

## MANUFACTURING INTEGRATION TECHNOLOGY LTD.

(Company Registration Number 199200075N)

(Incorporated in the Republic of Singapore)

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### PROPOSED CAPITAL REDUCTION EXERCISE

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#### 1. INTRODUCTION

Following the announcement on 24 August 2020 for the return of the net sale proceeds from the disposal, the board of directors (the “**Board**” or the “**Directors**”) of Manufacturing Integration Technology Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce a proposed capital reduction exercise (the “**Proposed Capital Reduction**”) to be carried out by the Company pursuant to Section 78G, read with Section 78I, of the Companies Act (Cap. 50) of Singapore (the “**Companies Act**”), which will involve a cash distribution (the “**Cash Distribution**”) by the Company to the shareholders of the Company (the “**Shareholders**”) of S\$0.033 in cash for each ordinary share in the capital of the Company (the “**Share**”) held by a Shareholder as at the record date to be determined by the Directors for the purpose of determining the entitlement of Shareholders to the payment of the Cash Distribution (the “**Record Date**”).

#### 2. PROPOSED CAPITAL REDUCTION

##### 2.1 The Capital Reduction and Cash Distribution

As at the date of this announcement, the Company has an issued and paid-up share capital of S\$28,238,013.65<sup>1</sup> comprising 240,112,470 Shares. The Company is proposing to return S\$0.033 in cash for each Share held by the Shareholders or on their behalf as at the Record Date.

Based on the total number of issued shares of the Company of 240,112,470 Shares as at the date of this announcement, an aggregate amount of S\$7,923,711.51 based on S\$0.033 for each Share, will be returned to the Shareholders pursuant to the Proposed Capital Reduction.

As at the date of this announcement, the Company has outstanding and unexercised options granted to grantees under the MIT Employee Share Option Scheme 2009 to subscribe for up to 559,000 Shares (the “**Options**”) and there are no outstanding awards under the MIT Performance Share Plan for which such awards will vest prior to the Record Date<sup>2</sup>. Assuming all the Options are exercised by the grantees prior to the Record Date, the resultant total number of issued Shares will be 240,671,470 Shares. This in turn will result in an aggregate amount of S\$7,942,158.51, based on S\$0.033 for each Share, being returned to Shareholders pursuant to the Proposed Capital Reduction.

The actual aggregate amount of the capital to be returned to the Shareholders pursuant to the Proposed Capital Reduction will be based on the total number of issued and paid-up Shares of the Company as at the Record Date.

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<sup>1</sup> As set out in the Company’s business profile extracted from the Accounting and Corporate Regulatory Authority on the date of this announcement.

<sup>2</sup> As at the date of this announcement, the Company has an outstanding award granted to Mr. Lim Chin Hong, the Company’s Executive Director and Chief Executive Officer, under the MIT Performance Share Plan for 1,000,000 Shares of which 500,000 Shares each may vest respectively on 1 July 2021 and 1 July 2022, subject to the conditions set out under the said award and the MIT Performance Share Plan.

The Proposed Capital Reduction will not result in (a) a cancellation of Shares; (b) a change in the number of Shares held by any Shareholder; or (c) a change in the proportion of Shares held by the Shareholders, immediately after the Proposed Capital Reduction. Accordingly, assuming the Shareholders have not dealt in the Shares, each Shareholder will hold the same number of Shares before and immediately after the Proposed Capital Reduction.

## 2.2 Illustration

The following illustrates the position of a Shareholder who holds 100 Shares as at the Record Date:

	<b>Shareholder with 100 Shares</b>
<b>Shareholding before the Proposed Capital Reduction</b>	
Number of Shares held	100
<b>Shareholding after the Proposed Capital Reduction</b>	
Cash received	S\$3.30
Number of Shares held after the Proposed Capital Reduction	100

In summary, the Shareholders will receive S\$3.30 in cash for every 100 Shares (or S\$0.033 in cash for each Share) held as at the Record Date. Shareholders holding odd lots of Shares (i.e. lots other than the board lots of 100 Shares) will likewise receive S\$0.033 in cash for each Share held as at the Record Date.

The aggregate amount of cash to be paid to each Shareholder pursuant to the Proposed Capital Reduction will be adjusted by rounding down any fractions of a cent to the nearest cent, where applicable.

The shareholding of each Shareholder in the Company shall remain unchanged after the Proposed Capital Reduction, assuming the Shareholders have not dealt in the Shares.

## 3. RATIONALE AND FUNDS FOR THE PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction will be funded from an escrow sum of S\$8,450,000<sup>3</sup> received by the Company from the escrow agent, being part and final balance of the adjusted consideration of S\$83,164,000<sup>4</sup> arising from the disposal by the Company to MIT Semiconductor (Tian Jin) Company Limited (砺铸智能设备(天津)有限公司) (the “**Purchaser**”) of the entire issued and paid-up share capital of MIT Semiconductor Pte. Ltd. (the “**Disposal**”).

<sup>3</sup> The escrow sum of S\$8,450,000 is part of an escrow arrangement agreed between the Company and the Purchaser under the terms of the Disposal. Further details relating to such escrow arrangement and the release of such escrow sum by the escrow agent to the Company are set out in the Company’s circular to Shareholders dated 2 January 2019 and the Company’s announcement dated 24 August 2020, copies of which are available at the website of the Singapore Exchange Securities Trading Limited at [www.sgx.com](http://www.sgx.com).

<sup>4</sup> The consideration for the Disposal of S\$84,500,000 was adjusted to S\$83,164,000 following the return of part of the first escrow payment of S\$1,336,000 to the Purchaser, details of which are set out in the Company’s announcement dated 28 June 2019 and a copy of which is available at the website of the Singapore Exchange Securities Trading Limited at [www.sgx.com](http://www.sgx.com).

In the Company's circular to shareholders dated 2 January 2019 in relation to the Disposal, the Company has informed Shareholders of its intention to distribute the entire net proceeds arising from the Disposal (the "**Net Proceeds**") to its Shareholders should the Disposal be successfully completed (the "**Distribution Intention**").

Following the successful completion of the Disposal on 20 February 2019 and in line with the Distribution Intention, the Company has distributed part of the Net Proceeds to its Shareholders by way of separate declarations of special dividend which was paid to the Shareholders respectively on 12 April 2019 and 23 July 2019 and a capital return pursuant to a capital reduction exercise which was paid to the Shareholders on 23 July 2019.

The Company proposes to undertake the Proposed Capital Reduction Exercise to distribute the remaining Net Proceeds to its Shareholders. Such distribution has to be undertaken by way of a capital return under the Proposed Capital Reduction as the Company does not have sufficient retained earnings to pay out the remaining Net Proceeds entirely to its Shareholders by way of a declaration of special dividend.

The Distribution Intention has and will result in the Shareholders realising their investment in cash while retaining their Shares in the Company that will continue to carry on, focus and grow its remaining business of contract equipment manufacturing and customised automation (the "**CEM Business**") following the successful completion of the Disposal. The CEM Business is currently self-sustaining and has the necessary internal resources to carry out and expand its operations. The Board therefore believes that following the Proposed Capital Reduction, the Company will continue to maintain a sufficient capital base which will allow it to execute its plans to expand the operations of the CEM Business.

#### **4. FINANCIAL EFFECTS**

The pro forma financial effects of the Proposed Capital Reduction are set out in the Appendix to this announcement. The pro forma financial effects are for illustration purposes only and do not reflect the actual position of the Group and the Company after the Proposed Capital Reduction.

#### **5. APPROVALS AND CONDITIONS**

##### **5.1 Conditions for the Proposed Capital Reduction**

The Proposed Capital Reduction is subject to, among others, the following:

- (a) the clearance of the Singapore Exchange Regulation Pte Ltd for the issue of the Circular (as defined hereinafter);
- (b) the approval of the Shareholders by way of a special resolution for the Proposed Capital Reduction at an extraordinary general meeting of the Shareholders to be convened (the "**EGM**");
- (c) the approval of the High Court of Singapore for the Proposed Capital Reduction; and
- (d) all other relevant approvals and consents being obtained.

## **5.2 Payment Date**

On the lodgement of the copy of the Order of Court approving the Proposed Capital Reduction, together with the other documents as prescribed under the Companies Act, with the Accounting and Corporate Regulatory Authority, the Proposed Capital Reduction will take effect and the Cash Distribution will be made thereafter.

## **6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors or substantial shareholders has any interest, direct or indirect, in the Proposed Capital Reduction, other than through their respective shareholdings, if any, in the Company.

## **7. EGM AND CIRCULAR TO SHAREHOLDERS**

The Company will convene the EGM to seek Shareholders' approval for the Proposed Capital Reduction and a circular to Shareholders containing, among others, details thereof, together with a notice of EGM in connection therewith (the "**Circular**"), will be despatched to Shareholders in due course.

## **8. CAUTION IN TRADING**

Shareholders are advised to exercise caution in dealings in the Shares and to read this announcement and any further announcements and the Circular by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately if they have any doubts as to the actions that they should take.

By Order of the Board  
Manufacturing Integration Technology Ltd.

Lim Chin Hong  
Executive Director and Chief Executive Officer  
18 September 2020

## APPENDIX

### PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED CAPITAL REDUCTION

#### 1. Assumptions

The pro forma financial effects of the Proposed Capital Reduction have been prepared based on the latest audited consolidated financial statements of the Company and the Group for the financial year ended 31 December 2019 (“FY2019”). The pro forma financial effects are purely for illustration purposes only and do not reflect the actual financial position of the Company and the Group after the Proposed Capital Reduction.

The following assumptions have been made for the purposes of illustrating the financial effects of the Proposed Capital Reduction:

- (a) an appropriation of S\$0.033 per Share from the paid-up share capital of the Company;
- (b) the total number of Shares of 240,671,470 Shares in issue, assuming all the Options were exercised on 31 December 2019; and
- (c) the Company received the Second and Final Escrow Payment on 31 December 2019.

#### 2. Share Capital

The Proposed Capital Reduction will not have any impact on the number of Shares held by Shareholders. The pro forma financial effects of the Proposed Capital Reduction on the share capital of the Company for FY2019 are as follows:

	Number of Shares	Value (S\$'000)
Share capital as at 31 December 2019	240,671,470	28,412
Pro forma adjusted share capital after the Proposed Capital Reduction and the Cash Distribution	240,671,470	20,470

#### 3. Gross Gearing

The pro forma financial effects of the Proposed Capital Reduction on the gross gearing of the Group and the Company as at 31 December 2019 are as follows:

	<u>Group</u>		<u>Company</u>	
	As at 31 Dec 2019	After the Proposed Capital Reduction	As at 31 Dec 2019	After the Proposed Capital Reduction
Bank borrowings (S\$'000)	386	386	-	-
Shareholders' funds (S\$'000)	29,613	21,671	34,218	26,276
Gross gearing (times)	0.013	0.018	-	-

#### 4. Shareholders' Funds

The pro forma financial effects of the Proposed Capital Reduction on the Shareholders' funds of the Group and the Company as at 31 December 2019 are as follows:

	<u>Group</u>		<u>Company</u>	
	As at 31 Dec 2019 (S\$'000)	After the Proposed Capital Reduction (S\$'000)	As at 31 Dec 2019 (S\$'000)	After the Proposed Capital Reduction (S\$'000)
Share capital	28,412	20,470	28,412	20,470
Other reserves	(151)	(151)	31	31
Retained earnings	1,352	1,352	5,775	5,775
Shareholders' funds	29,613	21,671	34,218	26,276

#### 5. Net Asset Value ("NAV")

The pro forma financial effects of the Proposed Capital Reduction on the NAV of the Group and the Company as at 31 December 2019 are as follows:

	<u>Group</u>		<u>Company</u>	
	As at 31 Dec 2019	After the Proposed Capital Reduction	As at 31 Dec 2019	After the Proposed Capital Reduction
NAV (S\$'000)	29,613	21,671	34,218	26,276
Number of issued Shares	240,671,470	240,671,470	240,671,470	240,671,470
NAV per Share (cents)	12.30	9.00	14.22	10.92

#### 6. Earnings per Share ("EPS")

The Proposed Capital Reduction will have no impact on the EPS of the Group and the Company.