

MANUFACTURING INTEGRATION TECHNOLOGY LTD.

(Company Registration Number 199200075N)

(Incorporated in the Republic of Singapore)

EXTRAORDINARY GENERAL MEETING TO BE HELD ON 20 NOVEMBER 2020 – RESPONSE TO QUESTIONS FROM THE SHAREHOLDERS

The Board of Directors (“the Board”) of Manufacturing Integration Technology Ltd (the “Company” and together with its subsidiaries, the “Group”) wishes to thank the Company’s shareholders for their efforts in submitting a total of 8 questions for the Extraordinary General Meeting to be held on 20 November 2020 (“EGM”). As some of these questions revolve around the same substantive matters, the Company has summarized the answers in 3 areas.

1. Background

On 20 February 2019, the Company completed the sale of its semiconductor equipment business for S\$84.5 million (“the Divestment”). The Divestment has enabled the Company to unlock the value that had been accumulated for the benefit of the shareholders.

Following the Divestment, the Company continued to build on its other core businesses in offering Build-to-Print services and customized automation solutions to wider markets. The Company carries out these activities in its three facilities, two in Singapore viz. Casem (Asia) Pte Ltd and Automated Manufacturing Solutions Pte Ltd, and one in China viz MIT (Shanghai) Co., Ltd.

As committed to shareholders, the Company has returned the entire net proceeds received so far from the Divestment to shareholders, totaling S\$65.4 million or 27.3 Singapore cents per ordinary share. There remains a last tranche of the sales proceeds amounting to S\$8.45 million (or 10% of the sale price) which was released to the Company on 24 August 2020. The Company is therefore undertaking the Proposed Capital Reduction to distribute the balance net proceeds to its shareholders.

2. Business Updates

- **What is the outlook of the Company’s business? What is the impact of the COVID-19 on the Company?**

The Company is in the Contract Equipment Manufacturing business since its inception and had divested the MIT Semiconductor segment in 2019. This Divestment had resulted in some of the flagship products family leaving the MIT stable. The Company had started strategically to invest in the building of a Customized Automation team back in 2018, as potential divestment discussion was initiated. There was good momentum for this segment of the business and the backlog order trend was growing healthily in 2019. However, our order rate slow down significantly as a result of the COVID-19 pandemic situation, as our customers held back their orders due to their own business uncertainty. This is because we are serving in the capital goods segment that is primarily supporting the manufacturing capacity of our customers. The good news is that we have had lots of requests for quotations (“RFQs”) during this period, which hopefully will translate into orders once the market uncertainties are clearer. We are aggressively pursuing both new customer accounts and industry segments, which are gaining traction recently with some small successes. We have added business development resources to look at regional possibilities and new initiatives to start some green shoots potentials.

The Build-to-Print businesses continue to be maintained on an even keel and was affected moderately by the COVID-19 pandemic situation. However, our customers are forecasting a return to normalcy in the coming fiscal year, and we are also seeing a gradual return of shipments.

On a balance perspective, the Group expects to hold or make a modest improvement in operational performance in the current year versus last year, provided the current COVID-19 outlook does not deteriorate further.

3. Second and Final Escrow Payment

- **From my recollection, the second tranche escrow payment was supported to be 3.5 cents initially, but from the circular, the declared distribution is only 3.3 cents. What was the reason why the proposed distribution is 0.2 cents less?**

The balance net proceeds from the Second and Final Escrow Payment, amounted to approximately S\$7,959,000 after deducting all costs and expenses incurred by the Company in connection with, or consequential to, the MIT Semiconductor disposal. Such amount includes a 5% commission paid by the Company for deal introduction and financial services, legal fees, filing fees payable to the Court and other incident expenses, that are associated with the Proposed Capital Reduction process.

The Company is therefore undertaking the Proposed Capital Reduction to distribute the balance net proceeds of S\$7,959,000, by using the funds from the Second and Final Escrow Payment to its shareholders.

- **The second tranche escrow payment was due in August 2020. From the proposed timetable, it appears that the money will only be distributed in Jan 2021. What is the reason for the delay in distributing the money?**

The balance net proceeds from the Second and Final Escrow payment has to be distributed by way of capital return under the Proposed Capital Reduction, as the Company does not have sufficient retained earnings to pay out the balance net proceeds entirely to its shareholders by way of a declaration of special dividend.

The Proposed Capital Reduction will be carried out by the Company pursuant to Section 78G read with Section 78I of the Companies Act, Chapter 50 ("the Act") and is subject to, among others, the approvals of shareholders and the Court.

The Proposed Capital Reduction is subject to, *inter alia*, the following:

- (a) the approval of SGX for the Proposed Capital Reduction (4 weeks)
- (b) the approvals of shareholders, by way of special resolution, for the Proposed Capital Reduction being obtained at the EGM (4 weeks)
- (c) the approval of the Court for the Proposed Capital Reduction (4 weeks)
- (d) the Company complying with the requirements under the Act and all other relevant approvals and consents being obtained (2 weeks)
- (e) Preparation by The Central Depository (Pte) Limited ("CDP") for distribution to the shareholders under the capital reduction exercise (2 weeks)

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 Act, with The Accounting & Corporate Regulatory Authority ("ACRA"), the Proposed Capital will take effect and the Cash Distribution will be made thereafter. Subject to the conditions set out above being satisfied, it is currently expected that the Cash Distribution will be paid to the shareholders on or about 6 January 2021.

4. Corporate actions after capital distribution

- **Will the company continue business as usual or will be privatised/sold etc?**

Firstly, the capital reduction distribution proposed in this EGM was part of the original plan that we had announced during the 2019 Annual General Meeting, which was to return all the proceeds of the Divestment back to the shareholders. The business outlook then was healthy, and the only dark cloud forecasted was the uncertainty caused by trade war between United States (US) and China. However, we had a decent order backlog then and the COVID-19 pandemic was never anticipated; thus, we had to take some or prudent cost control measures (including the various government relief / funding) to mitigate the decline in business revenue due to the pandemic.

Management is confident that the current Built-to-Print and customized automation businesses can form the foundation to build a new MIT. It needs more time to grow and contribute to its top and bottom lines.

The current business situation is stabilizing, and we are continuing to execute our plans and reviewing our new imperatives that we have initiated. Thus, we have no active plan currently to privatise nor to sell the Company.

- **Will there be a share buy back after the capital reduction?**

The buyback of shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the EPS of the Company, and will only be made when the directors believe that such buy backs would benefit the Company and its shareholders.

We do not have an active plan to do any share buyback at this moment, however, we will like to keep this option available for consideration if there is a commercial reason to do so.

- **What is the back assets of the company after the approval of the capital reduction?**

We assumed that this question is referring to the remaining assets of the Company after the capital reduction distribution exercise, so it is important to clarify that this exercise is to return the proceeds from the divestiture of the semiconductor business. It is not taken out of the working capital or operating capital of the Company.

The proforma balance sheet of the Company and the Group has 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") and is purely for illustration purposes only and do not reflect the actual financial position of the Company and the Group after the Proposed Capital Reduction.

	<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)
Assets				
Non-current assets:				
Plant and equipment	1,124	1,124	444	444
Right-of-use assets	2,344	2,344	101	101
Investment properties	8,383	8,383	8,383	8,383
Investments in subsidiaries	-	-	851	851
Total non-current assets	<u>11,851</u>	<u>11,851</u>	<u>9,779</u>	<u>9,779</u>
Current assets:				
Inventories	3,088	3,088	-	-
Trade and other receivables	2,360	2,360	8,392	8,392
Other non-financial assets	255	255	40	40
Cash and cash equivalents	17,488	9,546	16,645	8,703
Total current assets	<u>23,191</u>	<u>15,249</u>	<u>25,077</u>	<u>17,135</u>
Total assets	<u>35,042</u>	<u>27,100</u>	<u>34,856</u>	<u>26,914</u>

	<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)
Equity and liabilities				
Equity:				
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
Total equity	<u>29,613</u>	<u>21,671</u>	<u>34,218</u>	<u>26,276</u>
Non-current liability:				
Financial liabilities - lease liability	1,802	1,802	-	-
	<u>1,802</u>	<u>1,802</u>	<u>-</u>	<u>-</u>
Current liabilities:				
Other non-financial liabilities	511	511	-	-
Financial liabilities - lease liability	645	645	97	97
Trade and other payables	2,085	2,085	541	541
Other financial liabilities	386	386	-	-
Total current liabilities	<u>3,627</u>	<u>3,627</u>	<u>638</u>	<u>638</u>
Total liabilities	<u>5,429</u>	<u>5,429</u>	<u>638</u>	<u>638</u>
Total equity and liabilities	<u>35,042</u>	<u>27,100</u>	<u>34,856</u>	<u>26,914</u>

By Order of the Board
Manufacturing Integration Technology Ltd.

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