MIT

Manufacturing Integration Technology Ltd.

(Company Registration No. 199200075N)
(Incorporated in the Republic of Singapore)

RESPONSES TO QUERIES FROM SIAS ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The board of directors (the "**Board**") of Manufacturing Integration Technology Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to its Annual Report for the financial year ended 31 December 2021, the Board would like to respond to the following queries raised by the Securities Investors Association (Singapore) ("**SIAS**") as follows:

<u>SIAS Question 1</u>

Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

(i) Would management be updating shareholders and investors on the status of its manufacturing plant in Shanghai given that the city has been locked down?

(ii) In addition, how have the chip shortages and the supply chain challenges affected the group?

(iii) Can management elaborate further on the group's challenges to secure "the much-anticipated repeat orders that are critical for [the group's] operational efficiencies and forecasted growth? What are the financial statuses of these potential customers?

(iv) What does a project proposal entail? How does management evaluate the project enquiries to ensure that the group's resources are dedicated to enquiries that are highly likely to turn into confirmed orders?

(v) What is the breakeven point for the customised automation segment? The segment loss before tax was $(2.9) million in FY2020 and $(3.0) million in FY2021 while revenue was $4.85 million and $3.53 million respectively.

<u>The Company's response to Question 1</u>

(i) As of to-date, the full lockdown in Shanghai was only effected about two weeks ago and so we have been able to fulfill our customers' orders prior to such edict. We have informed our customers and they are fully aware of our situation. We will revert to a catchup schedule once the lockdown ease in the coming weeks to fulfill the backorders.

(ii) The chip shortages and supply chain challenges do not have any significant impact to the Group, as we have factored in the lead time variability into our quotation process.

(iii) We did have successes in securing some repeat orders from our current customers, however, we are more severely impacted by the slow rate of RFQ's conversion in launching of new purchase orders. The uncertainties of COVID-19 environment have more significant impact to us, since we are servicing the capital equipment market. All the uncertainties have been causing our current and potential customers from delaying final acceptance testing and firming new investment commitments as they do not have much of a choice. Most of our current and potential customers are financially stable, and we also do not have any financial exposure to-date based on our business model.

(iv) This is more of a business strategy question and we have been following a standard business process of evaluating and accepting customers' RFQ's with our proposed solutions. The conversion process from RFQ to PO has many dynamic facets to address, and like all businesses, we will have to provide our unique selling point in satisfying our customers' needs with the most competitive and innovative total solution.

(v) We will not be able to divulge the details of customized automation segment cost structure, except to highlight that the MIT Group had divested the biggest semiconductor equipment subsidiary in 2019. Therefore, the economy of scale and leverage of infrastructure cost have diminished significantly, and new investment had to be installed and carried out for this business segment to grow from a critical mass stage.

SIAS Question 2

As noted in the chairman's message, the group has evaluated new partnerships and "adjacent market businesses" to grow faster. However, the group's offers have not been accepted while some of the other available opportunities were not strategic to the group's focus.

(i) Can the board help shareholders understand how it is carrying out the search for acquisitions?

(ii) What are the businesses/technologies that the group would consider?

(iii) What is the ticket size of any such acquisition?

(iv) With just cash of $6.7 million (net cash of $5.3 million) and shareholders' equity of $15.8 million, has the board considered how it could best structure any potential M&A so that it does not put undue stress on the group's financial position and shares the potential rewards/risks with the vendors fairly and appropriately?

(v) Was there any non-compete in the divestment of MIT Semiconductor? Can management elaborate further on the opportunities in precision engineering, semiconductor, and automotive industries? What is the group's competitive advantage if it seeks to re-enter the industry after a hiatus of 3 years?

The Company's response to Question 2

(i) Like all M&A activities, we have third party consultants, business network partners, suppliers' and customers' referrals, etc. Our senior management team will conduct the strategic assessment of potential acquisitions and process the necessary NDA's before commencing any due diligence processes. We will then inform the Board of our intention to offer a Term Sheet and negotiation before engaging any legal and regulatory or financial third-party advice.

(ii) Any businesses or technologies that are complementary to our current competencies for shorter term goals due to uncertainty of the prevailing economic situation. We will continue looking for new investment opportunities or partners in segments involving clean energy, urban farming, smart and precision engineering/manufacturing, etc. for longer-term landscape.

(iii) We are not a fund management house or PE entity and so it is better for us to focus on the strategic intent and acquisition goal first. Fund sourcing and structuring will have to come later with investment bankers or advisors.

(iv) The Company has been very conservative in managing its cashflow position and it was evident that the Company had dispensed all the proceeds it had received from the divestment of the semiconductor equipment subsidiary. The Company also had been operating with no long-term leverage on our balance sheet. Therefore, the Company will be prudent to any forward-looking growth strategy, however, there will always be business risk involved in any investment and the Company will mitigate with extreme due diligence and additional professional assistance when warranted.

(v) The hiatus period of three years has expired in February 2022, and we will not have the divestment constraints anymore. We believe that no one could have predicted even one of the tectonic shifts that had happened in the last three years, namely: (i) the US/China Trade War; (ii) the COVID-19 pandemic; and (iii) the Russian-Ukraine War. The effect and impact of the last event is yet to be unfolded and the repercussions may be more globally than just European concerns. Nevertheless, the Group will continue exploring opportunities that are emerging from the new world order or norm.

SIAS Question 3

The board has four directors, comprising one non-executive and non-independent chairman, Mr Kwong Kim Mone, one executive director, Mr Lim Chin Hong, and two non-executive independent directors, Mr Lee Yong Guan and Mr Pow Tien Tee.

The independent directors were first appointed on 11 March 2005 and 28 April 2014 respectively. Mr Lee Yong Guan had obtained approvals from shareholders pursuant to Rule 210(5)(d)(iii) of the Listing Manual of SGX-ST at the Annual General Meeting held on 28 April 2021 and was re-appointed as independent director.

(i) Has the NC reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments, especially as the group is trying to scale up in customised automation, precision engineering and semiconductor?

(ii) How did the NC determine that the current board size and structure are adequate for the group?

Listing Rule 710 of the SGX Listing Manual also requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018, the provision from which it has varied, the reason(s) for the variation, and the explanation(s) on how the practices it had adopted are consistent with the intent of the relevant principle [emphasis added].

In particular, Provision 2.2 of the Code of Corporate Governance 2018 provides that where the chairman is not an independent director, the independent directors should make up a majority of the board.

(iii) Can the board elaborate further on the near-term plans to meet Provision 2.2 of the Code of Corporate Governance 2018?

The Company's response to Question 3

(i) The NC has reviewed the overall desired competency matrix of the Board and identified any gaps in skills or competencies. With reference to Page 32 of the annual report 2021, one of the terms of reference for NC is to "identifies gaps in the max of skill, gender, age diversity, experience and other qualifies required in an effective Board so as to nominate or recommend suitable candidates to fill the gaps". The NC in carrying out its tasks under these terms of reference may obtain such external or other independent professional advice, as and when it considers necessary to carry out its duties.

(ii) The NC has been conducting annual reviews on the composition of the Board, to ensure that there is an appropriate balance of members from different backgrounds and whose core competencies in business, finance, accounting, investment, strategic planning and industry technology, qualifications, expertise, skills, experiences and industry knowledge, which the Group may tap for assistance in furthering its business objectives and shaping its business strategies. Having reviewed and considered the current composition of the Board and its Board Committees, the NC has determined that the current Board size and structure are adequate for the existing business operations and structure of the Company.

(iii) The Board has four Directors, comprising one Non-Executive and Non-Independent Chairman, one Executive Director, and two Non-Executive Independent Directors. Thus, providing a strong independent element on the Board, and there are adequate safeguards and checks in place to ensure that decision making process by the Board is independent. Although the independent directors are not in a majority, the Board has always discussed important issues robustly and has aways been able to reach a consensus on the votes without having to rely on any majority votes to decide nor having an individual or small group of individuals dominating the Board's decision-making process. In view of the foregoing, the Board is of the view that the Board's current composition has an appropriate level of independence and diversity of thought and background to enable it to make decisions in the best interests of the Company, which is also consistent with the intent of Principle 2 of the Code of Corporate Governance 2018.

By Order of the Board
Manufacturing Integration Technology Ltd.

Lim Chin Hong
Executive Director and Chief Executive Officer
27 April 2022