Series is in the final development stage and we are currently testing the software application. There is a sizable potential market for the Engeye Series as it can be used for various industries such as manufacturing, hospitality, healthcare and education.

In order to officially launch and showcase the products of Mi Autobotics in a meaningful and engaging manner to the potential customers, we plan to host an event in Home 2 at the end of the year.

7c) Outlook and prospects for Mi Autobotics

The US-China Trade War and COVID-19 pandemic issues have brought new challenges and new opportunities to the industry. These events further reinforce that automating the supply chain is crucial to minimise disruptions stemming from manpower risks or labour shortages.

The OEM, ODM, OSAT, EMS and CM are expected to stay cautious in spending with the current business environment clouded with uncertainty. However, demand is still observed for more solutions to accelerate the adoption of Industrial 4.0 and this augurs positively for Mi Autobotics.