

MANUFACTURING INTEGRATION TECHNOLOGY LTD.

(Company Registration Number 199200075N)

(Incorporated in the Republic of Singapore)

PROPOSED CAPITAL REDUCTION EXERCISE

1. INTRODUCTION

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 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\$0.085 in cash for each ordinary share in the capital of the Company (the “**Share**”) held by a Shareholder as at a books closure date to be determined by the Directors (the “**Books Closure 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\$47,903,564.02¹ comprising 235,175,970 Shares. The Company is proposing to return S\$0.085 in cash for each Share held by the Shareholders or on their behalf as at the Books Closure Date.

Based on the total number of issued shares of the Company of 235,175,970 Shares as at the date of this announcement, an aggregate amount of S\$19,989,957.45, based on S\$0.085 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 5,395,500 Shares (the “**Options**”) and the Company has outstanding awards granted to participants under the MIT Performance Share Plan for which if the awards are vested in full, an aggregate of up to 150,000 Shares will be allotted and issued to such participants (the “**Awards**”). Assuming all the Options are exercised by the grantees and all Awards are vested in full prior to the Books Closure Date, the resultant total number of issued Shares will be 240,721,470 Shares. This in turn will result in an aggregate amount of S\$20,461,324.95, based on S\$0.085 for each Share, being returned to Shareholders pursuant to the Proposed Capital Reduction.

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

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,

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

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 Books Closure Date:

	Shareholder with 100 Shares
Shareholding before the Proposed Capital Reduction	
Number of Shares held	100
Shareholding after the Proposed Capital Reduction	
Cash received (S\$)	S\$8.50
Number of Shares held after the Proposed Capital Reduction	100

In summary, the Shareholders will receive S\$8.50 in cash for every 100 Shares (or S\$0.085 in cash for each Share) held as at the Books Closure Date. Shareholders holding odd lots of Shares (i.e. lots other than the board lots of 100 Shares) will likewise receive S\$0.085 in cash for each Share held as at the Books Closure Date. 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 the net proceeds (the “**Net Proceeds**”) 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) of the entire issued and paid-up share capital of MIT Semiconductor Pte. Ltd. at a cash consideration of up to S\$84,500,000 (the “**Disposal**”).

The Company had, in its announcement dated 18 July 2018 and in its circular to shareholders dated 2 January 2019 (the “**Disposal Circular**”), informed shareholders of its intention to distribute the entire Net Proceeds arising from the Disposal to its Shareholders should the Disposal be successfully completed (the “**Distribution Intention**”). Upon successful completion of the Disposal, the Company expects to make an initial pay-out amounting to S\$0.24 per Share.

The Company had, on 20 February 2019, successfully completed the Disposal based on the cash consideration of S\$84,500,000 (the “**Sale Price**”). Consequently, the Company had, on the same day, received 80% of the Sale Price amounting to S\$67,600,000 and the balance 20% of the Sale Price amounting to S\$16,900,000 (the “**Escrow Amount**”) is being held by Industrial and Commercial Bank of China Limited, Singapore branch, the escrow agent jointly appointed by the Company and MIT Semiconductor (Tian Jin) Company Limited (砺铸智能设备(天津)有限公司). Further information relating to the escrow arrangement and the release of the Escrow Amount are set out in the Disposal Circular.

In accordance with the Distribution Intention and funded from the Net Proceeds, the Company had, on 22 March 2019, released an announcement relating to the declaration of an interim tax-exempt (one-tier) dividend of S\$0.155 per Share for the financial year ending 31 December 2019 and the payment of such dividend will take place on 12 April 2019.

Shareholders are to refer to the Company's announcement dated 22 March 2019 for further information relating to such dividend declared by the Company.

The Net Proceeds arising from the Disposal has to be distributed by way of dividend and the Proposed Capital Reduction as the Company does not have enough retained earnings to pay out the Net Proceeds entirely by way of a declaration of dividend and neither does it have sufficient capital to distribute the Net Proceeds entirely by way of a capital reduction.

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, *inter alia*:

- (a) the clearance of the Singapore Exchange Securities Trading Limited 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 (i.e. 75% of those present and voting) 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 of Singapore, the Proposed Capital Reduction will take effect and the Cash Distribution will be made thereafter.

6. 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.

7. 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 Tong
Executive Director and Chief Executive Officer
26 March 2019

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 unaudited consolidated financial statements of the Company and the Group for the financial year ended 31 December 2018 ("FY2018"). 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\$0.085 per Share from the paid-up share capital of the Company;
- (b) the total number of Shares of 240,721,470 Shares in issue, assuming all the Options were exercised on 31 December 2018 and all the Awards had vested on 31 December 2018; and
- (c) the Disposal had been completed, and the Company received 80% of the Sale Price, on 31 December 2018.

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 FY2018 are as follows:

	Number of Shares	Value (S\$'000)
Share capital as at 31 December 2018	240,721,470	48,614
Pro forma adjusted share capital after the Proposed Capital Reduction and the Cash Distribution	240,721,470	28,153

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 2018 are as follows:

	<u>Group</u>		<u>Company</u>	
	As at 31 Dec 2018	After the Proposed Capital Reduction	As at 31 Dec 2018	After the Proposed Capital Reduction
Bank borrowings (S\$'000)	7,000	7,000	7,000	7,000
Shareholders' funds (S\$'000)	44,879	24,418	45,605	25,144
Gross gearing (times)	0.16	0.29	0.15	0.28

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 2018 are as follows:

	<u>Group</u>		<u>Company</u>	
	As at 31 Dec 2018 (S\$'000)	After the Proposed Capital Reduction (S\$'000)	As at 31 Dec 2018 (S\$'000)	After the Proposed Capital Reduction (S\$'000)
Share capital	48,614	28,153	48,614	28,153
Other reserves	91	91	233	233
(Accumulated losses)	(3,826)	(3,826)	(3,242)	(3,242)
Shareholders' funds	44,879	24,418	45,605	25,144

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 2018 are as follows:

	<u>Group</u>		<u>Company</u>	
	As at 31 Dec 2018	After the Proposed Capital Reduction	As at 31 Dec 2018	After the Proposed Capital Reduction
NAV (S\$'000)	44,879	24,418	45,605	25,144
Number of issued Shares	240,721,470	240,721,470	240,721,470	240,721,470
NAV per Share (cents)	18.64	10.14	18.95	10.45

6. Earnings per Share ("EPS")

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