

A New **Beginning ...**



Automating the **Future**

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ANNUAL REPORT  
**2018**

Manufacturing Integration Technology Ltd

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# COMPANY PROFILE

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MIT was founded in 1992 by our Chairman, Mr Tony Kwong, to provide industrial automation services to the electronics industry in Singapore. In a span of over 25 years, we have evolved to become a capital goods supplier serving the semiconductor, solar and contract equipment manufacturing ("CEM") industries, not just in Singapore, but across Asia, Europe and USA. MIT became a public listed company in 1999 with its shares traded on the Mainboard of the Singapore Exchange Ltd.

With the divestment of our semiconductor equipment business to a PRC private equity fund on 20 February 2019, we now focus our core business on contract equipment manufacturing and customized automation.

We operate from three rented facilities; two in Ang Mo Kio (Singapore) and the other in Jiading District (Shanghai, China). Our corporate headquarters is in Singapore.

## MISSION

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To provide world class integrated design, engineering and manufacturing solutions in our core business whilst enhancing value and maximising returns for the benefit of all our stakeholders.

## VISION

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To be the ultimate partner of choice as a world-class provider of Contract Equipment Manufacturing Services and Customized Automation Solutions.

# CHAIRMAN'S MESSAGE

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## Dear Shareholders,

I am pleased to present our FY 2018 Annual Report.

### A difficult year

FY 2018 was a year of contrasts. We had announced that the Company had entered into a conditional sale and purchase agreement to dispose of its semiconductor business to a potential buyer while we undertake to expand our other core business in Contract Equipment Manufacturing ("CEM") and customized automation.

Financially at the Group level, we ended the year with lower sales of S\$18.7m and a net loss after tax of S\$2.0m. This was primarily due to the discontinued activities as our main semiconductor equipment business was classified as assets held for sale in our accounts, in compliance with the SFRS(I) 5 - Non-Current Assets Held for Sale. The lower revenue of S\$18.7m only captured the sales of our remaining core business in CEM which still managed a credible 52% growth during the year despite the difficult operating conditions.

Without this reclassification, Group sales would have declined 16% to S\$55.1m from S\$65.9m in FY 2017. At the bottom line, the profit of S\$6.0m in FY 2017 would have reversed into a loss of S\$6.1m.

### Completion of Divestment

On 20 February 2019, we completed the sale of MIT Semiconductor Pte Ltd (together with its wholly-owned subsidiaries, Generic Power Pte Ltd and i.PAC Manufacturing Pte Ltd) to MIT Semiconductor (Tian Jin) Company Limited. This divestment has enabled the Company to unlock the value that had been accumulated for the benefit of our shareholders.

For the divested business, the deal offered an important avenue for the Company to gain a strong foothold into the burgeoning PRC market and to complement its existing strengths amongst the other major non-PRC semiconductor companies. PRC has emerged as a critical market for ICs and semiconductor equipment and this lineage with the Chinese purchaser will certainly help open up channels into major IDMs and OSATS operating in China to drive further growth.



**Mr Kwong Kim Mone**  
Non-Executive and  
Non-Independent Chairman

“Certainly, there will be challenges ahead for the Group... but I am more than confident that we have the wherewithal to ride through these speed-bumps”

## Return of capital

As announced, we will also be returning capital to shareholders using proceeds from our divestment as expeditiously as possible. This will be via a combination of dividends and capital reduction routes as the Company does not have sufficient retained earnings to declare the entire amount as dividends. As I write this letter, we have declared an interim dividend of 15.5 Singapore cents to be paid on 12 April 2019. A further cash distribution of 8.5 Singapore cents will be paid after concluding our capital reduction exercise. We ask for your patience as we await regulatory clearance.

## Looking forward - The new core business

Following the divestment, we will continue to build on our other core business in CEM offering build-to-print and customized automation solutions to wider markets. We carry out these activities in our three facilities, two in Singapore viz. Casem (Asia) Pte Ltd and Automated Manufacturing Solutions Pte Ltd, and one in China; MIT (Shanghai) Co., Ltd.

Our CEM business essentially covers two broad areas, namely (a) build-to-print ("BTP"), which involves the assembly of equipment, module or systems based on designs or prints provided by third party customers, and (b) customized automation, which involves conceptualization, design, systems integration, and manufacturing of automated production systems etc to meet the specific needs of customers. In CEM, the intellectual property rights of the equipment designs typically belong to the customer and we aim to serve ALL industries, such as medical, consumer electronics, LED, storage media, automotive, mobile devices and semiconductor.

Our smaller base will allow us to focus on our core competencies as we develop closer collaboration with our value chain partners to offer a complete suite of smart design and smart manufacturing solutions to our customers. There is certainly scope for the company to grow the CEM business rapidly. We will continue to expand our BTP customer base to give greater stability to our top-line. We also expect higher growth to be generated from our customized automation business with the crystallization of several major projects that are currently in the pipeline. We have the alchemy advantage of being amongst the best in the business led by experienced veterans and adept in the emerging fields of smart technology such as AI, robotics, advanced machine vision solutions etc.

Apart from our solid foundation and track record in delivering on our total customer satisfaction commitment, our financial assets are also relatively strong and adequate to internally fund future growth. Assuming that we complete paying out all net proceeds to shareholders from the disposal of its semiconductor business, MIT still has in excess of S\$12m cash as at 31 December 2018 to fund the CEM business.

Certainly, there will be challenges ahead for the Company especially with the impact of the ongoing geopolitical trade tensions trickling down on businesses but I am more than confident that we have the wherewithal to ride through these speed-bumps.

In closing, I would like to announce that I have been appointed CEO of the divested semiconductor business effective 21 February 2019 but will still remain with the MIT Board as its Non-Executive and Non-Independent Chairman. This will provide continuity as we move into a new phase. The Board has also appointed my colleague Mr Lim Chin Tong who had served the Company for more than ten years, first as our Independent Director and later as Executive Director, to succeed me as CEO.

Under Chin Tong's stewardship and with the continuing guidance of the Board, I am gratified in the knowledge that the Company is in very capable hands to bring the Group forward to the next level.

Personally, it has been an incredible journey for me, and I am truly indebted to all my staff and the Board who had worked tirelessly with me and to you, our shareholders for your faith and confidence in my leadership.

## Mr Kwong Kim Mone

Non-Executive and Non-Independent Chairman

# BOARD OF DIRECTORS

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**Mr Kwong Kim Mone**  
Non-Executive and  
Non-Independent Chairman

MR KWONG KIM MONE was re-designated as Non-Executive and Non-Independent Chairman of the Company on 21 February 2019 following the divestment of the semiconductor business. He is the Founder and past Managing Director and Chairman of the Company. Under Mr Kwong's stewardship, the Company has been riding on a growth momentum that has seen the Company evolve as a major player in the capital goods market not just in semiconductor tools but also as a Contract Equipment Manufacturer. He was one of the recipients of the Rotary-ASME Entrepreneur of the Year Award in 1998 and had also led the Company to receive the "Enterprise 50 Awards" for the years 1996, 1997, 1998 and 1999 jointly organized by the Singapore Business Times and Anderson Consulting. Mr Kwong holds a Diploma in Mechanical Engineering from Singapore Polytechnic and a Diploma in Business Administration from the National Productivity Board. Mr. Kwong was last re-elected as Executive Chairman on 21 April 2017.



**Mr Lim Chin Tong**  
Executive Director and  
Chief Executive Officer

MR LIM CHIN TONG was re-designated as Executive Director and Chief Executive Officer of the Company on 21 February 2019 after serving as Executive Director since 15 August 2007. As CEO, Mr Lim oversees the formulation and execution of the Group's business and growth strategies. In his earlier career, Mr Lim held senior appointments in the Economic Development Board and was also Chief Executive Officer of Xpress Holdings Ltd. Mr Lim had previously served on the Boards of several listed companies in Singapore and Australia. Currently, he is the Chairman of NYP International Pte Ltd, a subsidiary of Nanyang Polytechnic. A mechanical engineer by training, Mr Lim obtained a B Sc (Hons) degree from the University of Leeds (UK) and a Diploma in Business Administration from NUS. In addition, he attended the Program for Management Development at the Harvard Business School. Mr Lim was last re-elected as Executive Director on 26 April 2018.



**Mr Lee Yong Guan**  
Lead Independent Director

MR LEE YONG GUAN was appointed Independent Director of the Company on 11 March 2005. Mr Lee, a FCA Singapore and a Fellow member with Association of Chartered Certified Accountants, is currently a Board Member of MayBank Singapore Limited. He has also been appointed as an adjunct Teaching Mentor of Singapore Management University and panel of Start Up Advisors at SMU Institute of Innovation & Entrepreneurship. David spent more than five years in Shanghai as Special Advisor and Director of UnionPay International Co, a wholly owned subsidiary of China UnionPay Company. He was the past President of Visa Worldwide Pte Ltd overseeing the growth of Visa's business in the Asia Pacific region. Mr Lee was awarded the Lee Foundation Prize by Singapore's Association of Chartered Certified Accountants (ACCA) in their professional examination. He has completed an Advanced Management Programme with the Harvard Business School in Boston and is a member of the Singapore Harvard Club. Mr Lee was last re-elected as Lead Independent Director on 21 April 2017.

## BOARD OF DIRECTORS

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**Mr Pow Tien Tee**  
Independent Director

MR POW TIEN TEE was appointed Independent Director of the Company on 28 April 2014. Mr Pow had worked many years in the semiconductor industry covering the whole APEC region. In 2013, he retired as the Regional President and MD of Infineon Technologies Asia Pacific Pte Ltd., and Chairman of Infineon China, Infineon Shanghai, Infineon Wuxi and Infineon Xi'an, and Managing Director of Infineon Technologies Hong Kong Co. Ltd. Mr Pow has a degree in Business Administration in Political Science and History from Nanyang University, Singapore. He is currently the Principal Consultant of ORTUS Consulting Group, China. He was conferred Honorary Professorship by Xi'an University of Electronic Science and Technology, Xi'an, in 2009 and had also authored a book for the University entitled "High Performance Enterprise Management" in 2013. Mr Pow was last re-elected as Independent Director on 22 April 2016.



**Mr Kam Boon Cheong**  
Independent Director

MR KAM BOON CHEONG was appointed Independent Director of the Company on 5 May 2014. He graduated from Glasgow University, Scotland, with a degree in Mechanical Engineering in 1987. He began his engineering career in Apple Computer before moving to several high technology companies such as ICOS Vision Systems and KLA-Tencor with regional responsibilities. Mr Kam was the Managing Director of ICOS at the time of its acquisition by KLA-Tencor in 2008 and remained in the latter until 2011. Thereafter, he has been providing corporate advisory services to local corporations. Mr Kam was last re-elected as Independent Director on 26 April 2018.



**Mr Lim Chin Hong**  
Independent Director

MR LIM CHIN HONG joined the Board as Independent Director on 1 February 2016. He is currently the founding and managing partner at GreenMeadows Accelerator Pte Ltd (GMA) focused on incubating technology startups in the hardware arena. Prior to incorporating GMA, he was a partner at Small World Group Incubator to guide start-ups in technology commercialization. At the industry level, Mr Lim had spent the major part of his career serving in senior management positions as CTO/EVP/GM in companies such as Sunningdale Tech, Hewlett Packard and Agilent Technologies managing global operations across multiple product lines and business units. Mr Lim has also served as board member of several local start-ups, mentor and panelist for NRF Technovation pitching, NUS Incubation panel and at SPRING TECS (Engineering). He obtained his B Sc (Hons) in Production Engineering and Management from University of Strathclyde (UK) and a MBA from Golden Gate University (US). He has also completed a General Management Program from NUS-Stanford Business School. Mr Lim was last re-elected as Independent Director on 22 April 2016.

## KEY EXECUTIVES

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**Mr Boh Teck Keong**

MR BOH TECK KEONG joined the Company in November 2002 as General Manager with responsibility for Technology & Product Engineering. From March 2012, he took up the appointment as Senior VP and General Manager of Casem (Asia) Pte Ltd. Prior to joining the Company, Mr Boh had worked with various semiconductor MNCs overseeing Engineering and Sales. Mr Boh graduated from the University of Singapore (Mechanical Engineering) in 1980. He also holds a Graduate Diploma in Business Administration from the Singapore Institute of Management.



**Mr Han Meng Kwang**

MR HAN MENG KWANG joined the Group's subsidiary, Automated Manufacturing Solutions Pte Ltd (formerly AMS Biomedical) in June 2017 as its Senior VP and General Manager. He spearheads the Group's customized automation business supporting diverse manufacturing industries. Mr Han has more than 25 years of related industry experience. He holds a Bachelor Degree in Mechanical and Production Engineering (with First Class honours) from Nanyang Technological University and a Master of Science Degree in Advanced Automation and Design from Cranfield University (UK). He had also obtained a Diploma in Mechanical Engineering from Singapore Polytechnic and a Post-Graduate Diploma in Financial Management from ACCA.



**Mr Dennis Foo Piau Yew**

MR DENNIS FOO has 25 years of industry experience and is the VP of Sales in MIT Ltd with responsibilities for the sales, marketing and business development of the Group's contract equipment manufacturing (CEM) business. In his earlier career, he had held senior engineering and operations positions in various American and European MNCs related to hard disk, IC and lead-frame manufacturing as well as in automotive electronics. Mr Foo graduated with a Bachelor degree in Mechanical and Production Engineering from Nanyang Technological University in 1993 and a MBA from the University of Nottingham Business School in 2004.



**Mr Tommy Ng Fook Keong**

MR TOMMY NG FOOK KEONG is our Financial Controller having been promoted from his position as Senior Finance Manager on 21 February 2019. He is responsible for the Group's financial and accounting matters, corporate finance, tax and regulatory compliance functions. Prior to joining the Company in September 2006, he had held finance and audit portfolios in several local private companies and an accounting firm. Mr Ng graduated with a Bachelor of Commerce from the La Trobe University (Australia) in September 2000. He is a Chartered Accountant of Singapore, a member of the Institute of Singapore Chartered Accountants (ISCA).

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### Afternote

With the completion of the sale of MIT Semiconductor Pte Ltd (together with its wholly owned subsidiaries, Generic Power Pte Ltd and i.PAC Manufacturing Pte Ltd) to the new Purchaser on 20 February 2019, Mr Tan Ban Hee has relinquished his position as Chief Financial Officer. Together with Mr Terence Chua Yee Heong (SVP, Business & Services), Mr Eddy Lim Kok Yeow (SVP, Technology & Development), Mr Howe Weng Khiong (SVP, Operations) and Mr Cavin Teo Siew Heng (Head, Corporate), they will move on to serve in the divested business. The MIT Board wishes to take this opportunity to thank them for their past contributions and service to the Company.



# CORPORATE INFORMATION

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## BOARD OF DIRECTORS

### EXECUTIVE

LIM CHIN TONG  
(Executive Director and  
Chief Executive Officer)

### NON-EXECUTIVE

KWONG KIM MONE  
(Non-Executive and Non-Independent  
Chairman)

LEE YONG GUAN  
(Lead Independent Director)

POW TIEN TEE  
(Independent Director)

KAM BOON CHEONG  
(Independent Director)

LIM CHIN HONG  
(Independent Director)

## BOARD OF COMMITTEES

### AUDIT COMMITTEE

LEE YONG GUAN  
(Chairman)

POW TIEN TEE  
KAM BOON CHEONG  
LIM CHIN HONG

### NOMINATING COMMITTEE

KAM BOON CHEONG  
(Chairman)

KWONG KIM MONE  
LEE YONG GUAN  
POW TIEN TEE  
LIM CHIN HONG

### REMUNERATION COMMITTEE

POW TIEN TEE  
(Chairman)

LEE YONG GUAN  
KAM BOON CHEONG  
LIM CHIN HONG

### INVESTMENT COMMITTEE

KWONG KIM MONE  
(Chairman)

LIM CHIN TONG  
LEE YONG GUAN  
POW TIEN TEE  
KAM BOON CHEONG  
LIM CHIN HONG

## COMPANY SECRETARY

WONG YOEN HAR

### REGISTERED OFFICE

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Fax: 65-6261 3181  
Website: [www.mitech-ltd.com.sg](http://www.mitech-ltd.com.sg)  
Co. Registration No.: 199200075N

### SHARE REGISTRAR

Boardroom Corporate & Advisory  
Services Pte Ltd  
50 Raffles Place, #32-01  
Singapore Land Tower  
Singapore 048623  
Tel: 65-6536 5355  
Fax: 65-6536 1360

### AUDITORS

RSM Chio Lim LLP  
Public Accountants and Certified  
Public Accountants  
8 Wilkie Road, #03-08 Wilkie Edge  
Singapore 228095

### AUDIT PARTNER-IN-CHARGE

Chong Cheng Yuan  
Partner-in-charge since financial  
year ended 31 December 2016

### PRINCIPAL BANKER

United Overseas Bank Limited

# OPERATING REVIEW

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2018 was a watershed year for the MIT Group as we undertook a major divestment of our core semiconductor equipment business and assets. During the year we also trained our focus and resources on expanding our other pillar namely, Contract Equipment Manufacturing ("CEM") and customized automation to make up for the revenue gap arising from the divestment.

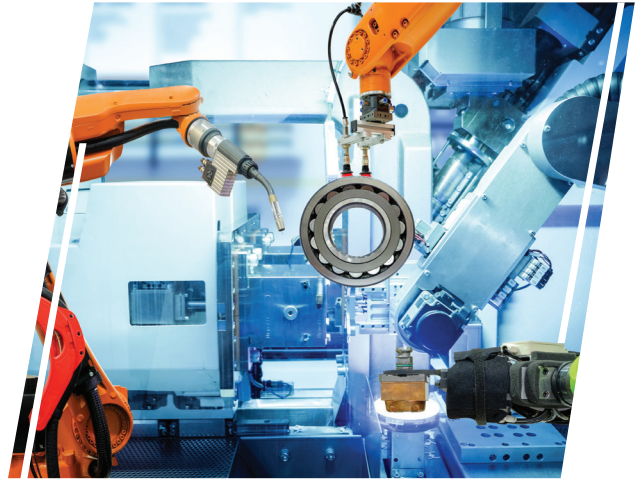
## Contract Equipment Manufacturing

Our CEM business stems mainly from two revenue streams – Build-to-Print ("BTP") and customized automation. As the name BTP suggests, customers provide us with their designs and engineering drawings. As their contract manufacturer, we will source for standard and fabricated components in accordance with their design specifications and provide assembly, integration and testing services to produce the finished products in exacting requirements, either at modular or turnkey level. BTP orders tend to be repetitive, stable and relatively long-term.

In customized automation, we work closely with customers to understand their current or new production processes. In some cases, we also offer innovative design and manufacturing solutions from scratch when there is none to begin with. Our value add is in conceptualizing, designing, manufacturing and integrating automated systems to provide customers with smart solutions that will enable them to substantially improve their operational efficiency, productivity and yield.

Our FY2018 CEM sales grew 52% from the previous year's S\$12.3m to S\$18.7m driven mainly by new customized automation projects and improved BTP orders, particularly in the semiconductor and LED markets. In customized automation, we had secured several jobs in the consumer electronics area. While we had steady revenues from our textile equipment assembly operations in our Shanghai plant, it was insufficient to cover the high fixed costs there. We are expanding our customer base and are also close to securing a new account in the niche garment making equipment market.

As reported previously, we restructured AMS Biomedical Pte Ltd to consolidate our customized automation activities under one roof. Renamed Automated Manufacturing Solutions Pte Ltd ("AMS"), this unit had leased an additional 15,000 sq ft space in an adjacent factory to aggressively beef up and operationalize our engineering capabilities in anticipation of new orders.



In this financial year under review, we recognize there will be a financial cost in investing and suiting up our operational readiness just like in any new start-up. Fortunately, we had been quick off the blocks to secure some initial projects (albeit on a smaller scale) and with other more substantial automation projects in the offing.

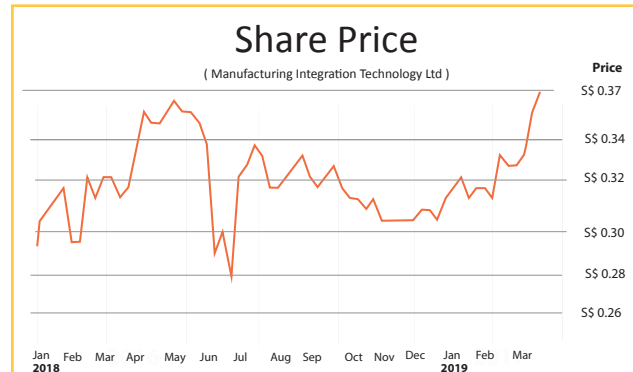
## Solar

We continue to work with an existing solar customer for a new thin-film based CIGS solar equipment project. At the same time, we are pleased to inform that this customer had commenced repaying earlier receivables that we had provided for in FY 2015 accounts. The debt amounting to RMB9.6m will be recoverable over 2 years from April 2018.

## Conclusion

Marring the positive outlook is the trickling down impact of geopolitical trade tensions that could scupper even the best laid-out plans. Overall, we are confident of the prospects of our CEM business to turn in an improved performance and to achieve steady growth that is sustainable for the longer term.

# FINANCIAL SUMMARY



## Latest Updates

During the year, the assets of the semiconductor business were classified as “held for sale” and the business categorized as discontinued operations in compliance with Singapore accounting standards SFRS(I)5.

This Financial Review therefore focuses on the CEM business following the completion of the disposal on 20 February 2019.

## Revenue

CEM revenues increased 52% from \$12.3m to \$18.7m during the year. This was due to new customized automation contracts and stronger build-to-print sales.

## Earnings

The Group, excluding the semiconductor results, recorded a loss before tax of S\$0.9m from continuing operations and an after tax loss of S\$2.0m after a reversal of deferred tax assets of S\$1.1m. The operating loss was primarily due to our continued investments in manpower for the customized automation business as well as losses incurred in MIT Shanghai Co., Ltd (“MIT Shanghai”).

Other gains mainly came from rental income from our investment properties in Yishun, reversal on allowance for impairment on trade receivables and foreign exchange adjustments gains.

Income tax expenses amounted to S\$1.1m after reversal of deferred tax assets which were previously recognized.

## Assets and Liabilities

Plant and equipment and investment properties had decreased due to the current year depreciation charges and some plant and equipment was transferred to asset held for sale.

Investment in subsidiaries increased mainly due to the investment in newly incorporated subsidiary – MIT Semiconductor Pte Ltd during the financial year.

The lower amount in trade and other payables was in line with the smaller CEM business volume.

A short-term loan of S\$7.0m was secured to support the Company’s divestment plan during the financial year. It has been fully repaid after the completion of the disposal.

## Cash Flow

As at 31 December 2018, we had cash and cash equivalents of S\$19.6m. Cash per share stood at 8.3 cents which accounted for about 44% of the net asset per share.

# FIVE-YEAR FINANCIAL HIGHLIGHTS

(All amounts in S\$'000)

| <b>Statement of Comprehensive Income</b>     | <b>FY2014</b> | <b>FY2015</b> | <b>FY2016</b> | <b>FY2017</b> | <b>FY2018</b> |
|--|---------------|---------------|---------------|---------------|---------------|
| Revenue                                      | 64,273        | 90,351        | 35,527        | 65,929        | 55,080        |
| EBITDA                                       | 10,962        | 20,495        | (3,345)       | 7,831         | 3,384         |
| (Earnings before interest, tax, dep & amort) |               |               |               |               |               |
| EBIT   | 9,493         | 18,772        | (4,674)       | 6,422         | 5,791         |
| (Earnings before interest & tax)             |               |               |               |               |               |
| Finance cost                                 | 261           | 184           | 108           | 71            | 53            |
| Income (Loss) before tax                     | 9,305         | 18,866        | (4,556)       | 6,510         | (5,748)       |
| Income (Loss) net of tax                     | 10,172        | 15,426        | (5,496)       | 6,006         | (6,119)       |
| <b>Statement of Financial Position</b>       |               |               |               |               |               |
| Current assets                               | 56,698        | 58,377        | 44,681        | 53,525        | 56,197        |
| Current liabilities                          | 27,839        | 15,684        | 14,256        | 18,319        | 21,755        |
| Total assets                                 | 70,316        | 71,331        | 59,570        | 69,519        | 65,762        |
| Total borrowings                             | 8,913         | 4,700         | 3,753         | 117           | 7,000         |
| Cash and cash equivalents                    | 16,945        | 20,434        | 17,892        | 21,884        | 19,554        |
| Shareholders' equity                         | 37,930        | 51,894        | 45,198        | 51,130        | 44,007        |
| Net tangible assets                          | 37,834        | 51,811        | 45,113        | 51,082        | 44,007        |
| Net asset value per share (cents)            | 17.43         | 23.23         | 20.12         | 22.30         | 18.81         |
| <b>Financial Ratios</b>                      |               |               |               |               |               |
| <b>Profitability</b>                         |               |               |               |               |               |
| Return on equity (%)                         | 26.8%         | 29.7%         | -12.2%        | 11.7%         | -13.9%        |
| Return on assets (%)                         | 14.5%         | 21.6%         | -9.2%         | 8.6%          | -9.3%         |
| <b>Liquidity</b>                             |               |               |               |               |               |
| Current ratio (times)                        | 2.0           | 3.7           | 3.1           | 2.9           | 2.6           |
| Cash as a percentage of NAV (%)              | 44.7%         | 39.4%         | 39.6%         | 42.8%         | 44.4%         |
| <b>Leverage</b>                              |               |               |               |               |               |
| Gearing (%)                                  | 23.5%         | 9.1%          | 8.3%          | 0.2%          | 15.9%         |
| Interest cover (times)                       | 36.4          | 102.0         | N.A.          | 90.5          | N.A.          |
| <b>Investment</b>                            |               |               |               |               |               |
| Earnings per share (cents)                   | 4.65          | 6.79          | -2.45         | 2.61          | -2.60         |
| Gross dividend per share (cents)             | 0.50          | 1.00          | N.A.          | 1.00          | N.A.          |
| Gross dividend yield (%)                     | 7.5%          | 4.9%          | N.A.          | 3.9%          | N.A.          |
| Dividend payout ratios                       | 10.8%         | 14.7%         | N.A.          | 38.3%         | N.A.          |
| <b>Productivity</b>                          |               |               |               |               |               |
| Number of employees (Group)                  | 301           | 312           | 291           | 322           | 327           |
| Revenue/Employee (S\$'000)                   | 213.53        | 289.59        | 122.09        | 204.75        | 168.44        |

The Group has an Enterprise Risk Management Committee (ERMC) comprising Senior Management staff to oversee the identification and implementation of risk mitigation measures in the financial, operational and compliance areas. We have re-constituted it owing to management changes after the divestment. The ERMC reports to the Audit Committee of the Board.

The Group recognizes that we have to take calculated risks in order to grow and to maximize shareholder value. To achieve our corporate objectives, such risks must be taken in a responsible and measured manner. We will not undertake more risks than necessary and beyond what we can afford from a financial and operational perspective. We typically adopt a more conservative approach to risk management with a proclivity to err on the side of caution.

Some of the key risk areas and mitigators are identified and addressed in this Risk Management Report. The list is by no means exhaustive and is updated annually. We address these risks in our everyday functions by complying with established policies and protocols. Our mitigation factors have so far allowed us to address these risks, especially during poor business periods and even in high growth times.

## Operating Risks

### **Lumpy nature of our revenues and Dependency on a few key customers**

Revenues of our customized automation business tend to be lumpy in nature as it is typically recognized at the end of each project.

The Group will continue to secure new major accounts in different segments of the industry to reduce dependency on any one cluster of customers and to even out revenue flow.

### **Disruptions in the supply chain for key components and fabricated parts**

The Group is broadening its vendor base for alternative parts supply and to forge key partnership relationship with top tier suppliers to improve demand planning and ensure certainty of supply.

Besides China, the supply chain in Malaysia has also been developed to support our growing business.

### **We may not have enough manufacturing capacity during peak periods**

Outsourcing of assembly work (either at modular or at full turnkey level) to subcontractors in Singapore/Malaysia has allowed the Group to better manage its production capacity and costs during different seasonal cycles.

### **We may not always be successful in attracting and retaining key personnel to support or drive our growth**

Attracting, retaining of key leadership talent and succession planning are ongoing challenges. The Group aims to address these issues by building an internal talent core through continuous skills training and motivating high performance through short & long-term compensation incentives plans.

### **We are exposed to risks associated with overseas operations**

Outside of Singapore, the Group operates another factory in Shanghai, China. The Investment Committee under the purview of the Board regularly reviews the business performance and operating environment in China to make key business decisions.

# RISK MANAGEMENT

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## Financial Risks

### Exposure to foreign exchange risk

Trading currencies are mainly denominated in Singapore dollar, with RMB and US dollar making up the remainder.

We will undertake low risk currency hedging if necessary, to hedge our risks against the US dollar and RMB.

### Financial instruments risk

The Group does not deal in any form of financial derivative instruments or engage in trading of such instruments.

### We are subject to investment risk

All major investment proposals are presented to the Investment Committee for evaluation before they are finally tabled for the Board's approval. For more complex transactions, external professional advisers are also engaged to assist in the feasibility study, review and recommendations.

### We are subject to liquidity risk

The Group sets internal liquidity targets based on the forecasted working capital requirements and cash flow generation from operating activities.

With its net cash and debt free (zero debt) position, the Group is not facing liquidity pressures nor in a financial position that will compel it to violate any of its bank covenants.

### Credit risk

Though the Group has a concentration of several long standing key customers that has traditionally been financially reliable, there are already internal checks in place to alert against any adverse material developments or heightened risks faced by these customers that may impair their financial stability.

In engaging new customers and even key vendors, the Group also has strict credit review and due diligence policies to assess the financial worthiness and viability of these Companies.

### Interest rate risk

As the Group has a healthy cash position with minimal amount of borrowings, it is not subject to any significant exposure to interest rate rises that may take place during the year.

## Regulatory Risks

### Intellectual property risk

In the nature of our CEM business, we typically do not own the IP of the products. For customized automation, our value add is in conceptualizing, designing, manufacturing and integrating automated systems to provide customers with smart solutions that will enable them to substantially improve their operational efficiency, productivity and yield. Notwithstanding this, any IPs of third parties which we have been entrusted with will be fiercely safeguarded to ensure that their IP rights and business interests are not compromised.

*Risk Management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the Group can make more informed decisions and benefit from a better balance between risk and reward. This will help protect and also enhance our shareholders' value.*



## 1. Board Statement

Building sustainable businesses deliver long-term shareholder value and growth. We believe that a truly sustainable business not only makes good economic sense, but does so in a responsible way that enhances value for our MIT brand, business and stakeholders. Our Board of Directors oversees the business affairs of the Group and is collectively responsible for our long-term growth and success. The Board remains committed to advance our sustainability efforts by aligning social and environmental performance with the business and financial impact.

This is our second Sustainability Report (the "SR Report") which covers the Group's operations and performance from 1 January 2018 to 31 December 2018 (the "reporting period"). It is instructive to preface that during the year under review, the Group had entered into a conditional sales and purchase agreement to dispose of its semiconductor business to a potential buyer that was subsequently concluded on the 20 February 2019.

As such, this SR Report will continue to cover the material Environmental, Social and Governance ("ESG") issues and sustainability practices before the bifurcation of the Group's business and assets which are still relevant. Where appropriate, updates making references to its current core business will be made.

With the completion of the divestment of its semiconductor business, the MIT Group now operates its core business as a Contract Equipment Manufacturing solutions provider. Its Build-To-Print ("BTP") and customized automation businesses are carried out in our Singapore facilities at Casem (Asia) Pte Ltd and Automated Manufacturing Solutions Pte Ltd respectively. It also operates a precision machining and equipment assembly facility in Shanghai, China.

At this current time, our Group's workforce in Singapore stands at 71 with another 73 based in China.

Our Board of Directors appoints a Sustainability Steering Committee ("SSC") headed by our CEO, Mr Lim Chin Tong supported by the SSC Corporate team. The SSC's role is primarily to ensure that all ESG factors and material topics which are likely to impact the Group are determined and evaluated comprehensively with appropriate measures taken to address them.

For the year under review, we will be updating our sustainability practices based on our maiden SR Report (2017) and in conjunction with AR 2018. For our subsequent SRs, we will re-engage our major Stakeholders and report on a new set of ESG issues, sustainability practices and key performance metrics only in nexus with our core CEM business.

We have not sought external assurance for this reporting period.

# SUSTAINABILITY REPORT

## 2. Stakeholder Engagement

To create sustainable value for our stakeholders, we actively engage them through the following channels:

| S/N | Stakeholders                      | Engagement Channels/Platforms  |
|-----|-----------------------------------|--|
| 1   | Employees                         | Emails and bulletins, Bi-annual Managerial Open-Comm sessions, Departmental Meetings, MIT Intranet, Staff Recreation Programmes                        |
| 2   | Shareholders / Investors/Analysts | AGMs, Company Website (www.mitech-ltd.com.sg), Annual Reports, Half-yearly financial report disclosure, SGXNet announcements, Investor relations talks |
| 3   | Customers                         | Supplier Evaluation /Key Equipment Group/ Technology roadmap meetings, site visits , customer audits, customer satisfaction surveys                    |
| 4   | Vendors/Suppliers                 | Meetings, vendor audits, supplier performance reviews, purchase agreements, supplier events  |
| 5   | Community                         | Trade or business organizations such as SBF. Collaboration with tertiary institutions on internship programmes   |
| 6   | Government and Regulators         | Meetings with local authorities, seminars/talks, consultations with regulatory bodies, Annual reports and press releases                               |

## 3. Material Factors

### 3.1 Materiality Assessment

We have decided to maintain the 17 attributes and priorities that are still relevant during the reporting period.

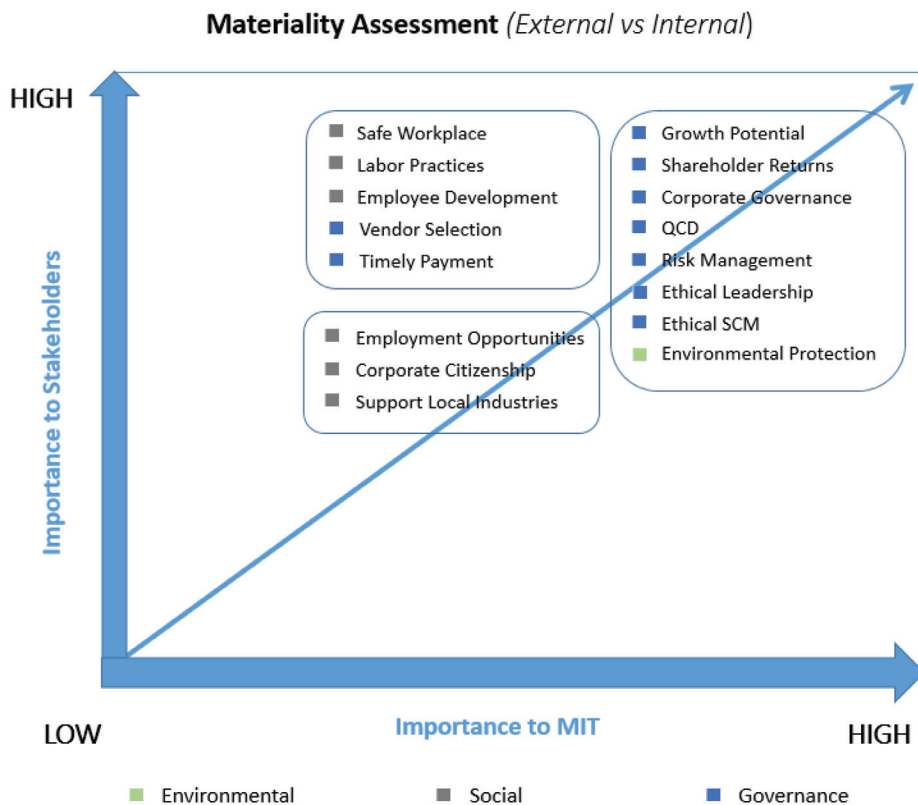
| Stakeholders                            | Stakeholders' Concerns  | Engagement Channels/Platforms  |
|---|---|--|
| Employee                                | <ol style="list-style-type: none"> <li>1. Safe and conducive workplace</li> <li>2. Fair labor practices and compensation</li> <li>3. Job Satisfaction &amp; Career Development</li> </ol> | <ul style="list-style-type: none"> <li>✓ Training and development opportunities</li> <li>✓ Grievance handling/feedback channels</li> <li>✓ Regular reviews and performance appraisals incorporating people development and career planning</li> <li>✓ Progressive human resource management practices</li> </ul> |
| Shareholders/<br>Investors/<br>Analysts | <ol style="list-style-type: none"> <li>4. Stable and sustainable growth</li> <li>5. Reasonable returns to shareholders</li> <li>6. Good corporate governance</li> </ol>                   | <ul style="list-style-type: none"> <li>✓ Good financial discipline</li> <li>✓ Strong corporate governance practices</li> <li>✓ Sustainable business model</li> </ul>   |
| Customers                               | <ol style="list-style-type: none"> <li>7. Quality, Cost &amp; Delivery</li> <li>8. Risk Management (Business Continuity)</li> <li>9. Ethical leadership</li> </ol>                        | <ul style="list-style-type: none"> <li>✓ Strengthen our quality management systems</li> <li>✓ Reinforce our Enterprise Risk Management framework</li> <li>✓ Maintain strong Internal controls</li> <li>✓ Zero tolerance on corruption and fraud</li> </ul>   |



## 3. Material Factors (cont'd)

### 3.1 Materiality Assessment (cont'd)

| Stakeholders            | Stakeholders' Concerns  | Engagement Channels/Platforms   |
|-------------------------|---|---|
| Vendors/<br>Suppliers   | 10. Fair Vendor Selection process<br>11. Timely payment<br>12. Ethical supply chain practices                                       | <ul style="list-style-type: none"> <li>✓ Ensuring integrity in all purchasing decisions</li> <li>✓ Adhering to purchasing agreement terms</li> <li>✓ Internal Code of Conduct that also applies to supply chain partners</li> </ul>     |
| Community               | 13. Employment Opportunities<br>14. Good corporate citizenship  | <ul style="list-style-type: none"> <li>✓ Creating new jobs and building a Singapore core</li> <li>✓ Re-employment of silver workforce</li> <li>✓ Participating in community events</li> </ul>   |
| Government & Regulators | 15. Maintain high standards of corporate governance<br>16. Support development of local industries<br>17. Protection of environment | <ul style="list-style-type: none"> <li>✓ Comply with all applicable laws and regulations</li> <li>✓ Added assurance from internal and external audits</li> <li>✓ Maintain and improve our Integrated Management System (IMS)</li> </ul> |



**Figure 1: Material Factors assessed by Stakeholders**

# SUSTAINABILITY REPORT

## 4. Environmental

### 4.1 Electricity and Water Conservation

On environmental management, we aim to comply fully with all legal regulations and requirements and to consume resources responsibly, focusing on minimizing impacts through prevention at source, reduction, re-use and recycling initiatives.

Our energy and water efficiency efforts also apply to our daily office activities as we actively seek to reduce our consumption of energy and water through responsible practices such as:

- Upgrading of equipment and lighting that are more energy efficient
- Separation of paper/plastic/metal/general waste for recycling
- Collection and recycling of office paper waste by authorized contractors
- Automation of business processes e.g. ERP, E-leave system etc
- Inculcating “Green Office and Green Home” habits such as switching off lights and electrical appliances when not in use, practicing air conditioning energy saving tips and even encouraging the use of recyclable bags and reusable cutlery sets or containers for meal takeaways

Our most direct environmental impact stems from the use of electricity. Our water consumption has been relatively minimal over the years. There are no water discharge or chemicals used in our equipment manufacturing processes.

Below are some statistics on our consumption trend and records of the last three years:

| Year | Actual Consumption (KWh) | Turnover (S\$M) | (KWh/S\$) |
|------|--------------------------|-----------------|-----------|
| 2016 | 1,396,202                | 35.5            | 0.039     |
| 2017 | 1,504,127                | 65.9            | 0.023     |
| 2018 | 1,346,480                | 55.1            | 0.021     |

Figure 2: KWh Actual

| Year | Total direct CO2 or Carbon Equivalent Emissions (Metric Tons) | Total indirect CO2 or Carbon Equivalent Emissions (Metric Tons) | Turnover (S\$M) | Emissions Intensity (MT/S\$'000) |
|------|---|---|-----------------|----------------------------------|
| 2016 | N.A   | 1,039   | 35.5            | 0.0293                           |
| 2017 | N.A   | 1,119   | 65.9            | 0.0170                           |
| 2018 | N.A   | 975   | 55.1            | 0.0150                           |

Figure 3: Emissions Intensity

SOURCE: <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

## 4. Environmental (cont'd)

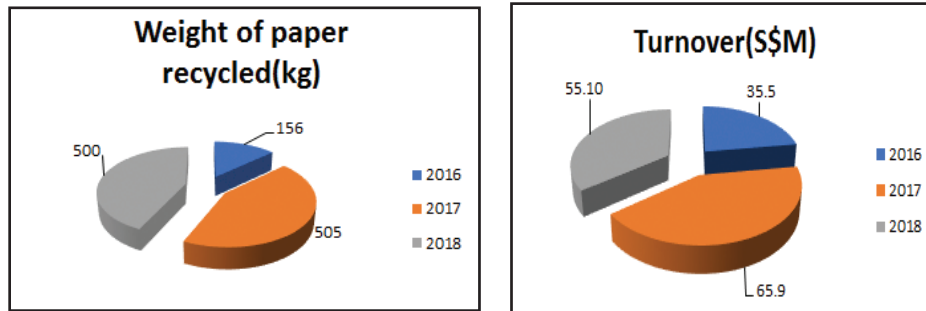


Figure 4: Collection and Recycling of Office paper waste

### 4.2 Work Place Air and Environment Certification

MIT has been certified ISO 14001 since 2005 to provide an assurance to all stakeholders that we have an effective environmental management system in place to minimize the impact our operations would have on the environment, to ensure that all applicable laws and regulations are complied with and to continually improve on our business processes to achieve higher level environmental standards that we have set for ourselves. We measure our success by our ability to attract and retain the confidence of customers with the continuing strong support of our business and supply chain partners. Every aspect of our internal and external customer interaction provides an opportunity for continuous improvement thereby creating greater business value that is sustainable over the longer-term.

To ensure a safe and healthy physical work environment is being maintained, indoor air quality assessments have also been conducted within our premises on a periodic basis, last tested on 14 March 2017.

### 4.3 Laws and Regulations

In the area of WSHE, we comply fully with the relevant laws and regulations under the Fire Safety Act, Workplace Safety and Health Act, Environment Public Health Act and Environmental Protection and Management Act that regulates general waste collection, the control of trade effluents, ozone-depleting substances (ODS), noise, hazardous substances, air pollution and prevention of fire and others. There is no record of violation against any of the regulations during the reporting year.

### 4.4 Supply Chain

Our main suppliers consist of original equipment manufacturers (OEMs) and fabrication houses. OEMs supply us with standard parts or components such as motors, pneumatics, lasers, optics, actuators, sensors etc whereas fabrication suppliers provide mainly machined parts, sheet-metal parts, structures and covers according to our engineering specifications. We seek to influence our supply chain partners towards sustainable practices by outlining our expectations in the vendor selection process as well as through our annual evaluation of their performance. To remain in our Approved Vendor List (AVL), our top vendors had to meet a host of performance criteria ranging from quality assurance and service levels as well as adhering to best practices or internationally established Code of Conduct governing human rights, business and integrity, and safety, health and environmental standards. We aim to apply these standards to all our new major suppliers/vendors. It is our belief that securing a pool of like-minded suppliers that share our commitment to sustainability will mitigate risks to our operations and reputation. We are also broadening our vendor base for alternative parts supply to improve demand planning, cost competitiveness and ensure certainty of supply. We therefore aim to maintain at least one primary and one secondary supply source for critical parts and long lead items wherever possible.

### 4.5 International Environment Calendar

We promote international Environmental Days as special days to raise the awareness of environmental issues and environmental protection. We mark these environmental days to disseminate information, educate about risks in our ecosystem, and to encourage participation on “Car free days”, observing “Earth Hour/ Day” ,”World Biological Diversity Day” and even “World Animal Day”, just to name a few.

# SUSTAINABILITY REPORT

## 4. Environmental (cont'd)

### 4.5 International Environment Calendar (cont'd)

We are continuing our efforts to inform, educate and rally our staff into participating in the various activities associated with these global initiatives so that these values can be imbibed into them at a personal level and also as part of our corporate DNA.

## 5. Social

MIT is committed to carrying out its business mission efficiently, effectively and responsibly with integrity and respect for the law, the environment and well-being of employees and the community at large. Our commitment to maintain the highest standards of business ethics and to continually improve our Corporate Social Responsibility practices is paramount. We expect the same level of commitment from every employee and our partners in the conduct of their daily work affairs and in their relationship with all our major stakeholders.

### Our Employees

#### 5.1 Fair Employment Practices

MIT adheres to the philosophy espoused in the Tripartite Guidelines on Fair Employment and other best HR practices that we had publicly pledged with Tripartite Alliance for Fair and Progressive Employment Practices (or TAFEP).

We also subscribe to the Responsible Business Alliance Code of Conduct (formerly the Electronic Industry Citizenship Coalition) to ensure that our working conditions are safe, that workers are treated with respect and dignity and that our business operations are environmentally responsible and conducted ethically.

MIT endeavors to uphold the spirit of these best practices and to conform to (and continually improve on) its standards in accordance with acceptable management practices within the jurisdiction of the local laws in which we operate. Some of the key principles are to:

- Recruit, select, promote, reward and train employees on the basis of merit such as skills, experience and ability, regardless of race color, age, gender, sexual orientation, ethnicity, national origin, disability, pregnancy, religion, political affiliation, union membership or marital status
- Treat employees fairly and with respect and implement progressive human resource practices
- Embrace the diversity of all members within the MIT family

- Provide employees with equal opportunities for training and development based on their individual needs to help them achieve their fullest potential
- Promote and provide a harassment free environment
- Reward employees fairly based on their ability, performance, contributions and experience
- Respect for privacy and protect personal information
- Provide transparency in and accountability for the Group's performance and practices
- Abide by local regulations including Safety, Health and Environmental laws

#### 5.2 Training and Education

We are focused on developing our people and getting the very best from our staff whilst helping them to achieve their individual career aspirations. We want our employees to feel that they are contributing to our purpose and believe the organization supports them in this endeavour. Similarly, we believe that it is in our best interest to invest in the careers of our employees through continuous learning. We do this by investing in structured On-Job-Training, providing Core Skills Training (at both individual and group levels), as well as exposing them to developmental opportunities where they can get to undertake stretched projects or assignments, and even to lead them.

| Year | Training Places | Training Hours | Avg no. of training hours | Avg No. of Training day (260 days/year) |
|------|-----------------|----------------|---------------------------|---|
| 2016 | 476             | 2131           | 11.40                     | 8.20                                    |
| 2017 | 360             | 1675           | 8.54                      | 6.44                                    |
| 2018 | 469             | 2620           | 11.39                     | 10.08                                   |

**Figure 5: Training Metrics**

Note: Training data only includes Orientation and external training conducted

#### 5.3 Compensation and Rewards

Our compensation policy is intended to be well-balanced, competitive, performance based and aligned with the achievements of each employee. While the approach reflects an emphasis on pay-for-performance, it is also designed to attract, motivate and retain high performing and high potential employees. Employees are also incentivized through annual bonus that are tied to financial and non-financial metrics as well as stock-option awards for key staff to enable them to benefit from the growth of the Group.

## 5. Social (cont'd)

### 5.3 Compensation and Rewards (cont'd)

In addition, a range of statutory and non-statutory staff benefits are offered to employees including medical and dental benefits, term life, personal accident plans, long service awards, paternity, maternity and other leave benefits etc. that we peg to industry practices. Beyond this, MIT provides paid-leave for employees attending work-related training courses making use of their own SkillFuture credits.

We believe it is also important to recognize the right behavior and reward them (either individually or groups) financially and by peer to peer recognition. Our “Spontaneous Award” program has worked well to ensure that exceptional efforts performed by employee(s) above and beyond the normal course of duty do not go unnoticed but are positively reinforced through these on-the-spot rewards.

### 5.4 Performance Management & Engagement

MIT is committed to carry out an objective and fair performance management system to align the Group’s objectives with individual performance, reward results and to support people development in the process. Even though the formal PA assessment is conducted once a year, managers and their staff are encouraged to review and discuss performance issues on an ongoing basis. Performance Improvement plans are also developed for under-performing employees.

Apart from one-on-one dialogues with employees, we also engage them through other media such as Open-Comm meetings with senior staff, regular department briefings, corporate updates through e-platforms (emails, intranet) and even during corporate social events.

Employee feedback is also encouraged to help MIT understand what makes them more engaged and to address real and latent disengagement risks in the process. Such feedback channels are not confined to engagement surveys but will also include all forms of open communications and focused groups (both formal and informal).

### 5.5 Safety, Health and overall well being, Employee Benefits

Our WSHE Committee includes representation from the various business units to help us in our endeavor to ensure that the workplace continues to remain free from industrial hazards and accidents.

Apart from monthly meetings and inspections, the Committee for the reporting year had been very much involved in other activities such as promoting WSHE awareness, reviewing our safety risk management framework, undergoing training in first aid (and AED), exercising vigilance over dengue and ZIKA outbreaks, and seeing to the conduct of emergency evacuation exercises. One of the many other recommendations that had been carried out was also to ensure that workplace safety policies and manufacturing work instructions are documented in at least two major languages for the benefit of our foreign workers.

On keeping to a balanced and healthy lifestyles, our employees have also been encouraged to join in the National Health Challenge (organized by HPB) that is into its 4th Season (both as individual participants and at the Corporate level). We are heartened to note that 74% of our workforce had taken up the Challenge.

### Number of Accidents and Man-Days Lost (2016-2018)

| Year | Man-days Lost | Number of Accidents |
|------|---------------|---------------------|
| 2016 | 6             | 2                   |
| 2017 | 8             | 2                   |
| 2018 | 0             | 0                   |

*Figure 6: Number of Workplace Accidents over last three years*

There are no industrial accidents and related man-days lost reported in 2018.

### 5.6 Leadership development for succession planning

Our Board of Directors through its Nominating Committee has oversight of Senior Management (including the CEO) talent and succession plans which is reviewed annually. Ensuring a pipeline of effective leaders for the Group who will be ready and able to assume greater responsibility when critical positions become available is still work in progress for the Board and HR.

### 5.7 Work Force characteristics and Diversity

We view the diversity of our people as a source of strength. We seek to create an inclusive work environment that extends beyond just age and gender differences to include drawing on the range of cultural dimensions represented by the different nationalities and backgrounds.

The numbers represented here are before the bifurcation.

# SUSTAINABILITY REPORT

## 5. Social (cont'd)

### 5.7 Work Force characteristics and Diversity (cont'd)

#### 5.7.1 Work Force Strength

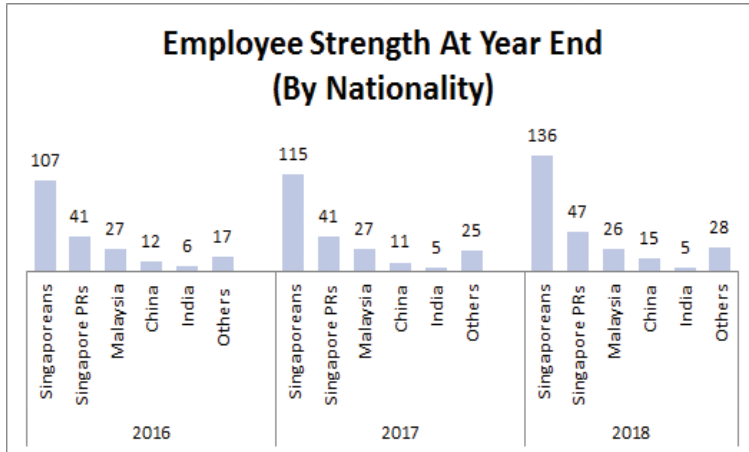


Figure 7: Employee Strength at year end

Footnotes: Employees located at Singapore HQ only (exclude MIT Shanghai)

\*2018 Others include nationalities from Philippines, Myanmar, Indonesia, United States and Switzerland

#### 5.7.2 Gender Diversity

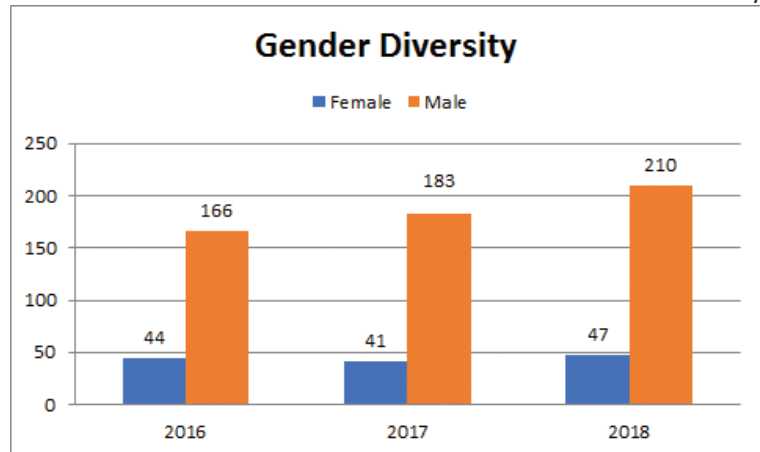


Figure 8: Gender Diversity

#### 5.7.3 Number of Senior Positions held by Males/Females

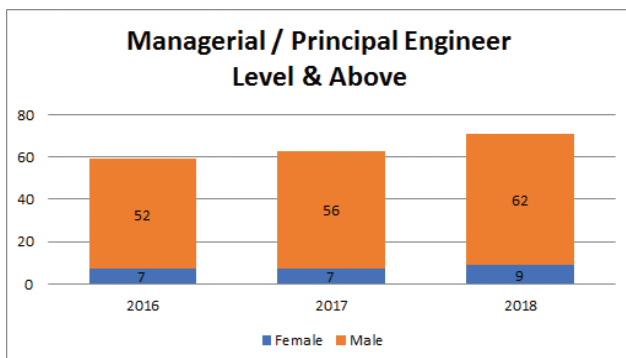


Figure 9: Senior positions held by Male/Female staff

Our Executive Committee (EXCO) team is currently held by Singaporeans (male)

## 5. Social (cont'd)

### 5.7 Work Force characteristics and Diversity (cont'd)

#### 5.7.4 Age Distribution

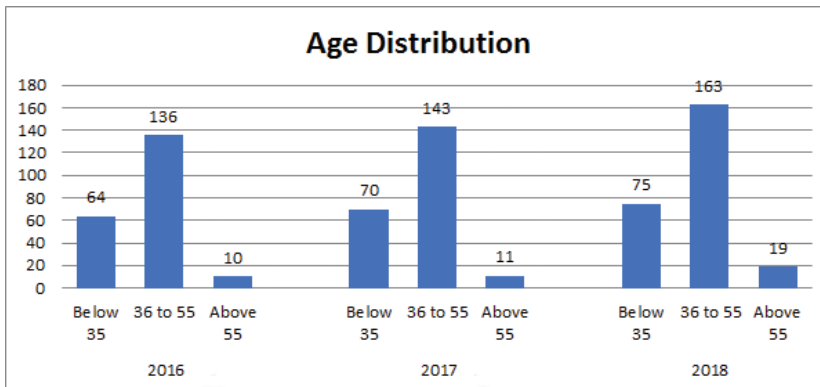


Figure 10: Age Distribution

#### 5.7.5 Employee Qualifications

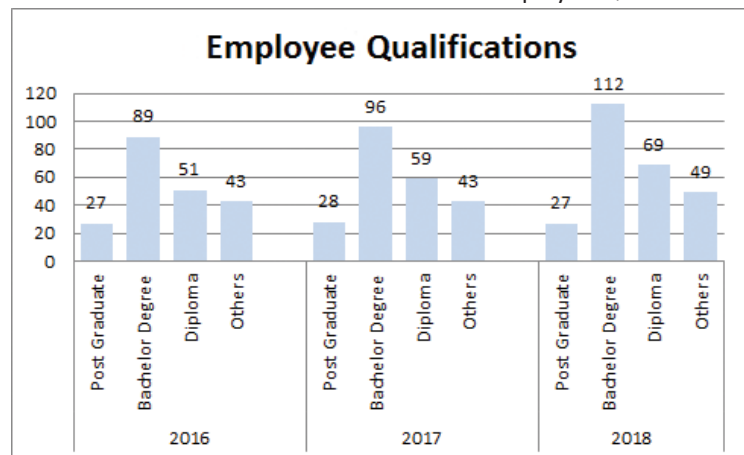


Figure 11: Employee Qualifications

#### 5.7.6 Attrition

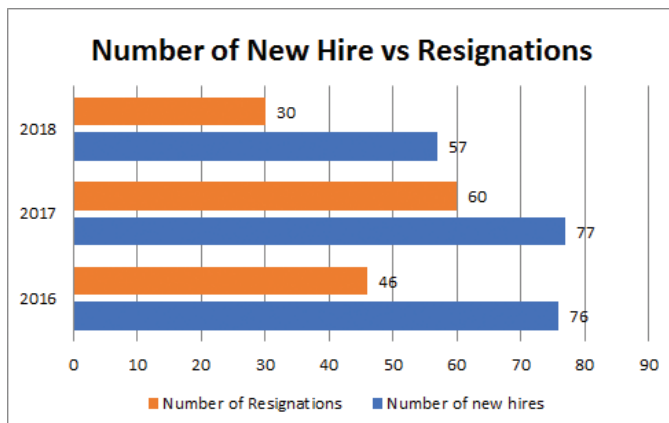


Figure 12: Number of new hires vs resignations

# SUSTAINABILITY REPORT

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## 5. Social (cont'd)

### 5.7.7 Offering Re-Employment to the Silver Workforce

Recognizing the depth of knowledge and experience that our more senior colleagues bring to the workplace, we encourage them to continue working with us beyond the statutory retirement age. To-date, all eligible employees have been offered one to three years re-employment contracts.

## 5.8 Community Engagement

To support the community in which we operate, our employees are encouraged to contribute their personal time and experience meaningfully to benefit society. One of the ways is through charity work and to support causes for the needy or less fortunate in the spirit of volunteerism. MIT is also investing in our youths through internship programs and providing practical work experiences for these students.

### 5.8.1 Internship Collaboration with ITE and tertiary Institutions

- Nanyang Polytechnic School of Engineering 12 weeks ITP
- SP School of Mechanical & Aeronautical Engineering 22 weeks Internship
- RP School of Engineering 20 weeks internship
- NTU School of Electrical & Electronic Engineering 20 weeks Industrial Internship Programme
- SMU School of Management 15 weeks Internship Programme
- ITE School of Accountancy 22 weeks Internship Programme


### 5.8.2 Recruitment of graduating students

We furthermore encourage graduating students to apply for suitable positions within our Group of Companies that they had become familiar with during their internship with us.

### 5.8.3 Industrial Visits

MIT as a corporate citizen also actively collaborates with tertiary institutions particularly with Singapore Polytechnic, Ngee Ann Polytechnic and Nanyang Polytechnic where we regularly organize factory visits for students. We also host teaching delegates from within and outside of the region to enable them to gain first-hand insights into our local home-grown capabilities in the high-tech engineering space.

### 5.8.4 Membership of Associations

- Singapore Business Federation 

### 5.8.5 Social and Economic Laws and Regulations

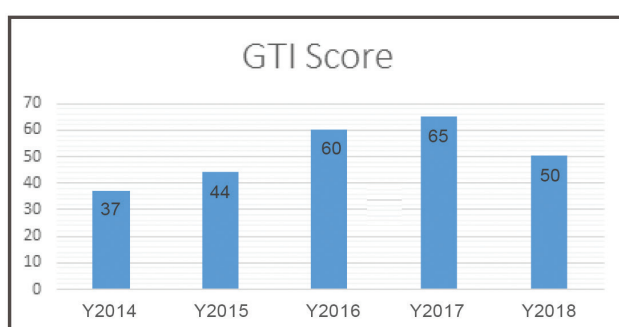
MIT complies with all governmental laws and regulations in this area. There is no record of any non-compliance or management labour dispute lodged with the Ministry of Manpower to-date.



## 6. Governance

### 6.1 Corporate Governance

A high standard of corporate governance is integral in ensuring sustainability of the Group's business as well as safeguarding shareholders' interest and maximizing long term shareholder value accretion. We continually strive to ensure that the value of good corporate governance is deeply embedded into our corporate DNA.



| GTI Year | Score | Ranking |
|----------|-------|---------|
| 2014     | 37    | 366     |
| 2015     | 44    | 340     |
| 2016     | 60    | 152     |
| 2017     | 65    | 100     |
| 2018     | 50    | 363     |

**Figure 13: GTI Ranking and Scores**

### 6.2 Ethics and Integrity

MIT's Code of Conduct establishes an ethical framework for business practices and conduct to which all employees are required to adhere to without exceptions. Employees are expected to exercise good judgment, prudence and with clarity of intention and to seek to avoid even the appearance of any improper behavior in their daily interactions with their colleagues, customers, suppliers, business associates and with the general public. MIT expects the same high standards of business ethics and integrity to be upheld by our agents or partners and those that it does business with.

MIT's Code of Conduct covers ethical issues and guidance concerning:

- Outside employment and Personal Interest
- Conflict of interest
- Compliance with laws, rules and regulations
- Insider Trading prohibitions
- Disclosure requirements and Accuracy of records
- Investor Relations and Business Communications
- Social Media
- Discrimination and Harassment, and Privacy
- Workplace Violence
- Proper Use and Protection of Assets
- Competition and Fair Dealing
- Business Integrity and No improper Advantage
- Bribery and Corruption (Entertainment , Gifts and Gratuities)
- Purchasing Practices & Equal Business Opportunity
- Copyright and Licensing Compliance
- Confidential Information/Intellectual Property Protection

# SUSTAINABILITY REPORT

## 6. Governance (cont'd)

### 6.2 Ethics and Integrity (cont'd)

Awareness is created from the very first day of employment by way of basic ethics training at the time of on-boarding. Masterclasses on Business Ethics for senior staff are also being conducted periodically. As part of our internal audit compliance practices, all staff are required to sign an acknowledgement of their compliance to the Code and to declare any existing or potential conflict of interest on an annual basis. There are furthermore procedures to ensure that all transactions with interested parties are reported timely to the Audit Committee whilst ascertaining that transactions are being conducted on an arms-length basis and are not deemed prejudicial to the interests of the Group or its shareholders.

In dealing with MIT's securities, our Directors and Officers are also expected to strictly abide by internal Code of Best Practices on Securities Transaction established in compliance with SGX listing rule 1207(19) to ensure that they do not run afoul of securities regulations especially on insider-trading. The Securities Transaction Code furthermore enables MIT to monitor such shares transactions by requiring them to report within two (2) business days whenever they deal in its securities. To-date, there has been no incident of corruption (alleged or otherwise) and no legal cases brought against the Group or our employees by the authorities.

### 6.3 Whistle-Blowing Policy

Bribery or corruption or ethical violations in any form will not be tolerated in any circumstances and any incident report will be looked into very seriously. We have established a direct whistle blowing channel that goes right up to the attention of the Audit Committee members (comprising Independent Directors) who will deal with these matters or any other serious acts of business impropriety. Whistle-blowers are assured of anonymity, confidentiality and non-retaliation. We are glad to report that since 2008 when our whistle-blowing policy was first introduced, there has been no official complaint or case lodged with the Committee.

## 6.4 Investor Relations

We welcome all stakeholders to approach us and support the sustainability of our business. You may also read the Group's latest announcements at [www.sgx.com](http://www.sgx.com) or participate in our AGM and other corporate events to keep apprised on more current developments. If you have any questions, comments, suggestions or feedback relating to this report, please send them to Mr Lim Chin Tong, CEO at [limct@mitech-ltd.com.sg](mailto:limct@mitech-ltd.com.sg).



**Extraordinary General Meeting**  
17 January 2019

The Board of Directors (the “Board”) and management of Manufacturing Integration Technology Ltd. (the “Company”) and its subsidiaries (the “Group”) are committed to maintaining high standards of corporate governance. This report describes the Group’s corporate governance practices and structures that were in place during the financial year ended 31 December 2018, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”).

## **Board Matters (Principle 1)**

### **Board of Directors**

For FY2018, the Board of Directors comprises six Directors, four of whom are Independent Directors and two are Executive Directors. The members of the Board have an appropriate mix of core competencies and diversity of experience, with extensive senior-level operational, business and corporate experience in the relevant industries.

Following the completion of the disposal of the entire issued and paid-up share capital of MIT Semiconductor Pte. Ltd. and its wholly-owned subsidiaries on 20 February 2019, one of the Executive Directors has been re-designated as Non-Executive and Non-Independent Director.

### **Role of the Board of Directors**

Apart from its fiduciary duties under the Companies Act, Chapter 50, and requirements pursuant to the SGX-ST Listing Manual, the Board sets the overall strategy of the Group and establishes policies on matters such as financial control, financial performance and risk management practices.

### **Board Processes and Conduct of Affairs**

To assist in the execution of its responsibilities, the Board has established several Board Committees namely; an Audit Committee (“AC”), a Nominating Committee (“NC”), a Remuneration Committee (“RC”), and an Investment Committee (“IC”). These Committees function within clearly defined terms of reference, which are reviewed on a regular basis. The terms of reference for the respective Committees have incorporated the changes under the Code. The overall effectiveness of the Board as a whole is also being assessed as part of the Group’s continuing efforts to raise the level of corporate governance.

In addition to the scheduled meetings to release half yearly results and approve the annual budget, the Board also holds separate meetings and discussions at such other times as may be necessary to address any specific significant matters that may arise.

### **Matters Requiring Board Approval**

The Board has direct approving and decision-making responsibilities for the following:

- approving broad policies, strategies and financial objectives of the Group and monitoring the performance of management;
- convening of shareholders’ meetings;
- declaration of interim dividends and proposal of final dividends;
- reviewing the adequacy of internal controls, risk management and review of the Group’s financial performance, compliance and resource allocation;
- establishing a proper risk management system to ensure that key potential risks faced by the Group are properly identified and managed;
- approving half-year and full-year results announcements;
- approving the annual report and financial statements;
- providing oversight in the proper conduct of the Company’s business and assuming responsibility for corporate governance;

# CORPORATE GOVERNANCE

- approving annual budgets, major funding proposals, material investments and divestment proposals, acquisitions and disposal of assets; and
- approving interested person transactions.

All other matters are delegated to the respective Committees whose actions are reported to and monitored by the Board.

## Training of Directors

All directors receive appropriate training to develop their knowledge of the Company's business, industry environment and competence necessary to be effective in their roles. The Company is responsible for arranging and funding training for Company's Directors from time to time. The Company and Company Secretary also provides ongoing regulatory updates and briefings, particularly on relevant new laws, regulations and changing commercial risks, from time to time to enable them to make well-informed decisions. Furthermore the newly appointed Directors had been provided with a formal letter setting out the duties and obligations to ensure that they are fully aware of the responsibilities and obligations of being a Director.

## Directors' Meetings held in financial year ended 31 December 2018 ("FY 2018")

In the course of the year under review, the number of meetings held and attended by each member of the Board is as follows:

| Name of director  | Number of Board Meetings held | Attendance |
|---|-------------------------------|------------|
| <i>Executive Directors</i>  |                               |            |
| Mr Kwong Kim Mone (Chairman and Managing Director) <sup>(1)</sup> | 3                             | 3          |
| Mr Lim Chin Tong <sup>(2)</sup>                                   | 3                             | 3          |
| <i>Independent Directors</i>                                      |                               |            |
| Mr Lee Yong Guan  | 3                             | 3          |
| Mr Pow Tien Tee   | 3                             | 3          |
| Mr Kam Boon Cheong  | 3                             | 3          |
| Mr Lim Chin Hong  | 3                             | 3          |

<sup>(1)</sup> Re-designated as Non-Executive and Non-Independent Chairman on 21 February 2019

<sup>(2)</sup> Appointed as Chief Executive Officer on 21 February 2019

## Chairman and Managing Director/Chief Executive Officer (Principle 3)

The Board is of the view that as the Company and Board size is relatively small, it is in the best interest of the Group to adopt a single leadership structure, whereby the Chairman and Managing Director is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

In FY2018, the Chairman and Managing Director was Mr Kwong Kim Mone, who with the support and advice of the Board, played an instrumental role in setting the strategic direction of the Group and ensuring that its organisational objectives are achieved.

Separate roles have not been established for the Chairman and Managing Director in FY2018. The Company is of the view that it is unlikely that the discharge of responsibilities in these roles by the same person will be compromised as all major financial decisions made are reviewed by the AC and approved by the Board. The Nominating Committee reviews his performance and considers his re-election. His remuneration package is governed by the recommendations of the Remuneration Committee with the approval of the Board. Mr Kwong Kim Mone has been re-designated as Non-Executive and Non-Independent Chairman on 21 February 2019.

The NC is made up of a majority of Independent Directors, whereas the RC comprises entirely Independent Directors. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority vested in any one individual.

## Lead Independent Director

The Board concurs with the Code's recommendation to appoint a lead independent director where the Chairman and Managing Directors is the same person. Thus, the Board has appointed Mr Lee Yong Guan as Lead Independent Director.

The major roles and responsibilities of the Lead Independent Director are as follows:

- To meet with shareholders if they have concerns which have not been resolved by the Chairman or the Managing Director or the Chief Financial Officer ("CFO") through the normal channels or for where such contact is inappropriate;
- To lead the Independent and Non-executive Director in providing and facilitating a non-executive perspective and contributing a balance of viewpoints to the Board in particular, acting as principal liaison between the Independent and Non-executive Director and the Chairman on sensitive issues;
- To coordinate the activities and schedule meetings of Independent and Non-executive Directors and to chair such meetings without the presence of the Executive Director, if necessary;
- To promote high standards of corporate governance; and
- To undertake such further responsibilities as may be determined by the Board from time to time.

## Board Composition and Guidance and Board Membership (Principles 2 & 4)

### Independent Members of the Board of Directors

As at the date of this Report, the Board of Directors has four independent members, representing 67% of the Board, namely Mr Lee Yong Guan, Mr Pow Tien Tee, Mr Kam Boon Cheong and Mr Lim Chin Hong. The other two Executive Directors are Mr Kwong Kim Mone, and Mr Lim Chin Tong. Mr Kwong Kim Mone was the Chairman and Managing Director of the Company during FY2018 and re-designated as Non-Executive and Non-Independent Chairman in February 2019. Mr Lim Chin Tong was the Executive Director during FY2018 and appointed as Chief Executive Officer in FY2019 and remains as Executive Director. With four Independent Directors, the Board is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on issues.

The NC has adopted the Code's definition of what constitutes an Independent Director in its review. Amongst its Independent Directors, Mr Lee Yong Guan, has served on the Board the longest, surpassing the nine years tenure. Whilst the NC acknowledges members' strong support for Board renewal, it also holds the view that Mr Lee Yong Guan's contributions and impartiality have not been in any way diminished by his long service. Instead, the Board has continued to profit immensely from his rich experience, contrarian views and steady hand that can only be gleaned through the rigors of time. In determining Mr Lee's independence, the NC has also taken into account his performance and contributions in his lead ID role and as Chairman of the Audit Committee (in addition to his participation in the other Committees); and the manner in which these roles are carried out, independently of Management. At the same time, the NC has also individually reviewed and affirmed the independence of the other Independent Directors with the concurrence of the Board.

The names and the key information of the directors of the Company in office at the date of this report are set out in the Statement By Directors and page 4 and 5 of this Annual Report.

The NC reviews the size and composition of the Board annually to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective and informed decision-making. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new director with specific skills-sets in a particular area or areas of expertise, the NC is tasked to identify and consider such individual(s) for appointment to the Board.

# CORPORATE GOVERNANCE

The Board does not have a specific policy for nomination and/or appointment of women candidates on Board. New candidature would be evaluated based on the candidates' suitability, competency, character, time commitment, integrity, skills and experience in meeting the Group's needs without limiting to gender, age or ethnicity. The Board would also take into account the personal qualities and background of the candidate.

The NC is of the view that the current size of the Board is appropriate, considering the nature and scope of the Group's operations. The NC is satisfied that the Board comprises directors who as a whole provide adequate knowledge and expertise in such areas as accounting, finance, business and management experience, industry and customer knowledge, and strategic planning with an orientation towards the market.

## **Audit Committee (Principle 12)**

The AC comprises four (4) members, including the AC Chairman, all of whom are Independent Directors. The members of the AC at the date of this Report are:

Mr Lee Yong Guan                      (Chairman)  
Mr Pow Tien Tee  
Mr Kam Boon Cheong  
Mr Lim Chin Hong

The overall objective of the AC is to ensure that Management has created and maintained effective control mechanisms within the Company and that such controls are strictly adhered to by all levels of management and employees.

The AC has the explicit authority to investigate any matter within its terms of reference. It has full access to and the co-operation of Management and the full discretion to invite any director or senior manager to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities efficiently.

As a sub-committee of the Board, the AC provides a channel of communication between the Board, Management, the internal and external auditors with regards to findings and recommendations arising from internal and external audits.

The terms of reference for AC are as follow:

- assists the Board in discharging its statutory responsibilities on financial and accounting matters;
- reviews the financial and operating results and accounting policies of the Group;
- reviews significant financial reporting issues and judgments relating to financial statements for each financial year, interim and annual results announcement before the submission to the Board for approval and inclusion in external auditors' report;
- reviews the adequacy of the Company's internal controls (financial, compliance and operational) and risk management policies and systems established by the management; considers and reviews the assistance given by Management of the Group to the auditors;
- reviews the external audit plans and reports as well as the results of the external auditors' examination and evaluation of the Group's internal accounting control systems; and considers the effectiveness of the actions taken by Management on the external auditors' recommendations;
- recommends the re-appointment of the external auditors, approves their compensation and their terms of engagement;
- reviews interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders;
- reviews the internal audit plans and findings of the internal audit;
- review annually to ensure that the nature and extent of non-audit services provided by external auditors would not affect their independence as external auditors of the Group; and generally undertakes such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time;
- meets with the external and the internal auditors at least once a year without the presence of management.

# CORPORATE GOVERNANCE

The AC also meets with the internal auditors and external auditors, without the presence of management, once in FY2018. With the full co-operation of Management given to external auditors and internal auditors during their course of audit reviews, there was no significant issue which warranted to AC's attention.

In FY2018, the number of AC meetings held and attended by each member of the Committee is as follows:

| Name of director            | Appointment | Number of meetings held | Attendance |
|-----------------------------|-------------|-------------------------|------------|
| Mr Lee Yong Guan (Chairman) | Independent | 2                       | 2          |
| Mr Pow Tien Tee             | Independent | 2                       | 2          |
| Mr Kam Boon Cheong          | Independent | 2                       | 2          |
| Mr Lim Chin Hong            | Independent | 2                       | 2          |

The Group has complied with Listing Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to the appointment of auditors.

In addition to the activities undertaken to fulfill its responsibilities, the AC is kept abreast by the Management, external and internal auditors on changes to accounting standards, stock exchange rules and other codes and regulations which could have an impact on the Group's business and financial statements.

The amount of audit and non-audit fees for FY2018 paid to the external auditors, RSM Chio Lim LLP, were S\$120,000 and S\$55,100 respectively. The AC confirms that it has undertaken a review of all the non-audit services provided by the external auditors, RSM Chio Lim LLP, during the year and is satisfied that such services, would not affect the independence of the external auditors. No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

## Key Audit Matters

Refer to the key audit matters highlighted by the external auditor on page 49 and 50 of the Annual Report, AC's view and responses are as follows:

| Key audit matters            | AC's view and responses   |
|------------------------------|---|
| Disposal group held for sale | <p>Assets and liabilities held for sale amounted to S\$36.6 million and S\$10.6 million respectively as at the end of the reporting year and the net carrying amount of the assets held for sale amounted to S\$26.0 million, which accounted for 59% of the group's net assets as at the reporting year end.</p> <p>Management has measured assets and liabilities classified as held for sale at lower of their carrying amounts and fair value less costs of disposal. Management has also confirmed the group's commitment to sell the assets within a reasonable time frame.</p> <p>On 20 February 2019, the Company had successfully completed the Disposal and had received 80% of the Sale Price. The proceeds of disposal have exceeded the net carrying amount of the assets and liabilities.</p> <p>The above procedures provided the AC with the assurance to concur with the management's conclusion on the measurement and classification of assets and liabilities held for sale as well as the appropriateness of the related disclosures made.</p> |





The terms of reference for NC are as follow:

- develops and maintains a formal and transparent process for the appointment and re-appointment of directors; having regard to the directors' contributions and performance;
- identifies candidates and reviews all nominations for appointment of new directors, determining whether or not such nominee has the requisite qualifications; sets up a process for the selection of such appointments and recommends all appointments of directors to the Board and Board committees;
- decides how the Board's performance may be evaluated, and prepares objective performance criteria to assess the effectiveness of the Board as a whole and its Committees;
- identifies gaps in the mix of skill, experience and other qualities required in an effective Board so as to nominate or recommend suitable candidates to fill the gaps;
- reviews the independence of each Director annually, decides whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple Board representations; and
- reviews training and professional development programmes for the Board.

The NC in carrying out its tasks under these terms of reference may obtain such outside or other independent professional advice, as it considers necessary to carry out its duties.

The NC acknowledges the importance of a formal assessment of the Board performance and for FY2018, this was conducted by means of a performance appraisal completed by all Directors and a performance review facilitated by the NC Chairman. The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs for the financial year and satisfied with the performance of the Board as a whole.

The attendance, participation and contributions of each Director at Board, Audit and other Committee meetings were also considered. The NC meets at least once annually.

In FY 2018, the number of NC meetings held and attended by each member of the Committee is as follows:

| <b>Name of director</b>          | <b>Appointment</b> | <b>Number of meetings held</b> | <b>Attendance</b> |
|----------------------------------|--------------------|--------------------------------|-------------------|
| Mr Kam Boon Cheong (Chairman)    | Independent        | 1                              | 1                 |
| Mr Kwong Kim Mone <sup>(1)</sup> | Executive          | 1                              | 1                 |
| Mr Lee Yong Guan                 | Independent        | 1                              | 1                 |
| Mr Pow Tien Tee                  | Independent        | 1                              | 1                 |
| Mr Lim Chin Hong                 | Independent        | 1                              | 1                 |

<sup>(1)</sup> Re-designated as Non-Executive and Non-Independent Chairman on 21 February 2019.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he is an interested party.

Article 91 of the Constitution of the Company requires one-third of the Board to retire by rotation at every Annual General Meeting ("AGM") and the retiring Directors are eligible to offer themselves for re-election respectively.

The NC has reviewed and recommended the re-election of Mr Lim Chin Hong and Mr Pow Tien Tee who will be retiring at the forthcoming AGM pursuant to Article 91 of the Company's Constitution. The Board has accepted the recommendations of the NC to re-elect them following the retiring Director's affirmation to be re-elected.

Mr Lim Chin Hong will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, Nominating Committee, Remuneration Committee and Investment Committee and will be considered independent.

# CORPORATE GOVERNANCE

Mr Pow Tien Tee will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee, Nominating Committee and Investment Committee and will be considered independent.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as set out in Appendix 7.4.1 relating to the above Directors to be put forward for re-election at the forthcoming Annual General Meeting is disclosed below:

| <b>Name of retiring Director</b>   | <b>Mr Lim Chin Hong</b>  | <b>Mr Pow Tien Tee</b>   |
|--|--|--|
| Date of appointment  | 1 February 2016  | 28 April 2014  |
| Date of last re-appointment  | 22 April 2016  | 22 April 2016  |
| Age  | 62   | 75   |
| Country of principal residence   | Singapore  | Singapore  |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)  | The Board, having considered the recommendation of the Nominating Committee and having assessed Mr Lim's requisite knowledge and experiences to assume the responsibilities as Independent Director of the Company.                            | The Board, having considered the recommendation of the Nominating Committee and having assessed Mr Pow's requisite knowledge and experiences to assume the responsibilities as Independent Director of the Company.                  |
| Whether appointment is executive, and if so, the area of responsibility  | Non-Executive  | Non-Executive  |
| Job title (e.g. Lead ID, AC Chairman, AC Member etc.)  | Independent Director, Member of Audit Committee, Nominating Committee, Remuneration Committee and Investment Committee   | Independent Director, Chairman of Remuneration Committee, Member of Audit Committee, Nominating Committee and Investment Committee   |
| Professional qualifications  | Mr Lim obtained his B Sc (Hons) in Production Engineering and Management from University of Strathclyde (UK) and a MBA from Golden Gate University (US). He has also completed a General Management Program from NUS-Stanford Business School. | Mr Pow has a degree in Business Administration in Political Science and History from Nanyang University, Singapore. He was conferred honorary Professorship by Xi'an University of Electronic Science and Technology, Xi'an in 2009. |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | None   | None   |
| Conflict of interest (including any competing business)  | None   | None   |
| Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 720(1))   | Yes  | Yes  |

# CORPORATE GOVERNANCE

| Name of retiring Director                                       | Mr Lim Chin Hong  | Mr Pow Tien Tee  |
|---|---|--|
| Working experience and occupation(s) during the past 10 years   | <p>Mr Lim was CTO/EVP of Sunningdale Tech Pte Ltd from year 2005 to 2012. Managing the Group IT&amp;ERP/ Group Mold &amp; Tooling Business/Group Medical Business/China Subsidiaries/ etc. From 2013 to early 2014, he was Partner of Small World Group Incubator Pte Ltd, managed the incubation and mentoring startup companies. Investing and consulting businesses. From 2014 to current, he is a Founding and Managing Partner of GreenMeadows Accelerator Pte Ltd. (GMA), managed private investment and consultancy of companies.</p> <p>Mr Lim joined the Board of Manufacturing Integration Technology Ltd as Independent Director on 1 February 2016, he was also member of the Audit Committee, Nominating Committee, Remuneration Committee and Investment Committee.</p> | <p>Mr Pow was a Board Member and Vice President of Infineon AP Pte Ltd and Chairman of Infineon China, Infineon Shanghai and Wuxi. Following his retirement in 2012, he was appointed Senior Advisor to the Infineon AP Management for a year.</p> <p>Mr Pow joined the Board of Manufacturing Integration Technology Ltd as Independent Director on 28 April 2014, he was also a Chairman of Remuneration Committee and a member of the Audit Committee, Nominating Committee and Investment Committee.</p> |
| Shareholding interest in the listed issuer and its subsidiaries | Yes   | Yes  |
| Shareholding details  | 25,000 ordinary shares  | 175,000 ordinary shares  |
| Other Principal Commitments Including Directorships             |   |  |
| Past (for the last 5 years)                                     | <ul style="list-style-type: none"> <li>-Avetics Global Pte Ltd</li> <li>-GCoreLabs Pte Ltd</li> <li>-Ascendia Technologies Pte Ltd</li> </ul>   | NIL  |
| Present   | <ul style="list-style-type: none"> <li>-Small Animal Husbandry Care Pte Ltd</li> <li>- GreenMeadows Accelerator Pte Ltd</li> </ul>  | NIL  |

# CORPORATE GOVERNANCE

| Name of retiring Director   | Mr Lim Chin Hong | Mr Pow Tien Tee |
|---|------------------|-----------------|
| Information Required Pursuant to Listing Rule 704(7)  |                  |                 |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?   | No.              | No.             |
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No.              | No.             |
| (c) Whether there is any unsatisfied judgment against him?  | No.              | No.             |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?  | No.              | No.             |
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?  | No.              | No.             |
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?  | No.              | No.             |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?   | No.              | No.             |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?  | No.              | No.             |

# CORPORATE GOVERNANCE

| Name of retiring Director  | Mr Lim Chin Hong | Mr Pow Tien Tee |
|--|------------------|-----------------|
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?  | No.              | No.             |
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-   |                  |                 |
| (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or   | No.              | No.             |
| (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or  | No.              | No.             |
| (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or   | No.              | No.             |
| (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?  | No.              | No.             |
| (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?  | No.              | No.             |
| Disclosure Applicable to the Appointment of Director Only  |                  |                 |
| <p>Any prior experience as a director of an issuer listed on the Exchange?</p> <p>If Yes, please provide details of prior experience.</p> <p>If No, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)</p> <p>Note:<br/>N.A. – Not Applicable</p> | N.A.             | N.A.            |

# CORPORATE GOVERNANCE

The NC has guidelines addressing competing time commitments faced when Directors serve on multiple listed company boards or have other principal commitments. Each Director shall not serve more than a maximum of five (5) Board Directorships in public listed companies at any one time and each Director is required to disclose to the NC his board representation(s). Based on the attendance and participation of the Directors for FY2018, the NC has reviewed and is satisfied that the directors have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as directors of the Company.

## Remuneration Committee (“RC”)

The RC consists of four (4) members, all of whom including the RC Chairman, are Independent Directors.

The members of the RC at the date of this Report are:

Mr Pow Tien Tee (Chairman)  
Mr Lee Yong Guan  
Mr Kam Boon Cheong  
Mr Lim Chin Hong

The terms of reference for RC are as follow:

- to review and recommend to the Board, a framework of remuneration for the Board and key executives, and to determine specific remuneration packages for each Executive Director. RC’s recommendations will be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. RC’s review covers all aspects of remuneration, including but not limited to directors’ fees, salaries, allowances, bonuses, options and benefits-in-kind;
- to function as “The Committee” referred to in the MIT Employees’ Share Option Scheme (“the Scheme”) and shall have all the powers as set out in the Scheme; and
- to administer the MIT Performance Share Plan upon the terms and conditions as defined in the MIT Performance Share Plan.

As part of its review, the RC shall ensure that:

- all aspects of remuneration including directors’ fees, salaries, allowances, bonuses, options and benefits-in-kind are covered;
- the remuneration packages should be comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual executive directors’ and key executives’ performances; and
- the remuneration package of employees related to executive directors and controlling shareholders of the Group are in line with the Group’s staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

Each RC member refrains from voting on any resolutions in respect of the assessment of his remuneration and that no RC member is involved in determining his own remuneration.

In FY2018, the number of RC meetings held and attended by each member of the Committee is as follows:

| Name of director           | Appointment | Number of meetings held | Attendance |
|----------------------------|-------------|-------------------------|------------|
| Mr Pow Tien Tee (Chairman) | Independent | 1                       | 1          |
| Mr Lee Yong Guan           | Independent | 1                       | 1          |
| Mr Kam Boon Cheong         | Independent | 1                       | 1          |
| Mr Lim Chin Hong           | Independent | 1                       | 1          |

## **Board Performance (Principle 5)**

For the current year under review, the NC has conducted a formal assessment of the effectiveness of the Board as a whole, and is of the view that the current Board comprises directors who, as a group, possess the necessary core competencies to lead and direct the Company and its Management to perform effectively and efficiently.

At the individual level, each of the directors has also made invaluable contributions towards the overall improvement of the Board's performance and raising the level of corporate governance.

## **Access to Information (Principle 6)**

Management regularly updates the directors on developments within the Group. All directors have unrestricted access to the Company's records and information and receive periodic management accounts to enable them to constantly keep track of the Group's financial position. Detailed papers are prepared for each meeting and are normally circulated before each Board meeting. Board directors have access to all levels of senior executives in the Group, and are encouraged to interact with other employees to seek additional information if they so require.

The Company Secretary and/or her representative attend AC and Board meetings regularly. The role of the Company Secretary includes responsibility for ensuring that Board procedures are followed and applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary also ensures timely information flows within the Board and its Board Committees and between the Management and Independent Directors.

The annual calendar of Board activities is set in advance. Board papers are dispatched to Directors at least a week in advance before Board meetings so that Directors have sufficient time to consider the background and explanatory information relating to matters to be tabled and discussed at relevant Board meetings. Senior management may attend the Board meetings to provide additional insights into matters to be discussed. The Board also has separate and independent access to the company's management and the company secretary.

## **Remuneration Matters, Level and Mix of Remuneration and Disclosure on Remuneration (Principles 7, 8 and 9)**

The Group's remuneration policy is to provide compensation packages at market rates to reward, retain and motivate high levels of performance. In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual.

The RC determines and reviews the remuneration packages for all Directors and key executives based on their job functions, the performance of the Group and their individual performance. Non-executive directors are being paid by directors' fees, which are determined by the full Board based on their contributions and scope of responsibilities. The payment of Directors' fees is subject to the approval of shareholders at each AGM. No director is involved in deciding his own remuneration.

Only the Chief Executive Officer has a Service Agreement. The Service Agreement is for a renewable period of two years and may be terminated by either party giving not less than three months written notice. The RC shall review the terms of the Service Agreement at the appropriate time prior to its expiry and shall submit their recommendations to the Board.

The performance of the Chief Executive Officer and key executives are reviewed periodically by the RC to ensure that their remuneration commensurate with their scope of responsibilities, contributions and performance.

Guideline 8.4 of Code recommends that Companies are encouraged to consider the use of contractual provisions to allow companies to reclaim incentive components of remuneration from executive directors and key management personnel, in exceptional circumstances of misstatement and misconduct resulting in financial loss to the Company. These provisions have been made in the service contract of our Chief Executive Officer.

# CORPORATE GOVERNANCE

In FY2018, the remuneration of the Directors of the Company and Key Executives of the Group are as follows:

| Directors of the Company         | Total Remuneration (\$S'000) | Fee | Salary | AWS/Bonus | Allowances and Other Benefits | CPF | Total |
|----------------------------------|------------------------------|-----|--------|-----------|-------------------------------|-----|-------|
| Mr Kwong Kim Mone <sup>(1)</sup> | 516                          | -   | 78%    | 18%       | 3%                            | 1%  | 100%  |
| Mr Lim Chin Tong <sup>(2)</sup>  | 288                          | -   | 77%    | 7%        | 14%                           | 2%  | 100%  |
| Mr Lee Yong Guan                 | 37                           | 97% | -      | -         | 3%                            | -   | 100%  |
| Mr Pow Tien Tee                  | 34                           | 96% | -      | -         | 4%                            | -   | 100%  |
| Mr Kam Boon Cheong               | 34                           | 96% | -      | -         | 4%                            | -   | 100%  |
| Mr Lim Chin Hong                 | 33                           | 96% | -      | -         | 4%                            | -   | 100%  |

<sup>(1)</sup> Re-designated as Non-Executive and Non-Independent Chairman on 21 February 2019

<sup>(2)</sup> Appointed as Chief Executive Officer on 21 February 2019

| Key Executives of the Group              | Fee | Salary | AWS/Bonus | Allowances and Other Benefits | CPF | Total |
|--|-----|--------|-----------|-------------------------------|-----|-------|
| <u>Below S\$250,000</u>                  |     |        |           |                               |     |       |
| Mr David Foo Wah Meng <sup>(3)</sup>     | -   | 63%    | 13%       | 16%                           | 8%  | 100%  |
| Mr Cavin Teo Siew Heng <sup>(3)</sup>    | -   | 62%    | 13%       | 19%                           | 6%  | 100%  |
| Mr Dennis Foo Piau Yew                   | -   | 63%    | 13%       | 16%                           | 8%  | 100%  |
| Mr Howe Weng Khiong <sup>(3)</sup>       | -   | 63%    | 13%       | 16%                           | 8%  | 100%  |
| <u>Between S\$250,000-S\$499,999</u>     |     |        |           |                               |     |       |
| Mr Eddy Lim Kok Yeow <sup>(3)</sup>      | -   | 62%    | 18%       | 13%                           | 7%  | 100%  |
| Mr Boh Teck Keong                        | -   | 67%    | 14%       | 15%                           | 4%  | 100%  |
| Mr Han Meng Kwang                        | -   | 69%    | 14%       | 11%                           | 6%  | 100%  |
| Mr Tan Ban Hee <sup>(3)</sup>            | -   | 62%    | 18%       | 13%                           | 7%  | 100%  |
| Mr Terence Chua Yee Heong <sup>(3)</sup> | -   | 65%    | 19%       | 10%                           | 6%  | 100%  |

<sup>(3)</sup> With the completion of the sale of MIT Semiconductor Pte Ltd and its subsidiaries to the new Purchaser on 20 February 2019, Mr Tan Ban Hee has relinquished his position as Chief Financial Officer. Together with Mr Terence Chua Yee Heong (SVP, Business & Services), Mr Eddy Lim Kok Yeow (SVP, Technology & Development), Mr Howe Weng Khiong (SVP, Operations) and Mr Cavin Teo Siew Heng (Head, Corporate), they will move on to serve in the divested business.

The total annual aggregate remuneration of the top five key executives (who are not directors or the CEO) in FY2018 is S\$1,408,274. The RC and the Board are of the view that the remuneration of the Directors and key executives are adequate but not excessive in order to attract, retain and motivate them to run the Company successfully.

There are no employees who are immediate family members of the directors and whose remuneration exceeded S\$50,000 during FY2018.

There are no termination, retirement and post-employment benefits granted to Directors, the Chairman and Managing Director or the top five key management personnel in FY2018.

## Long Term share incentives – MIT Performance Share Plan and Employees' Share Option Scheme

As the Group seeks to foster a culture that aligns the interests of employees with those of shareholders, it has put in place share-based plans for employees. These plans allow employees to participate, contribute and share in the Group's growth and success.



The Company had adopted the MIT Employee Share Option Scheme (“ESOS”) in 2009 and information on ESOS is set out in the Statement by Directors on Page 45 and 46. The ESOS will be expiring in November 2019 and a new scheme is being proposed at the annual general meeting for shareholders’ approval.

The MIT Performance Share Plan (“PSP”) has been renewed for a further period of 10 years from 27 April 2017 to 26 April 2027 at the general meeting held on 21 April 2017. Information on PSP is set out in the Statement by Directors on Page 47.

## Investment Committee (“IC”)

As at the date of this Report, the IC comprises all six (6) Directors: One (1) Executive Director, one (1) Non-Executive and Non-Independent Director and four (4) Independent Directors. The members of the IC as at the date of this Report are:

Mr Kwong Kim Mone (Chairman)  
Mr Lim Chin Tong  
Mr Lee Yong Guan  
Mr Pow Tien Tee  
Mr Kam Boon Cheong  
Mr Lim Chin Hong

The duties of the IC include:

- to implement and review the Group’s investment strategies and policies;
- to evaluate the investment decisions of a non-operating and non-revenue nature for the Group and / or its subsidiary companies;
- to review deployment of financial resources with a view to ensure efficient allocation to the various businesses of the Group;
- to review the incorporation of new subsidiary companies, corporate finance activities including joint ventures, mergers and acquisition; and
- to undertake any responsibilities relating to investment policy and procedures as determined by the Board.

In FY2018, the number of IC meetings held and attended by each member of the Committee is as follows:

| Name of director                 | Appointment | Number of meetings held | Attendance |
|----------------------------------|-------------|-------------------------|------------|
| Mr Kwong Kim Mone <sup>(1)</sup> | Executive   | 2                       | 2          |
| Mr Lim Chin Tong <sup>(2)</sup>  | Executive   | 2                       | 2          |
| Mr Lee Yong Guan                 | Independent | 2                       | 2          |
| Mr Pow Tien Tee                  | Independent | 2                       | 2          |
| Mr Kam Boon Cheong               | Independent | 2                       | 2          |
| Mr Lim Chin Hong                 | Independent | 2                       | 2          |

<sup>(1)</sup> Re-designated as Non-Executive and Non-Independent Chairman on 21 February 2019.

<sup>(2)</sup> Appointed as Chief Executive Officer on 21 February 2019

## Accountability and Audit (Principle 10)

In presenting the annual financial statements and half-yearly result announcements to shareholders, it is the responsibility of the Board to provide shareholders with a detailed analysis, explanation and assessment of the Group’s financial position and prospects. News releases and half-yearly results announcements are published through SGXnet. For interim financial statements, it is released within 45 days from the end of the period whereas for full-year results it is released within 60 days from the financial year end. For interim financial statements, the Board has provided negative assurance confirmation to the shareholders. The Company’s Annual Reports, results announcements and other announcements released via SGXnet are also made available on the Company’s website at [www.mitech-ltd.com.sg](http://www.mitech-ltd.com.sg).

# CORPORATE GOVERNANCE

Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

## **Risk Management and Internal Controls (Principle 11)**

The Board has put in place an internal control and risk management system to safeguard shareholders' investment and company's assets.

To assist the Board in carrying out its responsibilities, Management has established an Enterprise Risk Management Committee ("ERMC"). The ERMC is chaired by Mr Lim Chin Tong, the CEO and comprises its key executives. It reports to the AC.

The system of internal control provides reasonable, but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen in the light of current business environment and its inherent risks.

The Group's internal auditors have in the course of their audits carried out stringent reviews to identify weak links and potential risk areas. The AC reviews these reports and ensures that appropriate and timely counter-measures are taken by Management as part of its continuous improvement efforts to enhance further its internal control systems and practices.

During the financial year, the Group's external and internal auditors had conducted annual review of the adequacy and effectiveness of the Group's internal controls that address financial, operational, information technology and compliance risks. No significant weaknesses were noted.

The Board has received assurance from then Managing Director and CFO as well as concurrence of the AC that:

- (a) the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2018 give a true and fair view of the Group's operations and finances; and
- (b) the systems of internal controls and risk management in place were adequate and effective addressed financial, operational, information technology and compliance risks which are considered relevant and material to its operations as at 31 December 2018.

Based on the internal control and risk management systems established and maintained by the Group, work performed by external and internal auditors and periodic reviews by Management, the Board and various Board Committees, the Board with concurrence of the AC, is of the opinion that the Group's internal control and risk management systems were adequate and effective as at 31 December 2018 to address financial, operational, information technology, and compliance risks, which the Group considers relevant and material to its operations.

## **Internal Audits (Principle 13)**

The Company's internal audit function has been outsourced to Baker Tilly TFW LLP. The internal auditor reports directly to the Chairman of the AC. The AC also reviews and approves the annual internal audit plans and resources to ensure that the internal auditor has the necessary resources to adequately perform its functions. The AC meets with the internal auditor, without the presence of Management, at least once a year.

With the full co-operation of Management given to the internal auditors during their course of audit, there was no significant issue which warranted to AC's attention that require separate meeting with the internal auditors without the presence of management for FY2018.

## **Shareholders Rights and Responsibilities (Principles 14, 15 & 16)**

In line with the continuous disclosure obligations of the Company pursuant to Listing Manual of the SGX-ST and the Companies Act, Chapter 50, the Board's policy is that all shareholders should be equally informed of all major developments that impact the Group.

Any major or material development is first disseminated via SGXnet followed by a press release, whenever necessary. Price sensitive information is first publicly released, either before the Group meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports are announced or issued within the mandatory period. The Company does not practice selective disclosure of information.

The Company has adopted a Dividend Policy that aims to provide shareholders of the Company with a target annual dividend payout of at least 25% of the net profit attributable to shareholders in any financial year. Such declaration and payment of dividends shall be determined at the sole discretion of the Board after taking into account the Company's financial performance, retained earnings and distributable reserves, working capital requirements and future expansion plans, and any other factors that the Board deemed appropriate. Any dividend payments are clearly communicated to shareholders via announcements on SGXnet.

All shareholders of the Company will receive the Annual Report and Notice of AGM. The AGM of the Company provides a principal forum for dialogue and interaction with shareholders. At each AGM, the Board encourages shareholders to participate in the question-and-answer session. Board Committees' Chairpersons, Members of the Board and the external auditors of the Company are present to answer questions raised at the AGM.

Shareholders have the opportunity to participate effectively in and to vote at all general meetings. In addition, shareholders will also be provided with instructions on voting during general meetings, where voting is conducted by poll.

A shareholder who is unable to attend the general meetings is entitled to appoint up to two proxies, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50). A relevant intermediary is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

The Company also provides separate resolutions at general meetings on each substantially separate issue (where applicable) as recommended by the Code. Minutes of the general meeting which include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and response from the Board Committees' Chairpersons and Members of the Board were taken. Minutes of general meetings would be available to shareholders upon written requests.

Voting at general meetings would be conducted by way of poll pursuant to Rule 730A (2) of the Listing Manual of the SGX-ST. Announcement on the poll results (showing the number of votes cast for and against each resolution and the respective percentage) will be released after each of the meeting via SGXnet.

## **Material Contracts**

Pursuant to a conditional share purchase agreement dated 18 July 2018 as amended, varied and modified by a substitution agreement dated 8 October 2018 and a supplemental agreement dated 4 January 2019, the Company had, on 20 February 2019, disposed its entire shareholding interest in its then wholly-owned subsidiary, MIT Semiconductor Pte. Ltd., to MIT Semiconductor (Tian Jin) Company Limited (砺铸智能设备(天津)有限公司) (the "Purchaser") at a cash consideration of S\$84.5 million (the "Disposal"). At the time of the Disposal, none of the Directors or Controlling Shareholders holds any interest, direct or indirect, in the Purchaser although it is envisaged that Mr. Kwong Kim Mone, the current Non-Executive and Non-Independent Chairman as well as a Controlling Shareholder of the Company, and his management team will acquire or subscribe for up to 10% of the equity interest of the Purchaser after completion of the Disposal has taken place. In view of Mr. Kwong Kim Mone's anticipated participation in the equity interest of the Purchaser, the Directors, being conscious of the need to comply with the spirit of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and in order to demonstrate the exercise of proper corporate governance and to provide greater transparency, had deemed the Disposal as an "interested person transaction" within the meaning defined in Chapter 9 of the Listing Manual and had complied with the requirements of Chapter 9 of the Listing Manual when independent shareholders' approval was being sought by the Company for

# CORPORATE GOVERNANCE

the Disposal. The acquisition or subscription by Mr Kwong Kim Mone and his management team in the equity of the Purchaser has yet to take place. Further information relating to the Disposal are contained in the Company's circular to shareholders dated 2 January 2019, a copy of which is available at the SGX-ST's website at [www.sgx.com](http://www.sgx.com).

Save as disclosed above, there are no material contracts or loans of the Company or its subsidiaries involving the interests of any Director or Controlling Shareholder, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

## **Interested Person Transactions**

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are at arm's length basis. All interested person transactions are subject to review by the AC to ensure compliance with the established procedures.

During FY2018, save for the Disposal as described in the preceding section titled "Material Contracts" which was deemed by the Directors to be an "interested person transaction", the Company did not enter into any interested person transaction which aggregate value exceeds S\$100,000.

## **Securities Transactions**

The Company has a clear policy on the trading of its shares by directors and executives within the Group. The Company has adopted its own internal Code of Best Practices on Securities Transactions ("the Securities Transactions Code"). The Securities Transactions Code provides guidance to the directors and executives of the Group with regard to dealing in the Company's shares. It emphasises that the law on insider trading is applicable at all times, notwithstanding the window periods for dealing in the shares. The Securities Transactions Code also enables the Company to monitor such share transactions by requiring employees to report to the Company whenever they deal in the Company's shares.

The Group issues circulars to its directors and officers informing them that they must not trade in the listed securities of the Company one month before the announcement of the Group's half-yearly and full year results and ending on the date of the announcement of such results. Directors and executives of the Group are also encouraged not to deal in the Company's securities on short-term considerations.

The directors are required to notify the Company of any dealings in the Company's securities (during the open window period) within two (2) business days of the transactions). The Board is satisfied with the Group's commitment in compliance with the Code and on the adequacy of internal controls within the Group.

The Group has complied with its Best Practices on Securities Transactions with Listing Rule 1207(19) of the Listing Manual of SGX-ST.

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# STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2018.

## 1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

## 2. Directors

The directors of the company in office at the date of this statement are:

|                 |  |
|-----------------|--|
| Kwong Kim Mone  | (Non-Executive and Non-Independent Chairman)     |
| Lim Chin Tong   | (Executive Director and Chief Executive Officer) |
| Lee Yong Guan   | (Lead Independent Director)                      |
| Pow Tien Tee    | (Independent Director)                           |
| Kam Boon Cheong | (Independent Director)                           |
| Lim Chin Hong   | (Independent Director)                           |

## 3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year had no interests in shares or in debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 ("the Act"), except as follows:

| Name of directors and companies<br>in which interest are held        | Shareholdings registered<br>in the name of the directors |                                    | Shareholdings in which directors<br>are deemed to have an interest |                                    |
|--|--|------------------------------------|--|------------------------------------|
|  | At beginning of<br>the reporting<br>year                 | At end of the<br>reporting<br>year | At beginning of<br>the reporting<br>year                           | At end of the<br>reporting<br>year |
| The company:<br><u>Manufacturing Integration<br/>Technology Ltd.</u> |  |                                    |  |                                    |
|  | <u>Number of ordinary shares of no par value</u>         |                                    |  |                                    |
| Kwong Kim Mone   | 4,984,118  | 4,984,118                          | 120,627,910  | 120,627,910                        |
| Lim Chin Tong  | 1,804,000  | 1,804,000                          | –  | –                                  |
| Lee Yong Guan  | 461,000  | 461,000                            | –  | –                                  |
| Pow Tien Tee   | 150,000  | 150,000                            | 9,000  | 9,000                              |
| Kam Boon Cheong  | 1,270,000  | 1,270,000                          | –  | –                                  |

# STATEMENT BY DIRECTORS

### 3. Directors' interests in shares and debentures (cont'd)

| Name of directors and companies<br>in which interest are held | Shareholdings registered<br>in the name of the directors |                                    | Shareholdings in which directors<br>are deemed to have an interest |                                    |
|---|--|------------------------------------|--|------------------------------------|
|   | At beginning of<br>the reporting<br>year                 | At end of the<br>reporting<br>year | At beginning of<br>the reporting<br>year                           | At end of the<br>reporting<br>year |
| Ultimate parent company:<br>MIT Technologies Pte Ltd          | <u>Number of ordinary shares of no par value</u>         |                                    |  |                                    |
| Kwong Kim Mone  | 260,000  | 260,000                            | –  | –                                  |

By virtue of section 7 of the Act, Mr Kwong Kim Mone is deemed to have an interest in the company and in all the related body corporate of the company.

The directors' interests as at 21 January 2019 were the same as those at the end of the reporting year.

### 4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate except for the options rights and other rights mentioned below.

### 5. Shares options

Employees' Share Option Scheme ("ESOS") of Manufacturing Integration Technology Ltd.:-

- (i) enables directors and selected full-time employees of the company and/or its subsidiary companies to acquire unissued ordinary shares of the company.
- (ii) is administered by the Remuneration Committee (the "Committee") comprising 4 independent directors of the company. It shall continue to be in force at the discretion of the Committee based on details as stated below. However, the period may be extended with the approval of shareholders at a general meeting of the company and any relevant approval which may then be required.

At the end of the reporting year, there were 6,654,500 (2017: 11,371,400) unissued ordinary shares of the company under options granted pursuant to the ESOS.

Details of the options to subscribe for ordinary shares of no par value in the capital of the company, pursuant to the ESOS are as follows:

| Date of grant   | Balance as<br>at 1.1.2018 | Granted | Lapsed  | Exercised | Balance as at<br>31.12.2018 | Exercise<br>Price | Expiry Date  |   |
|---|---------------------------|---------|---------|-----------|-----------------------------|-------------------|--------------|---|
| <u>Options to subscribe number of unissued ordinary shares of no par value:</u> |                           |         |         |           |                             | \$                |              |   |
| 6 March 2008  | 20,000                    | –       | –       | 20,000    | –                           | 0.1500*           | 5 March 2018 |   |
| 6 March 2008  | 20,000                    | –       | –       | 20,000    | –                           | 0.1200**          | 5 March 2018 |   |
| 14 May 2012   | 130,000                   | –       | –       | 30,000    | 100,000                     | 0.1000*           | 13 May 2022  | # |
| 14 May 2012   | 180,000                   | –       | –       | 30,000    | 150,000                     | 0.0800**          | 13 May 2022  | # |
| 9 June 2014   | 981,000                   | –       | 120,000 | 461,000   | 400,000                     | 0.0650*           | 8 June 2024  | # |
| 9 June 2014   | 1,085,000                 | –       | 120,000 | 515,000   | 450,000                     | 0.0520**          | 8 June 2024  | # |

# STATEMENT BY DIRECTORS

## 5. Shares options (cont'd)

| Date of grant    | Balance as at 1.1.2018 | Granted  | Lapsed         | Exercised        | Balance as at 31.12.2018 | Exercise Price | Expiry Date      |   |
|------------------|------------------------|----------|----------------|------------------|--------------------------|----------------|------------------|---|
|                  |                        |          |                |                  |                          | \$             |                  |   |
| 15 December 2014 | 18,000                 | –        | –              | 18,000           | –                        | 0.0830*        | 14 December 2024 |   |
| 15 December 2014 | 25,000                 | –        | –              | 25,000           | –                        | 0.0660**       | 14 December 2024 |   |
| 20 May 2016      | 3,837,400              | –        | 107,400        | 1,564,000        | 2,166,000                | 0.1940*        | 19 May 2026      | # |
| 20 May 2016      | 4,475,000              | –        | 140,000        | 1,546,500        | 2,788,500                | 0.1550**       | 19 May 2026      | # |
| 5 June 2017      | 300,000                | –        | –              | –                | 300,000                  | 0.2450*        | 4 June 2022      | # |
| 5 June 2017      | 300,000                | –        | –              | –                | 300,000                  | 0.1960**       | 4 June 2022      | # |
|                  | <u>11,371,400</u>      | <u>–</u> | <u>487,400</u> | <u>4,229,500</u> | <u>6,654,500</u>         |                |                  |   |

During the current reporting year, certain employees exercised a total of 4,229,500 share options under ESOS.

\* Market price

\*\* 20% discount to the market price of the company's shares

# Includes options granted to directors

The following are details of options granted to the directors of the company under the scheme:-

| Name of directors | Options granted during the reporting year | Aggregate options granted since commencement of scheme to end of the reporting year | Aggregate options exercised since commencement of scheme to end of the reporting year | Aggregate options cancelled since commencement of scheme to end of the reporting year | Aggregate options outstanding as end of the reporting year | Exercise price    |
|-------------------|---|---|---|---|--|-------------------|
| Kwong Kim Mone    | –   | 4,140,000   | (590,000)   | (1,800,000)   | 1,750,000  | \$0.052 – \$0.194 |
| Lim Chin Tong     | –   | 950,000   | (658,000)   | –   | 292,000  | \$0.155 – \$0.194 |
| Lee Yong Guan     | –   | 400,000   | (150,000)   | (100,000)   | 150,000  | \$0.196 – \$0.245 |
| Pow Tien Tee      | –   | 300,000   | (150,000)   | –   | 150,000  | \$0.196 – \$0.245 |
| Kam Boon Cheong   | –   | 300,000   | (150,000)   | –   | 150,000  | \$0.196 – \$0.245 |
| Lim Chin Hong     | –   | 150,000   | –   | –   | 150,000  | \$0.196 – \$0.245 |

The terms of the share options under the ESOS to the directors of the company are the same as those granted to the employees of the group.

The market price refers to average of the last three dealt prices for the three consecutive market days immediately preceding the grant date. No share options have been granted at a discount of more than 20% during the reporting year. Other than disclosed above, there is presently no other options scheme on unissued shares in respect of the company and of the group.

During the reporting year, there was no employee of the group and or the ultimate parent company, MIT Technologies Pte Ltd, who was granted 5% or more of the total options available under the scheme.



# STATEMENT BY DIRECTORS

## 6. Performance Share Plan

During the year, the company has issued and allotted 400,000 ordinary shares in the share capital of the company to the employee under Performance Share Plans (“PSP”). As at 31 December 2018, the number of outstanding performance shares held under PSP was 150,000 (31 December 2017: 550,000).

During the reporting year, there was no employee of the group and or the ultimate parent company, MIT Technologies Pte Ltd, who was granted 5% or more of the total options available under the scheme.

No director of the company has been granted with shares under PSP during the reporting year.

## 7. Independent Auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

## 8. Report of audit committee

The members of the audit committee at the date of this report are as follows:-

|                 |   |
|-----------------|---|
| Lee Yong Guan   | (Chairman of audit committee and Lead Independent Director) |
| Lim Chin Hong   | (Independent Director)                                      |
| Pow Tien Tee    | (Independent Director)                                      |
| Kam Boon Cheong | (Independent Director)                                      |

The audit committee performs the functions specified by section 201B (5) of the Act. Among other functions, they performed the following:

- Reviewed with the independent external auditor their audit plan;
- Reviewed with the independent external auditor their evaluation of the company’s internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by the company’s officers to them;
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational, compliance controls and risk management) and the assistance given by the management to the internal auditors;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited’s Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the company.

# STATEMENT BY DIRECTORS

## 9. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2018.

## 10. Subsequent developments

There are no other significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 26 February 2019, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On Behalf of the Directors

.....  
Kwong Kim Mone  
Director

28 March 2019

.....  
Lim Chin Tong  
Director

# INDEPENDENT AUDITOR'S REPORT

To the Members of  
**MANUFACTURING INTEGRATION TECHNOLOGY LTD.**

## Report on the audit of the financial statements

### Opinion

We have audited the accompanying financial statements of Manufacturing Integration Technology Ltd. (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS (I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Disposal group held for sale

Refer to Note 2B for the relevant explanatory information; Note 11 on discontinued operations. Also refer to the audit committee report in the annual report.

The carrying amount of the assets and liabilities held for sale amounted to \$36.6 million and \$10.6 million respectively as at the end of the reporting year and the net carrying amount of the assets held for sale amounted to \$26.0 million, which accounted for 59% of the Group's net assets as at the reporting year end.

Management has identified and assessed the carrying amounts of assets and liabilities held for sale. Assets and liabilities identified as held for sale are carried at the lower of their carrying amounts and fair value less costs of disposal.

We have assessed whether the assets and liabilities meet the criteria of SFRS(I) 5 non-current assets held for sale and discontinued operations by reviewing the appropriate agreements, announcements and management's restructuring plan prior to the disposal and evaluating whether the available evidence sufficiently corroborate the group's commitment to sell the assets and the probability of sale to be completed within one year from the date of classification. We have reviewed the assumptions made by the management to determine that the assets and liabilities classified as held for sale are measured at lower of their carrying amounts and fair value less costs of disposal.

We have also assessed the adequacy of the disclosures in the financial statements.

# INDEPENDENT AUDITOR'S REPORT

To the Members of

**MANUFACTURING INTEGRATION TECHNOLOGY LTD.**

## **Key audit matters (cont'd)**

### **Impairment of trade receivables**

Refer to Note 2A for the relevant accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; Notes 20 and 36D for the breakdown in trade receivables and credit risk of the group respectively. Also refer to the audit committee report in the annual report.

The carrying amount of trade receivables, net of allowance for expected credit loss ("ECL") of S\$1.4 million, amounted to S\$4.5 million, which represent approximately 7% of the Group's total assets as at the reporting year end.

The group determines the ECL of trade receivables by making specific assessment of expected impairment loss for overdue trade receivables. The remaining balances of trade receivables were assessed based on the historical credit loss experience, debtors' ability to pay and forward-looking information specific to debtors and economic environment. This assessment requires management to exercise significant judgement.

We have assessed management's judgement on the recoverability of these amounts via our review of the customers' credit worthiness and payment records. We have also reviewed management's process and approach over the recoverability of outstanding trade receivables, including the payments made by the customers subsequent to the reporting year end and monitoring of credit limit and past payment patterns. We have also tested the reasonableness of management's assumptions and inputs used in the ECL model by comparing to historical credit loss rates and reviewed data and information that management has used.

We have also assessed the adequacy of the disclosures made in the financial statements.

### **Adequacy of inventory impairment allowance**

Refer to Note 2A for the relevant accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; Note 19 for the breakdown in inventory for the reporting year end. Also refer to the audit committee report in the annual report.

The carrying amount of inventories amounted to S\$3.0 million, which accounted for approximately 5% of the Group's total assets as at the reporting year end.

We have reviewed the group's policy for inventory obsolescence allowance and assessed management's judgement and their technical assessment of the aged inventories via our understanding of the business. We have also reviewed sales patterns over the past 3 years, the group's inventory aging as at the reporting year end, as well as the group's computation for inventory allowance. We also reviewed the inventory turnover days to assess if there were any significant build up of aged inventories. We have compared the carrying values of the inventories to the recent sales invoices and past sales prices when there are no recent sales.

We have also assessed the adequacy of the disclosures made in the financial statements.

### **Other information**

Management is responsible for the other information. The other information comprises the information included in the statement by directors and the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

# INDEPENDENT AUDITOR'S REPORT

To the Members of  
MANUFACTURING INTEGRATION TECHNOLOGY LTD.

## Other information (cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the group's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT

To the Members of

**MANUFACTURING INTEGRATION TECHNOLOGY LTD.**

## **Auditor's responsibilities for the audit of the financial statements (cont'd)**

- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chong Cheng Yuan.

RSM Chio Lim LLP  
Public Accountants and  
Chartered Accountants  
Singapore

28 March 2019

Engagement partner - effective from year ended 31 December 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

## and Other Comprehensive Income

Year Ended 31 December 2018

|   | Notes | Group          |                |
|---|-------|----------------|----------------|
|   |       | 2018<br>\$'000 | 2017<br>\$'000 |
| <b>Revenue</b>  | 4     | 18,708         | 12,319         |
| Cost of sales   |       | (16,818)       | (10,786)       |
| <b>Gross profit</b>   |       | 1,890          | 1,533          |
| Other income and gains  | 5     | 1,379          | 969            |
| Marketing and distribution costs                                      |       | (865)          | (699)          |
| Administrative expenses   | 6     | (3,314)        | (3,169)        |
| Other losses  | 5     | –              | (33)           |
| Finance costs   | 7     | (43)           | (66)           |
| <b>Loss before tax from continuing operations</b>                     |       | (953)          | (1,465)        |
| Income tax expense  | 10    | (1,075)        | (109)          |
| <b>Loss from continuing operations, net of tax</b>                    |       | (2,028)        | (1,574)        |
| (Loss) profit from discontinued operations, net of tax                | 11    | (4,091)        | 7,580          |
| <b>(Loss) profit net of tax</b>                                       |       | (6,119)        | 6,006          |
| <br><b>Other comprehensive (loss) income:</b>                         |       |                |                |
| <b>Items that may be reclassified subsequently to profit or loss:</b> |       |                |                |
| Exchange differences on translating foreign operations, net of tax    |       | (124)          | (93)           |
| <b>Other comprehensive loss for the year, net of tax</b>              |       | (124)          | (93)           |
| <b>Total comprehensive (loss) income for the year</b>                 |       | (6,243)        | 5,913          |
| <br><b>(Loss) Earnings per share</b>                                  |       |                |                |
| (Loss) Earnings per share currency unit                               |       | Cents          | Cents          |
| <b>Basic</b>  | 12    |                |                |
| Continuing operations   |       | (0.88)         | (0.69)         |
| Discontinued operations   |       | (1.77)         | 3.34           |
| Total   |       | (2.65)         | 2.65           |
| <b>Diluted</b>  | 12    |                |                |
| Continuing operations   |       | (0.86)         | (0.68)         |
| Discontinued operations   |       | (1.74)         | 3.29           |
| Total   |       | (2.60)         | 2.61           |

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

## As at 31 December 2018

|   | Notes | Group                |                      |                      | Company              |                      |                      |
|---|-------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   |       | 31.12.2018<br>\$'000 | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 | 31.12.2018<br>\$'000 | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 |
| <b>Assets</b>                                 |       |                      |                      |                      |                      |                      |                      |
| <b>Non-current assets</b>                     |       |                      |                      |                      |                      |                      |                      |
| Plant and equipment                           | 13    | 993                  | 2,263                | 1,630                | 134                  | 1,621                | 1,284                |
| Investment properties                         | 14    | 8,572                | 8,761                | 8,950                | 8,572                | 8,761                | 8,950                |
| Intangible assets                             | 15    | –                    | 48                   | 42                   | –                    | 48                   | 42                   |
| Development projects                          | 16    | –                    | 3,592                | 2,878                | –                    | 3,128                | 2,466                |
| Investments in subsidiaries                   | 17    | –                    | –                    | –                    | 30,440               | 5,990                | 7,988                |
| Deferred tax assets                           | 10    | –                    | 1,330                | 1,346                | –                    | 217                  | 217                  |
| Other assets, non-current                     | 18    | –                    | –                    | 43                   | –                    | –                    | 43                   |
| <b>Total non-current assets</b>               |       | <b>9,565</b>         | <b>15,994</b>        | <b>14,889</b>        | <b>39,146</b>        | <b>19,765</b>        | <b>20,990</b>        |
| <b>Current assets</b>                         |       |                      |                      |                      |                      |                      |                      |
| Inventories                                   | 19    | 3,026                | 16,457               | 14,564               | –                    | 1,674                | 7,020                |
| Trade and other receivables                   | 20    | 4,641                | 14,368               | 11,996               | 6,145                | 17,369               | 14,954               |
| Other assets, current                         | 21    | 414                  | 816                  | 229                  | 116                  | 313                  | 113                  |
| Cash and cash equivalents                     | 22    | 11,554               | 21,884               | 17,892               | 9,088                | 18,764               | 14,085               |
|   |       | 19,635               | 53,525               | 44,681               | 15,349               | 38,120               | 36,172               |
| Assets of a disposal group held for sale      | 23    | 36,562               | –                    | –                    | –                    | –                    | –                    |
| <b>Total current assets</b>                   |       | <b>56,197</b>        | <b>53,525</b>        | <b>44,681</b>        | <b>15,349</b>        | <b>38,120</b>        | <b>36,172</b>        |
| <b>Total assets</b>                           |       | <b>65,762</b>        | <b>69,519</b>        | <b>59,570</b>        | <b>54,495</b>        | <b>57,885</b>        | <b>57,162</b>        |
| <b>Equity and liabilities</b>                 |       |                      |                      |                      |                      |                      |                      |
| <b>Equity</b>                                 |       |                      |                      |                      |                      |                      |                      |
| Share capital                                 | 24    | 47,742               | 47,051               | 46,621               | 47,742               | 47,051               | 46,621               |
| Other reserves                                | 27    | 91                   | 247                  | 297                  | 233                  | 265                  | 222                  |
| (Accumulated losses) retained earnings        |       | (3,826)              | 3,832                | (1,720)              | (3,242)              | 3,060                | 396                  |
| <b>Total equity</b>                           |       | <b>44,007</b>        | <b>51,130</b>        | <b>45,198</b>        | <b>44,733</b>        | <b>50,376</b>        | <b>47,239</b>        |
| <b>Non-current liability</b>                  |       |                      |                      |                      |                      |                      |                      |
| Other finance liabilities                     | 28    | –                    | 70                   | 116                  | –                    | 70                   | 116                  |
| <b>Total non-current liability</b>            |       | <b>–</b>             | <b>70</b>            | <b>116</b>           | <b>–</b>             | <b>70</b>            | <b>116</b>           |
| <b>Current liabilities</b>                    |       |                      |                      |                      |                      |                      |                      |
| Income tax payable                            |       | 74                   | 1,830                | 1,279                | –                    | 1,550                | 1,050                |
| Provisions                                    | 29    | –                    | 172                  | 254                  | –                    | 172                  | 139                  |
| Trade and other payables                      | 30    | 4,033                | 16,270               | 9,086                | 2,762                | 5,670                | 4,981                |
| Other financial liabilities                   | 28    | 7,000                | 47                   | 3,637                | 7,000                | 47                   | 3,637                |
|   |       | 11,107               | 18,319               | 14,256               | 9,762                | 7,439                | 9,807                |
| Liabilities of a disposal group held for sale | 23    | 10,648               | –                    | –                    | –                    | –                    | –                    |
| <b>Total current liabilities</b>              |       | <b>21,755</b>        | <b>18,319</b>        | <b>14,256</b>        | <b>9,762</b>         | <b>7,439</b>         | <b>9,807</b>         |
| <b>Total liabilities</b>                      |       | <b>21,755</b>        | <b>18,389</b>        | <b>14,372</b>        | <b>9,762</b>         | <b>7,509</b>         | <b>9,923</b>         |
| <b>Total equity and liabilities</b>           |       | <b>65,762</b>        | <b>69,519</b>        | <b>59,570</b>        | <b>54,495</b>        | <b>57,885</b>        | <b>57,162</b>        |

The accompanying notes form an integral part of these financial statements.



# STATEMENTS OF CHANGES IN EQUITY

## Year Ended 31 December 2018

| <b>Group</b>  | Total equity<br>\$'000 | Share capital<br>\$'000 | Retained<br>earnings /<br>(accumulated<br>losses)<br>\$'000 | Translation<br>reserves<br>\$'000 | Share<br>option<br>reserve<br>\$'000 |
|---|------------------------|-------------------------|---|-----------------------------------|--------------------------------------|
| <b>Current year:</b>  |                        |                         |   |                                   |                                      |
| <b>Opening balance at 1 January 2018</b>                    | 51,130                 | 47,051                  | 3,832   | (18)                              | 265                                  |
| <b>Changes in equity:</b>                                   |                        |                         |   |                                   |                                      |
| Total comprehensive loss for the year                       | (6,243)                | –                       | (6,119)   | (124)                             | –                                    |
| Exercise of share options (Note 27B)                        | –                      | –                       | 169   | –                                 | (169)                                |
| Expiry of share options (Note 27B)                          | –                      | –                       | 17  | –                                 | (17)                                 |
| Issuance of shares pursuant to employee share option scheme | 691                    | 691                     | –   | –                                 | –                                    |
| Share based payment expenses (Note 27B)                     | 154                    | –                       | –   | –                                 | 154                                  |
| Dividends paid (Note 26)                                    | (1,725)                | –                       | (1,725)   | –                                 | –                                    |
| <b>Closing balance at 31 December 2018</b>                  | <b>44,007</b>          | <b>47,742</b>           | <b>(3,826)</b>  | <b>(142)</b>                      | <b>233</b>                           |

| <b>Group</b>   | Total<br>equity<br>\$'000 | Share capital<br>\$'000 | (Accumulated<br>losses) /<br>retained<br>earnings<br>\$'000 | Translation<br>reserves<br>\$'000 | Share option<br>reserve<br>\$'000 |
|--|---------------------------|-------------------------|---|-----------------------------------|-----------------------------------|
| <b>Previous year:</b>  |                           |                         |   |                                   |                                   |
| <b>Opening balance at 1 January 2017</b>   | 45,198                    | 46,621                  | (1,720)   | 75                                | 222                               |
| <b>Changes in equity:</b>  |                           |                         |   |                                   |                                   |
| Total comprehensive income for the year  | 5,913                     | –                       | 6,006   | (93)                              | –                                 |
| Exercise of share options (Note 27B)   | –                         | –                       | 119   | –                                 | (119)                             |
| Expiry of share options (Note 27B)   | –                         | –                       | 17  | –                                 | (17)                              |
| Issuance of shares pursuant to employee share option scheme                              | 369                       | 369                     | –   | –                                 | –                                 |
| Share based payment expenses (Note 27B)  | 179                       | –                       | –   | –                                 | 179                               |
| Dividends paid (Note 26)   | (571)                     | –                       | (571)   | –                                 | –                                 |
| Treasury shares reissued pursuant to employees' share option scheme (Note 24)            | 61                        | 61                      | –   | –                                 | –                                 |
| Loss on reissuance of treasury shares to equity pursuant to employee share option scheme | (19)                      | –                       | (19)  | –                                 | –                                 |
| <b>Closing balance at 31 December 2017</b>   | <b>51,130</b>             | <b>47,051</b>           | <b>3,832</b>  | <b>(18)</b>                       | <b>265</b>                        |

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

## Year Ended 31 December 2018

| <b>Company</b>   | Total equity  | Share capital | Retained earnings /<br>(accumulated losses) | Share option reserve |
|--|---------------|---------------|---|----------------------|
|  | \$'000        | \$'000        | \$'000                                      | \$'000               |
| <b>Current year:</b>   |               |               |   |                      |
| <b>Opening balance at 1 January 2018</b>   | 50,376        | 47,051        | 3,060                                       | 265                  |
| <b>Changes in equity:</b>  |               |               |   |                      |
| Total comprehensive loss for the year  | (4,763)       | –             | (4,763)                                     | –                    |
| Exercise of share options (Note 27B)   | –             | –             | 169   | (169)                |
| Expiry of share options (Note 27B)   | –             | –             | 17  | (17)                 |
| Issuance of shares pursuant to employee share option scheme                                | 691           | 691           | –   | –                    |
| Share based payment expenses (Note 27B)  | 154           | –             | –   | 154                  |
| Dividends paid (Note 26)   | (1,725)       | –             | (1,725)                                     | –                    |
| <b>Closing balance at 31 December 2018</b>   | <b>44,733</b> | <b>47,742</b> | <b>(3,242)</b>                              | <b>233</b>           |
| <b>Previous year:</b>  |               |               |   |                      |
| <b>Opening balance at 1 January 2017</b>   | 47,239        | 46,621        | 396   | 222                  |
| <b>Changes in equity:</b>  |               |               |   |                      |
| Total comprehensive income for the year  | 3,118         | –             | 3,118                                       | –                    |
| Exercise of share options (Note 27B)   | –             | –             | 119   | (119)                |
| Expiry of share options (Note 27B)   | –             | –             | 17  | (17)                 |
| Issuance of shares pursuant to employee share option scheme                                | 369           | 369           | –   | –                    |
| Share based payment expenses (Note 27B)  | 179           | –             | –   | 179                  |
| Dividends paid (Note 26)   | (571)         | –             | (571)                                       | –                    |
| Treasury shares reissued pursuant to employees' share option scheme (Note 24)              | 61            | 61            | –   | –                    |
| Loss on reissuance of treasury shares to equity pursuant to employees' share option scheme | (19)          | –             | (19)  | –                    |
| <b>Closing balance at 31 December 2017</b>   | <b>50,376</b> | <b>47,051</b> | <b>3,060</b>                                | <b>265</b>           |

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2018

|   | Group   |         |
|---|---------|---------|
|   | 2018    | 2017    |
| <b>Cash flows from operating activities</b>                             | \$'000  | \$'000  |
| Loss before tax from continuing operations                              | (953)   | (1,468) |
| (Loss) profit before tax from discontinued operations                   | (4,795) | 7,975   |
|   | (5,748) | 6,510   |
| Adjustments for :   |         |         |
| Depreciation of property, plant and equipment                           | 1,202   | 849     |
| Depreciation of investment properties                                   | 189     | 189     |
| Interest income   | (96)    | (159)   |
| Interest expense  | 53      | 71      |
| Gains on disposal of other assets, non-current                          | (10)    | (2)     |
| Gains on disposal of plant and equipment                                | –       | (70)    |
| Amortisation of development projects                                    | 988     | 330     |
| Amortisation of intangible assets                                       | 34      | 41      |
| Share based payment   | 154     | 179     |
| Gains on disposal of development projects                               | (87)    | (396)   |
| Net effect of exchange rate changes in consolidating foreign operations | (54)    | (24)    |
| Operating cash flows (used in) from changes in working capital          | (3,375) | 7,518   |
| Trade and other receivables   | (150)   | (2,372) |
| Other assets  | 36      | (587)   |
| Inventories   | 1,087   | (1,893) |
| Trade and other payables  | (1,636) | 7,184   |
| Provisions  | (125)   | (82)    |
| Net cash flows (used in) from operation                                 | (4,163) | 9,768   |
| Income tax paid   | (862)   | (5)     |
| Net cash flows (used in) from operating activities                      | (5,025) | 9,763   |
| <b>Cash flows from investing activities</b>                             |         |         |
| Additions of patents  | –       | (47)    |
| Proceeds on disposal of development projects                            | 656     | 1,251   |
| Proceeds on disposal of plant and equipment                             | 1       | 88      |
| Proceeds on disposal of other assets, non-current                       | 10      | 45      |
| Purchase of plant and equipment   | (1,151) | (1,503) |
| Development projects incurred   | (2,713) | (1,899) |
| Interest received   | 96      | 159     |
| Net cash flows used in investing activities                             | (3,101) | (1,906) |
| <b>Cash flows from financing activities</b>                             |         |         |
| Increase (decrease) in borrowings                                       | 7,000   | (3,590) |
| Interest paid   | (53)    | (71)    |
| Dividend paid   | (1,725) | (571)   |
| Re-issue of treasury shares   | –       | 44      |
| Decrease in finance leases  | (117)   | (46)    |
| Issue of shares   | 691     | 369     |
| Net cash flows from (used in) financing activities                      | 5,796   | (3,865) |
| <b>Net (decrease) increase in cash and cash equivalents</b>             | (2,330) | 3,992   |
| Cash and cash equivalents, beginning balance                            | 21,884  | 17,892  |
| <b>Cash and cash equivalents, ending balance</b><br><b>(Note 22B)</b>   | 19,554  | 21,884  |

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

## 1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the company (referred to “parent”) and the subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the company are that of designing, developing, manufacturing and distributing automated equipment for the semiconductor and other industries and an investment holding company.

The company is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The principal activities of the subsidiaries are described in Note 17 to the financial statements.

The registered office is: 5004, Ang Mo Kio Avenue 5, #05-01, Techplace II, Singapore 569872. The company is situated in Singapore.

### Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and the related interpretations SFRS(I) (“SFRS(I) INT”) as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”).

### Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

### Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity’s accounting policies. The areas requiring management’s most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

### Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. General (cont'd)

### Basis of presentation (cont'd)

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as equity investments financial assets in accordance with the financial reporting standard on financial statements.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

## 2. Significant accounting policies and other explanatory information

### 2A. Significant accounting policies

#### Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods. Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

#### Other income

Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term. Interest income is recognised using the effective interest method. Dividend from equity instruments is recognised in profit or loss when the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.

#### Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Employee benefits (cont'd)

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the subsidiary in the PRC have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiary in the PRC is required to contribute to a certain percentage to the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the group.

#### Share-based compensation

For the equity-settled share-based compensation transactions, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed on a straight-line basis over the vesting period is measured by reference to the fair value of the options granted ignoring the effect of non-market conditions such as profitability and sales growth targets. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The fair value is measured using a relevant option pricing model. The expected lives used in the model are adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. At each end of the reporting year, a revision is made of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

#### Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

#### Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

#### Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

#### Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

|                     |   |             |
|---------------------|---|-------------|
| Renovations         | – | 33%         |
| Plant and equipment | – | 33% to 100% |

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. See Note 30 on provisions in which relates to dismantling and removing the items and to restore the site.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Investment properties

Investment property is property (land or a building or part of a building or both) owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes, the fair values are measured periodically on a systematic basis at least once in three years by external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

The annual rates of depreciation are as follows:

|                       |   |    |
|-----------------------|---|----|
| Investment properties | – | 2% |
|-----------------------|---|----|

#### Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Intangible assets (cont'd)

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives are as follows:

|                      |   |              |
|----------------------|---|--------------|
| Development projects | – | 1 to 5 years |
| Patents              | – | 3 years      |

#### Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

#### Business combinations

There were no business combinations during the reporting year.

#### Inventories

Inventories are measured at the lower of cost (first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

- a. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables and cash and cash equivalents are classified in this category.
- b. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
- c. Financial asset that is an equity investment measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
- d. Financial asset classified as measured at fair value through profit or loss (FVTPL): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2A. Significant accounting policies (cont'd)

#### Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

#### Derivatives financial instruments

A derivative financial instrument is a financial instrument with all three of the following characteristics (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices, credit ratings or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date. The derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently classified as measured at FVTPL unless the derivative is designated and effective as a hedging instrument.

#### Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2B. Other explanatory information

#### Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur. Warranty provisions are measured using probability models based on past experience.

#### Treasury shares

Where the entity reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the entity's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the entity's owners and no gain or loss is recognised in profit or loss.

#### Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

#### Assets classified as held for sale

Identifiable assets and liabilities and any disposal groups are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by the financial reporting standard on non-current assets held for sale and discontinued operations in certain circumstances. It can include a subsidiary acquired exclusively with a view to resale. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal and are presented separately on the face of the statement of financial position. Once an asset is classified as held for sale or included in a group of assets held for sale no further depreciation or amortisation is recorded. Impairment losses on initial classification of the balances as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

In addition, the results of discontinued operations are presented separately in profit or loss. A discontinued operation is a component of the business that represents a separate major line of business or geographical area of operations that has been sold, or classified as held for sale or has been abandoned. They are shown separately in profit or loss and comparative figures are restated to reclassify them from continuing to discontinued operations.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

#### Allowance for trade receivables:

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note 20 on trade and other receivables.

#### Net realisable value of inventories:

A review is made on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case, the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the Note 19 on inventories.

#### Income tax amounts:

The entity recognises tax liabilities and assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature assessments of likelihood are judgemental and not susceptible to precise determination. The income tax amounts are disclosed in the Note 10 on income tax.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies and other explanatory information (cont'd)

### 2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

#### Development projects:

The estimates for the useful lives and related amortisation charges for development projects are based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The amortisation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or assets that have been abandoned or sold. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount is disclosed in Note 16 on development projects.

#### Measurement of impairment of subsidiaries:

Where a subsidiary is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset. The carrying amount of the specific asset (or class of assets) at the end of the reporting year affected by the assumption is approximately \$30,440,000 (2017: \$5,990,000).

#### Warranty claims:

Certain products are covered by product warranty plans of varying periods, depending on local practices and regulations. A related provision is made for future warranty claims after taking into account the historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The warranty obligations are affected by actual product failure rates and by material usage and service delivery costs incurred in correcting a product failure. The amount at the end of the reporting year is disclosed in Note 29 on provisions.

## 3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Mr. Kwong Kim Mone.

### **3A. Members of a group:**

| <u>Name</u>              | <u>Relationship</u>      | <u>Country of incorporation</u> |
|--------------------------|--------------------------|---------------------------------|
| MIT Technologies Pte Ltd | Immediate parent company | Singapore                       |

Related companies in these financial statements include the members of the above group of companies.

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

# NOTES TO THE FINANCIAL STATEMENTS

### 3. Related party relationships and transactions (cont'd)

#### **3B. Key management compensation:**

|   | <u>Group</u> |             |
|---|--------------|-------------|
|   | <u>2018</u>  | <u>2017</u> |
|   | \$'000       | \$'000      |
| Salaries and other short-term employee benefits | 2,970        | 2,777       |
| Post-employment benefits                        | 160          | 129         |
| Share-based payments                            | 63           | 72          |
|   | 63           | 72          |

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

|  | <u>Group</u> |             |
|--|--------------|-------------|
|  | <u>2018</u>  | <u>2017</u> |
|  | \$'000       | \$'000      |
| Remuneration of directors of the company   | 783          | 936         |
| Remuneration of a director of a subsidiary | 247          | 227         |
| Fees to directors of the company           | 134          | 134         |
| Share-based payments                       | 25           | 27          |
|  | 25           | 27          |

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The above amounts for key management compensation are for all the directors and key executives.

#### **3C. Other receivables from and other payables to related parties:**

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to subsidiaries are as follows:

|   | <u>Subsidiaries</u> |               |
|---|---------------------|---------------|
| <u>Company</u>  | <u>2018</u>         | <u>2017</u>   |
| <u>Other receivables/(other payables):</u>                      | <u>\$'000</u>       | <u>\$'000</u> |
| At beginning of the year – net debit                            | 4,876               | 4,036         |
| Amounts paid out and payment made on behalf of the subsidiaries | (23,971)            | (33,295)      |
| Amounts paid in and payment made on behalf of company           | 21,463              | 34,135        |
| Reversal of allowance   | 85                  | –             |
| At end of the year – net debit                                  | 2,453               | 4,876         |

# NOTES TO THE FINANCIAL STATEMENTS

## 3. Related party relationships and transactions (cont'd)

### 3C. Other receivables from and other payables to related parties: (cont'd)

| <u>Company</u>   | <u>Subsidiaries</u>   |                       |
|--|-----------------------|-----------------------|
|  | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
| <u>Other receivables/(other payables):</u>                   |                       |                       |
| Presented in the statement of financial position as follows: |                       |                       |
| Other receivables (Note 20)                                  | 4,091                 | 5,039                 |
| Other payables (Note 30)                                     | (1,638)               | (163)                 |
| At end of the year – net debit                               | <u>2,453</u>          | <u>4,876</u>          |

## 4. Revenue

Revenue from contracts with customers

| <u>Group</u> | <u>Continuing operations</u> |                       | <u>Discontinued operations</u> |                       | <u>Total</u>          |                       |
|--------------|------------------------------|-----------------------|--------------------------------|-----------------------|-----------------------|-----------------------|
|              | <u>2018</u><br>\$'000        | <u>2017</u><br>\$'000 | <u>2018</u><br>\$'000          | <u>2017</u><br>\$'000 | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
|              | Sale of goods                | <u>18,708</u>         | <u>12,319</u>                  | <u>36,372</u>         | <u>53,610</u>         | <u>55,080</u>         |

The revenue from sale of goods is recognised based on point in time. Also see Note 35F on the distribution of revenue by geographical region.



# NOTES TO THE FINANCIAL STATEMENTS

## 5. Other income and gains and (other losses)

| Group  | Continuing operations |                | Discontinued operation |                | Total          |                |
|--|-----------------------|----------------|------------------------|----------------|----------------|----------------|
|  | 2018<br>\$'000        | 2017<br>\$'000 | 2018<br>\$'000         | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Amortisation of development projects                     | –                     | –              | (988)                  | (330)          | (988)          | (330)          |
| Foreign exchange adjustment gains (losses) - net         | 36                    | (33)           | 88                     | (541)          | 124            | (574)          |
| Gains on disposal of development projects                | –                     | –              | 87                     | 396            | 87             | 396            |
| Gains on disposal of other assets, non-current           | –                     | –              | 10                     | 2              | 10             | 2              |
| Interest income from financial institutions              | 13                    | 44             | 83                     | 115            | 96             | 159            |
| Inventories written down                                 | –                     | –              | (444)                  | (717)          | (444)          | (717)          |
| Allowance for impairment loss on trade receivables       | –                     | –              | –                      | (170)          | –              | (170)          |
| Amortisation of intangible assets                        | –                     | –              | (31)                   | (41)           | (31)           | (41)           |
| Provision of product warranty, net of reversal           | –                     | –              | 54                     | (80)           | 54             | (80)           |
| Reversal on provision for unutilised leave               | –                     | –              | –                      | 61             | –              | 61             |
| Reversal on allowance for impairment loss on inventories | –                     | –              | 11                     | 286            | 11             | 286            |
| Reversal on impairment loss on trade receivables         | 669                   | –              | 103                    | –              | 772            | –              |
| Gains on disposal of plant and equipment                 | –                     | 70             | –                      | –              | –              | 70             |
| Rental income  | 615                   | 670            | –                      | –              | 615            | 670            |
| Grant income   | –                     | 21             | 40                     | 302            | 40             | 323            |
| Other income   | 46                    | 197            | 54                     | 451            | 100            | 648            |
| Net  | <u>1,379</u>          | <u>969</u>     | <u>(933)</u>           | <u>(266)</u>   | <u>446</u>     | <u>703</u>     |
| Presented in profit or loss as:                          |                       |                |                        |                |                |                |
| Other income and other gains                             | 1,379                 | 1,002          | 530                    | 1,613          | 1,909          | 2,615          |
| Other losses   | –                     | (33)           | (1,463)                | (1,879)        | (1,463)        | (1,912)        |
| Net  | <u>1,379</u>          | <u>969</u>     | <u>(933)</u>           | <u>(266)</u>   | <u>446</u>     | <u>703</u>     |

## 6. Administrative expenses

The major components and other selected components include the following:

|  | Continuing operations |                | Discontinued operation |                | Total          |                |
|--|-----------------------|----------------|------------------------|----------------|----------------|----------------|
|  | 2018<br>\$'000        | 2017<br>\$'000 | 2018<br>\$'000         | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Employee benefits expenses (Note 8)    | 1,964                 | 2,041          | 1,987                  | 3,669          | 3,951          | 5,710          |
| Depreciation expense (Notes 13 and 14) | 485                   | 228            | 873                    | 769            | 1,358          | 997            |
| Professional fees                      | 191                   | 85             | 545                    | 483            | 736            | 568            |

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Finance costs

| <u>Group</u>   | <u>Continuing operations</u> |               | <u>Discontinued operations</u> |               | <u>Total</u>  |               |
|--|------------------------------|---------------|--------------------------------|---------------|---------------|---------------|
|  | <u>2018</u>                  | <u>2017</u>   | <u>2018</u>                    | <u>2017</u>   | <u>2018</u>   | <u>2017</u>   |
|  | <u>\$'000</u>                | <u>\$'000</u> | <u>\$'000</u>                  | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Interest expense on financial liabilities carried at amortised cost: |                              |               |                                |               |               |               |
| - Obligations under finance leases                                   | -                            | -             | 10                             | 5             | 10            | 5             |
| - Bank borrowings  | 43                           | 66            | -                              | -             | 43            | 66            |
| Total finance costs  | <u>43</u>                    | <u>66</u>     | <u>10</u>                      | <u>5</u>      | <u>53</u>     | <u>71</u>     |

## 8. Employee benefits expense

| <u>Group</u>                                    | <u>Continuing operations</u> |               | <u>Discontinued operations</u> |               | <u>Total</u>  |               |
|---|------------------------------|---------------|--------------------------------|---------------|---------------|---------------|
|   | <u>2018</u>                  | <u>2017</u>   | <u>2018</u>                    | <u>2017</u>   | <u>2018</u>   | <u>2017</u>   |
|   | <u>\$'000</u>                | <u>\$'000</u> | <u>\$'000</u>                  | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Short term employee benefits expense            | 5,180                        | 4,004         | 10,567                         | 12,975        | 15,747        | 16,979        |
| Contributions to defined contribution plans     | 1,030                        | 689           | 1,216                          | 1,073         | 2,246         | 1,762         |
| Share-based payments: equity settled (Note 27B) | -                            | -             | 154                            | 179           | 154           | 179           |
| Other benefits                                  | 124                          | 45            | 223                            | 247           | 347           | 292           |
| Total employee benefits expense                 | <u>6,334</u>                 | <u>4,738</u>  | <u>12,160</u>                  | <u>14,474</u> | <u>18,494</u> | <u>19,212</u> |

The employee benefits expense is charged as follows:

| <u>Group</u>                     | <u>Continuing operations</u> |               | <u>Discontinued operations</u> |               | <u>Total</u>  |               |
|----------------------------------|------------------------------|---------------|--------------------------------|---------------|---------------|---------------|
|                                  | <u>2018</u>                  | <u>2017</u>   | <u>2018</u>                    | <u>2017</u>   | <u>2018</u>   | <u>2017</u>   |
|                                  | <u>\$'000</u>                | <u>\$'000</u> | <u>\$'000</u>                  | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Cost of sales                    | 3,742                        | 2,102         | 7,531                          | 8,550         | 11,273        | 10,652        |
| Marketing and distribution costs | 628                          | 595           | 2,642                          | 2,255         | 3,270         | 2,850         |
| Administrative expenses          | 1,964                        | 2,041         | 1,987                          | 3,669         | 3,951         | 5,710         |
| Total                            | <u>6,334</u>                 | <u>4,738</u>  | <u>12,160</u>                  | <u>14,474</u> | <u>18,494</u> | <u>19,212</u> |

## 9. Items in the consolidated statement of profit or loss and other comprehensive income

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the income statement includes the following charges:

|  | <u>Group</u>  |               |
|--|---------------|---------------|
|  | <u>2018</u>   | <u>2017</u>   |
|  | <u>\$'000</u> | <u>\$'000</u> |
| Audit fees to the independent auditor of the company | 120           | 127           |
| Audit fees to the other independent auditor          | 26            | 26            |
| Other fees to the independent auditor of the company | <u>55</u>     | <u>26</u>     |

# NOTES TO THE FINANCIAL STATEMENTS

## 10. Income tax expense

### 10A. Components of tax expense recognised in profit or loss include:

| Group   | Continuing operations |                | Discontinued operations |                | Total          |                |
|---|-----------------------|----------------|-------------------------|----------------|----------------|----------------|
|   | 2018<br>\$'000        | 2017<br>\$'000 | 2018<br>\$'000          | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| <u>Current tax expense (income):</u>                |                       |                |                         |                |                |                |
| Current tax expense                                 | -                     | 109            | -                       | 391            | -              | 500            |
| Under (Over) adjustment in respect of prior periods | -                     | -              | (921)                   | 4              | (921)          | 4              |
| Subtotal  | -                     | 109            | (921)                   | 395            | (921)          | 504            |
| <u>Deferred tax expense:</u>                        |                       |                |                         |                |                |                |
| Deferred tax expense                                | 1,075                 | -              | 217                     | -              | 1,292          | -              |
| Subtotal  | 1,075                 | -              | 217                     | -              | 1,292          | -              |
| Total income tax expense (income)                   | 1,075                 | 109            | (704)                   | 395            | 371            | 504            |

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2017: 17.0%) to profit or loss before income tax as a result of the following differences:

|  | Group          |                |
|--|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 |
| Loss before income tax from continuing operations            | (953)          | (1,465)        |
| (Loss) profit before income tax from discontinued operations | (4,795)        | 7,975          |
| (Loss) profit before income tax                              | (5,748)        | 6,510          |
| Income tax (income) expense at the above rate                | (977)          | 1,107          |
| Expenses not deductible for tax purposes                     | 801            | 138            |
| Income not subject to tax                                    | (346)          | (276)          |
| Reversal of deferred tax assets                              | 1,292          | -              |
| (Over) under adjustment in respect of prior periods          | (921)          | 4              |
| Stepped income exemption                                     | (36)           | (41)           |
| Productivity innovation credit claims                        | -              | (4)            |
| Effect of different tax rates in different country           | (53)           | (113)          |
| Utilisation of deferred tax assets previously not recognised | -              | (215)          |
| Deferred tax assets not recognised                           | 690            | -              |
| Others   | (79)           | (96)           |
| Total income tax expense                                     | 371            | 504            |

There are no tax consequences of dividends to owners of the company.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. Income tax expense (cont'd)

### 10B. Deferred tax expense recognised in profit or loss includes:

|   | <u>Group</u>          |                       |
|---|-----------------------|-----------------------|
|   | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
| Excess of net book value of plant and equipment over tax values | (33)                  | (18)                  |
| Excess of tax values over net book value of plant and equipment | 68                    | 17                    |
| Tax loss carryforwards  | –                     | 102                   |
| Wear & tear allowance carryforwards                             | 112                   | 28                    |
| Recognised deferred tax assets                                  | –                     | (136)                 |
| Provisions  | 1,111                 | 23                    |
| Exchange difference   | 34                    | (16)                  |
| Total deferred tax expense recognised in profit or loss         | <u>1,292</u>          | <u>–</u>              |

### 10C. Deferred tax (liabilities)/assets recognised in statement of financial position:

|   | <u>Group</u>                |                             |                             | <u>Company</u>              |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| <u>Deferred tax assets:</u>                                     |                             |                             |                             |                             |                             |                             |
| Excess of net book value of plant and equipment over tax values | (17)                        | (50)                        | (68)                        | –                           | (68)                        | (68)                        |
| Excess of tax values over net book value of plant and equipment | 68                          | –                           | 17                          | 6                           | –                           | –                           |
| Tax loss carryforwards  | 3,094                       | 2,612                       | 2,714                       | 232                         | 196                         | 196                         |
| Wear and tear allowance carryforwards                           | 16                          | 128                         | 156                         | 2                           | 114                         | 114                         |
| Unrecognised deferred tax assets                                | (3,272)                     | (2,582)                     | (2,718)                     | (255)                       | (108)                       | (108)                       |
| Provisions  | 111                         | 1,222                       | 1,245                       | 15                          | 83                          | 83                          |
| Net balance   | <u>–</u>                    | <u>1,330</u>                | <u>1,346</u>                | <u>–</u>                    | <u>217</u>                  | <u>217</u>                  |

# NOTES TO THE FINANCIAL STATEMENTS

## 10. Income tax expense (cont'd)

### 10C. Deferred tax (liabilities)/assets recognised in statement of financial position: (cont'd)

#### Unrecognised deferred tax assets:

| Group                            | Tax losses           |                      |                      | Unrecognised deferred tax assets |                      |                      |
|----------------------------------|----------------------|----------------------|----------------------|----------------------------------|----------------------|----------------------|
|                                  | 31.12.2018<br>\$'000 | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 | 31.12.2018<br>\$'000             | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 |
| Unused tax losses available      | 3,094                | 2,566                | 2,714                | 178                              | 16                   | 4                    |
| Unrecognised deferred tax assets | <u>3,094</u>         | <u>2,566</u>         | <u>2,714</u>         | <u>178</u>                       | <u>16</u>            | <u>4</u>             |
| <br>Company                      |                      |                      |                      |                                  |                      |                      |
|                                  | Tax losses           |                      |                      | Unrecognised deferred tax assets |                      |                      |
|                                  | 31.12.2018<br>\$'000 | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 | 31.12.2018<br>\$'000             | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 |
| Unused tax losses available      | 232                  | 108                  | 108                  | 23                               | -                    | -                    |
| Unrecognised deferred tax assets | <u>232</u>           | <u>108</u>           | <u>108</u>           | <u>23</u>                        | <u>-</u>             | <u>-</u>             |

The above deferred tax assets of the Group have not been recognised as the future profit streams are not probable against which the deductible temporary difference can be utilised. For the Singapore companies, the realisation of the future income tax benefits from tax loss carryforwards and temporary differences is available for an unlimited future period subject to agreement by tax authority and conditions imposed by law including the retention of majority shareholders as defined. The estimated unrecognised deferred tax assets on accumulated tax losses carryforwards for the Group is approximately \$3,094,000 (31.12.2017: \$2,566,000 and 01.01.2017: \$2,714,000) subsisting as at the end of the reporting year.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

## 11. Discontinued operations

On 8 January 2018, the company entered into a non-binding term sheet and a supplemental term sheet (collectively the "Term Sheet") with a purchaser in relation to the proposed disposal by the company of its entire interest in certain of its subsidiaries undertaking the group's semiconductor business (the "Target Companies") (the "Proposed Disposal").

The semiconductor business is undertaken by the company together with two of its wholly owned subsidiaries, namely, i.Pac Manufacturing Pte. Ltd. ("i.Pac") and Generic Power Pte Ltd ("GP").

On 18 July 2018, the Company has entered into an agreement to disposal of the semiconductor business segment of the group.

As a result of the proposed disposal, the entire semiconductor business is presented as discontinued operations and classified as assets and liabilities held for sale. Accordingly, the comparative figures are re-presented to show the discontinued operations in the consolidated statement of profit or loss.

Analysis of the result of discontinued operations and the results recognized on the re-measurement of disposal group in as follows:

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Discontinued operations (cont'd)

|                                  | <u>Group</u>          |                       |
|----------------------------------|-----------------------|-----------------------|
|                                  | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
| Revenue                          | 36,372                | 53,610                |
| Cost of sales                    | (31,095)              | (35,390)              |
| Gross profit                     | <u>5,277</u>          | <u>18,220</u>         |
| Other income and gains           | 530                   | 1,646                 |
| Marketing and distribution costs | (4,655)               | (4,355)               |
| Administrative expenses          | (4,474)               | (5,652)               |
| Other losses                     | (1,463)               | (1,879)               |
| Finance costs                    | <u>(10)</u>           | <u>(5)</u>            |
| (Loss) profit before tax         | (4,795)               | 7,975                 |
| Income tax income (expense)      | <u>704</u>            | <u>(395)</u>          |
| (Loss) profit for the year       | <u>(4,091)</u>        | <u>7,580</u>          |

## 12. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

|   | <u>Group</u>          |                       |
|---|-----------------------|-----------------------|
|   | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
| A. Numerators: (loss) earnings attributable to equity:    |                       |                       |
| Continuing operations: attributable to equity holders     | (2,028)               | (1,574)               |
| Discontinued operations: (loss) profit for the year       | <u>(4,091)</u>        | <u>7,580</u>          |
|   | No: '000              | No: '000              |
| B. Denominators: weighted average number of equity shares |                       |                       |
| Basic   | 231,368               | 226,955               |
| Dilutive share options effect                             | <u>3,347</u>          | <u>2,999</u>          |
| C. Diluted  | <u>234,715</u>        | <u>229,954</u>        |

The weighted average number of ordinary shares refers to shares in issue outstanding during the reporting period.

The basic earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. It is after the neutralisation by the treasury shares.

The dilutive effect derives from transactions such as share options. The diluted amount per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each reporting year. The ordinary share equivalents included in these calculations are: (1) the average number of ordinary shares assumed to be outstanding during the reporting year and (2) shares of ordinary share issuable upon assumed exercise of share options which (if any) would have a dilutive effect.

# NOTES TO THE FINANCIAL STATEMENTS

## 13. Property, plant and equipment

| <u>Group</u>                                    | <u>Renovations</u><br>\$'000 | <u>Plant and equipment</u><br>\$'000 | <u>Total</u><br>\$'000 |
|---|------------------------------|--------------------------------------|------------------------|
| <u>Cost:</u>                                    |                              |                                      |                        |
| At 1 January 2017                               | 1,624                        | 10,805                               | 12,429                 |
| Foreign exchange adjustments                    | (12)                         | (107)                                | (119)                  |
| Additions                                       | 113                          | 1,390                                | 1,503                  |
| Disposal  | –                            | (574)                                | (574)                  |
| Written off                                     | –                            | (202)                                | (202)                  |
| At 31 December 2017                             | 1,725                        | 11,312                               | 13,037                 |
| Foreign exchange adjustments                    | (27)                         | (222)                                | (249)                  |
| Additions                                       | 313                          | 838                                  | 1,151                  |
| Disposal  | –                            | (400)                                | (400)                  |
| Written off                                     | –                            | –                                    | –                      |
| Transfer to assets held for sale                | (733)                        | (5,134)                              | (5,867)                |
| At 31 December 2018                             | 1,278                        | 6,394                                | 7,672                  |
| <u>Accumulated depreciation and impairment:</u> |                              |                                      |                        |
| At 1 January 2017                               | 1,544                        | 9,255                                | 10,799                 |
| Foreign exchange adjustments                    | (12)                         | (104)                                | (116)                  |
| Depreciation for the year                       | 49                           | 800                                  | 849                    |
| Disposal  | –                            | (556)                                | (556)                  |
| Written off                                     | –                            | (202)                                | (202)                  |
| At 31 December 2017                             | 1,581                        | 9,193                                | 10,774                 |
| Foreign exchange adjustments                    | (26)                         | (218)                                | (244)                  |
| Depreciation for the year                       | 128                          | 1,074                                | 1,202                  |
| Disposal  | –                            | (399)                                | (399)                  |
| Written off                                     | –                            | –                                    | –                      |
| Transfer to assets held for sale                | (729)                        | (3,925)                              | (4,654)                |
| At 31 December 2018                             | 954                          | 5,725                                | 6,679                  |
| <u>Carrying value:</u>                          |                              |                                      |                        |
| At 1 January 2017                               | 80                           | 1,550                                | 1,630                  |
| At 31 December 2017                             | 144                          | 2,119                                | 2,263                  |
| At 31 December 2018                             | 324                          | 669                                  | 993                    |

Allocation of the depreciation expense:

|                         | <u>Group</u>          |                       |
|-------------------------|-----------------------|-----------------------|
|                         | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
| Cost of sales           | 33                    | 41                    |
| Administrative expenses | 1,169                 | 808                   |
| Total                   | 1,202                 | 849                   |

# NOTES TO THE FINANCIAL STATEMENTS

## 13. Property, plant and equipment (cont'd)

| <u>Company</u>                   | <u>Renovations</u><br>\$'000 | <u>Plant and equipment</u><br>\$'000 | <u>Total</u><br>\$'000 |
|----------------------------------|------------------------------|--------------------------------------|------------------------|
| <u>Cost:</u>                     |                              |                                      |                        |
| At 1 January 2017                | 772                          | 3,813                                | 4,585                  |
| Additions                        | 3                            | 1,018                                | 1,021                  |
| Written off                      | –                            | (72)                                 | (72)                   |
| At 31 December 2017              | 775                          | 4,759                                | 5,534                  |
| Additions                        | –                            | 239                                  | 239                    |
| Written off                      | –                            | (137)                                | (137)                  |
| Transfer to assets held for sale | (702)                        | (4,525)                              | (5,227)                |
| At 31 December 2018              | 73                           | 336                                  | 409                    |
| <u>Accumulated depreciation:</u> |                              |                                      |                        |
| At 1 January 2017                | 697                          | 2,604                                | 3,301                  |
| Depreciation for the year        | 47                           | 637                                  | 684                    |
| Written off                      | –                            | (72)                                 | (72)                   |
| At 31 December 2017              | 744                          | 3,169                                | 3,913                  |
| Depreciation for the year        | 10                           | 264                                  | 274                    |
| Written off                      | –                            | (137)                                | (137)                  |
| Transfer to assets held for sale | (681)                        | (3,094)                              | (3,775)                |
| At 31 December 2018              | 73                           | 202                                  | 275                    |
| <u>Carrying value:</u>           |                              |                                      |                        |
| At 1 January 2017                | 75                           | 1,209                                | 1,284                  |
| At 31 December 2017              | 31                           | 1,590                                | 1,621                  |
| At 31 December 2018              | –                            | 134                                  | 134                    |

## 14. Investment properties

|   | <u>Group and company</u>    |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|
|   | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| <u>At cost:</u>                                 |                             |                             |                             |
| At beginning of the year and at end of the year | 9,471                       | 9,471                       | 9,471                       |
| <u>Accumulated depreciation:</u>                |                             |                             |                             |
| At beginning of the year                        | 710                         | 521                         | 332                         |
| Depreciation for the year                       | 189                         | 189                         | 189                         |
| At end of the year                              | 899                         | 710                         | 521                         |
| <u>Carrying value:</u>                          |                             |                             |                             |
| At end of the year                              | 8,572                       | 8,761                       | 8,950                       |



# NOTES TO THE FINANCIAL STATEMENTS

## 14. Investment properties (cont'd)

|   | <u>Group and company</u> |                   |                   |
|---|--------------------------|-------------------|-------------------|
|   | <u>31.12.2018</u>        | <u>31.12.2017</u> | <u>01.01.2017</u> |
|   | \$'000                   | \$'000            | \$'000            |
| Fair value for disclosure purposes only:          |                          |                   |                   |
| Fair value at end of the year                     | <u>12,210</u>            | <u>12,486</u>     | <u>12,850</u>     |
| Rental income from investment properties (Note 5) | <u>615</u>               | <u>670</u>        | <u>670</u>        |

Details of leasehold properties:

| <u>Description/Location</u>                                   | <u>Tenure of Land/ (Gross floor area)</u>          | <u>Last valuation date</u>                     |
|---|--|--|
| Singapore:  |  |  |
| (A) 7 Yishun Industrial Street 1, #07-38, Singapore 768162    | Property: 60 years from 2011 (1,062 square metres) | Commercial property. Revalued in October 2018. |
| (B) 7 Yishun Industrial Street 1, #06-38/39, Singapore 768162 | Property: 60 years from 2011 (2,290 square metres) | Commercial property. Revalued in October 2018. |

All the investment properties were mortgaged or pledged as security for the bank facilities subsisting as at 31 December 2018 (see Note 28).

The investment properties are leased out under operating leases. Also see Note 33 on operating lease income commitments. The management has not entered into contractual obligations for the maintenance or enhancement of the investment properties.

The depreciation expense is charged under administrative expenses.

On 31 December 2018, the fair value of each investment property is based on a valuation made by CKS Property Consultants Pte Ltd, a firm of independent professional valuers on a systematic basis. The valuation method is based on market comparison method, a comparison with recent transactions of similar properties, preferably in vicinity, and adjusted to take into account certain factors and circumstances.

On 31 Decemeber 2017, management has estimated the value of the investment property (A) based on estimated selling price of identical property within vicinity with references to the platform managed by StreetSine Technology Group, a subsidiary of Singapore Press Holdings Ltd ("Singapore Press"). Investment property (B) with no selling price available, management has estimated the price per square metre based on previous valuation report adjusted with fluctuation of Industrial Property price index published by Singapore Government.

On 1 January 2017, the fair value of each investment property based on valuation made by ECG Consultancy Pte. Ltd., a firm of independent professional valuers on a systematic basis. The valuation method is based on comparable sales method, a comparison with recent transactions of similar properties, preferably in vicinity, and adjusted to take into account certain factors and circumstances.

For fair value measurements categorised within the fair value hierarchy below, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

## 14. Investment properties (cont'd)

|  |   |
|--|---|
| Assets:  | (A) 7 Yishun Industrial Street 1, #07-38, Singapore 768162<br>(B) 7 Yishun Industrial Street 1, #06-38/39, Singapore 768162   |
| Fair value and fair value hierarchy – Level:   | (A) \$4,230,000 (31.12.2017: \$4,560,000 and 01.01.2017: \$4,450,000), Level 3 (31.12.2017: Level 3 and 01.01.2017 : Level 2);<br>(B) \$7,980,000 (31.12.2017: \$7,926,000 and 01.01.2017: \$8,400,000), Level 3 (31.12.2017: Level 3 and 01.01.2017 : Level 2).  |
| Valuation technique for recurring fair value measurements:                                       | Comparison with market evidence of recent offer to sell prices for similar properties.  |
| Significant unobservable (31.12.2017: unobservable and 01.01.2017: observable) inputs and range: | Price per square meters.<br>(A) \$3,983 (31.12.2017 : \$4,294 and 01.01.2017: \$4,190)<br>(B) \$3,485 (31.12.2017: \$3,461 and 01.01.2017: \$3,669)   |
| Relationship of unobservable inputs to fair value:   | 31.12.2018: Favourable (adverse) change in the latest selling price in the market will increase (decrease) fair value<br>31.12.2017: Favourable (adverse) change in the latest selling price in the market will increase (decrease) fair value<br>01.01.2017: Favourable (adverse) change in the latest selling price in the market will increase (decrease) fair value |
| Sensitivity on management's estimates – 10% variation from estimate                              | 2018 impact<br>(A) – lower by \$423,000; higher by \$423,000<br>(B) – lower by \$798,000; higher by \$798,000   |

## 15. Intangible assets

|   | <u>Patents</u>         |                          |
|---|------------------------|--------------------------|
|   | <u>Group</u><br>\$'000 | <u>Company</u><br>\$'000 |
| <u>Cost:</u>                                    |                        |                          |
| At 1 January 2017                               | 559                    | 442                      |
| Additions                                       | 47                     | 47                       |
| At 31 December 2017                             | <u>606</u>             | <u>489</u>               |
| Transfer to assets held for sale                | (520)                  | (403)                    |
| At 31 December 2018                             | <u>86</u>              | <u>86</u>                |
| <u>Accumulated amortisation and impairment:</u> |                        |                          |
| At 1 January 2017                               | 517                    | 400                      |
| Amortisation for the year                       | 41                     | 41                       |
| 31 December 2017                                | <u>558</u>             | <u>441</u>               |
| Amortisation for the year                       | 34                     | 11                       |
| Transfer to assets held for sale                | (506)                  | (366)                    |
| At 31 December 2018                             | <u>86</u>              | <u>86</u>                |
| <u>Carrying value:</u>                          |                        |                          |
| At 1 January 2017                               | 42                     | 42                       |
| At 31 December 2017                             | <u>48</u>              | <u>48</u>                |
| At 31 December 2018                             | <u>-</u>               | <u>-</u>                 |

# NOTES TO THE FINANCIAL STATEMENTS

## 16. Development projects

|                                  | <u>Group</u><br>\$'000 | <u>Company</u><br>\$'000 |
|----------------------------------|------------------------|--------------------------|
| <u>Cost:</u>                     |                        |                          |
| At 1 January 2017                | 7,557                  | 6,508                    |
| Additions                        | 1,899                  | 1,847                    |
| Disposals                        | (855)                  | (855)                    |
| At 31 December 2017              | 8,601                  | 7,500                    |
| Additions                        | 2,713                  | 620                      |
| Disposals                        | (569)                  | (243)                    |
| Transfer to assets held for sale | (10,745)               | (7,877)                  |
| At 31 December 2018              | –                      | –                        |
| <u>Accumulated amortisation:</u> |                        |                          |
| At 1 January 2017                | 4,679                  | 4,042                    |
| Amortisation for the year        | 330                    | 330                      |
| At 31 December 2017              | 5,009                  | 4,372                    |
| Amortisation for the year        | 988                    | 329                      |
| Transfer to assets held for sale | (5,997)                | (4,701)                  |
| At 31 December 2017              | –                      | –                        |
| <u>Carrying value:</u>           |                        |                          |
| At 1 January 2017                | 2,878                  | 2,466                    |
| At 31 December 2017              | 3,592                  | 3,128                    |
| At 31 December 2018              | –                      | –                        |

Development projects comprise expenditure incurred for the development of new integrated semiconductor manufacturing systems or machines.

The group has specific programmes for the commercialisation of these products.

## 17. Investments in subsidiaries

|  | <u>31.12.2018</u><br>\$'000 | <u>Company</u><br><u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
|--|-----------------------------|---|-----------------------------|
| Movements during the year. At cost:                    |                             |   |                             |
| At beginning of the year                               | 5,990                       | 7,988   | 14,160                      |
| Additions  | 30,784                      | –   | –                           |
| Transfer to subsidiary as a result of restructuring    | (12,704)                    | –   | –                           |
| (Reduction)/additions of quasi-equity loans            | (2,122)                     | 2,919   | 873                         |
| Reversal/(allowance) for impairment                    | 8,492                       | (4,917)                                       | (7,045)                     |
| Cost at the end of the year                            | 30,440                      | 5,990   | 7,988                       |
| Carrying value in the books of the company comprising: |                             |   |                             |
| Unquoted equity shares at cost                         | 29,408                      | 11,328  | 11,328                      |
| Quasi-equity loans (Note A)                            | 20,324                      | 22,446  | 19,527                      |
| Allowance for impairment on unquoted equity shares     | (2,423)                     | (9,520)                                       | (9,022)                     |
| Allowance for impairment on quasi-equity loans         | (16,869)                    | (18,264)                                      | (13,845)                    |
| Total at cost  | 30,440                      | 5,990   | 7,988                       |

# NOTES TO THE FINANCIAL STATEMENTS

## 17. Investments in subsidiaries (cont'd)

|   | <u>Company</u>              |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|
|   | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| Movements in allowance for impairment:                                      |                             |                             |                             |
| Balance at beginning of the year  | 27,784                      | 22,867                      | 15,822                      |
| Impairment loss (reversed)/charged on investments charged to profit or loss | (7,095)                     | 498                         | 6,177                       |
| Impairment loss on quasi-equity loans (reversed)/charged to profit or loss  | <u>(1,397)</u>              | <u>4,419</u>                | <u>868</u>                  |
| Balance at end of the year  | <u>19,292</u>               | <u>27,784</u>               | <u>22,867</u>               |

### Note A:

These are interest free quasi-equity loans provided by the company to the following wholly-owned subsidiaries:

- (i) Semiconductor Precision Technology Pte Ltd, which in turn holds 100% equity interest in MIT (Shanghai) Co., Ltd; and
- (ii) Casem (Asia) Pte Ltd.

The company does not expect repayment of the above interest free quasi-equity loans in the foreseeable future. The fair value is not determinable as the timing of the future cash flows arising from the loan cannot be estimated reliably.

The decreasing performance of certain subsidiaries was considered sufficient evidence to trigger the impairment test. As detailed in this note the impairment test resulted in the recognition of a loss. Accordingly it has been written down to the recoverable amount.

The subsidiaries held by the company are listed below:

| Name of subsidiaries, country of incorporation, place of operations and principal activities and independent auditor | <u>Cost</u>                 |                             |                             | <u>Effective percentage of equity held</u> |                        |                        |
|--|-----------------------------|-----------------------------|-----------------------------|--|------------------------|------------------------|
|  | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>%                     | <u>31.12.2017</u><br>% | <u>01.01.2017</u><br>% |
| <u>Held by the company:</u>  |                             |                             |                             |  |                        |                        |
| Casem (Asia) Pte Ltd (a)<br>Singapore<br>Design and manufacturing of automated equipment                             | 100                         | 100                         | 100                         | 100  | 100                    | 100                    |
| Semiconductor Precision Technology Pte Ltd (a)<br>Singapore<br>Investment holding                                    | 1,500                       | 1,500                       | 1,500                       | 100  | 100                    | 100                    |
| Generic Power Pte Ltd (a)<br>Singapore<br>Design and manufacturing of vision inspection system                       | –                           | 7,904                       | 7,904                       | –  | 100                    | 100                    |

# NOTES TO THE FINANCIAL STATEMENTS

## 17. Investments in subsidiaries (cont'd)

| Name of subsidiaries, country<br>of incorporation, place of<br>operations and principal activities<br>and independent auditor  | Cost in books<br>of group |                      |                      | Effective<br>percentage of<br>equity held |                 |                 |
|--|---------------------------|----------------------|----------------------|---|-----------------|-----------------|
|  | 31.12.2018<br>\$'000      | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 | 31.12.2018<br>%                           | 31.12.2017<br>% | 01.01.2017<br>% |
| i.Pac Manufacturing Pte. Ltd. (a)<br>Singapore<br>Contract equipment<br>manufacturing  | –                         | 1,000                | 1,000                | –   | 100             | 100             |
| Automated Manufacturing<br>Solutions Pte. Ltd. (a)<br>Singapore<br>Manufacturing and repair of<br>lifting and handling equipment   | 824                       | 824                  | 824                  | 100                                       | 100             | 100             |
| MIT Semiconductor Pte. Ltd. (a)<br>Singapore<br>Design and manufacturing of<br>semiconductor equipment   | 26,984                    | –                    | –                    | 100                                       | –               | –               |
|  | <u>29,408</u>             | <u>11,328</u>        | <u>11,328</u>        |   |                 |                 |
| <u>Held by Semiconductor Precision<br/>Technology Pte Ltd:</u>   |                           |                      |                      |   |                 |                 |
| MIT (Shanghai) Co., Ltd (b)<br>People's Republic of China<br>Design, manufacture and distri-<br>bution of automated equipment<br>and components for electronic<br>and semiconductor industries |                           |                      |                      | 100                                       | 100             | 100             |
| <u>Held by MIT Semiconductor Pte.<br/>Ltd.</u>   |                           |                      |                      |   |                 |                 |
| Generic Power Pte Ltd (a)<br>Singapore<br>Design and manufacturing of<br>vision inspection system  |                           |                      |                      | 100                                       | –               | –               |
| i.Pac Manufacturing Pte. Ltd. (a)<br>Singapore<br>Contract equipment<br>manufacturing  |                           |                      |                      | 100                                       | –               | –               |

(a) Audited by RSM Chio Lim LLP, a member of RSM International.

(b) Audited by SBA Stone Forest CPA Co. Ltd. an affiliated firm of RSM Chio Lim LLP.

# NOTES TO THE FINANCIAL STATEMENTS

## 18. Other assets, non-current

|  | <u>Group and company</u>    |                             |                             |
|--|-----------------------------|-----------------------------|-----------------------------|
|  | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| Club membership at cost                                  | –                           | 83                          | 83                          |
| Less: Allowance for impairment                           | –                           | –                           | (40)                        |
| Less: Disposal   | –                           | (83)                        | –                           |
|  | <u>–</u>                    | <u>–</u>                    | <u>43</u>                   |
| Movement in the above allowance:                         |                             |                             |                             |
| Balance at beginning of the year                         | –                           | 40                          | 40                          |
| Less: Impairment losses previously provided now disposed | –                           | (40)                        | –                           |
| Balance at end of the year                               | <u>–</u>                    | <u>–</u>                    | <u>40</u>                   |

The carrying value of club memberships is at cost. The fair value of the club memberships is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed as used in estimating fair values. Consequently it is carried at cost less allowance for impairment.

## 19. Inventories

|                  | <u>Group</u>                |                             |                             | <u>Company</u>              |                             |                             |
|------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                  | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| Raw materials    | 1,164                       | 4,007                       | 4,441                       | –                           | 370                         | 2,517                       |
| Work-in-progress | 1,042                       | 11,895                      | 5,155                       | –                           | 1,304                       | 896                         |
| Finished goods   | 820                         | 555                         | 4,968                       | –                           | –                           | 3,607                       |
|                  | <u>3,026</u>                | <u>16,457</u>               | <u>14,564</u>               | <u>–</u>                    | <u>1,674</u>                | <u>7,020</u>                |

Inventories are stated after allowance. Movement in allowance.

|  | <u>Group</u>                |                             |                             | <u>Company</u>              |                             |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| At beginning of the year                                   | 3,774                       | 3,481                       | 6,858                       | 1,885                       | 1,722                       | 4,322                       |
| Reversed to profit or loss in other income and other gains | (11)                        | (286)                       | (192)                       | –                           | (272)                       | –                           |
| Charged to profit or loss in other losses                  | 444                         | 717                         | 765                         | 436                         | 435                         | 212                         |
| Inventories previously impaired now written off            | –                           | (8)                         | (4,026)                     | –                           | –                           | (2,812)                     |
| Foreign exchange adjustments                               | (117)                       | (130)                       | 76                          | –                           | –                           | –                           |
| Transfer to assets held for sale – net                     | (2,070)                     | –                           | –                           | (1,553)                     | –                           | –                           |
| At end of the year   | <u>2,020</u>                | <u>3,774</u>                | <u>3,481</u>                | <u>768</u>                  | <u>1,885</u>                | <u>1,722</u>                |

# NOTES TO THE FINANCIAL STATEMENTS

## 19. Inventories (cont'd)

|   | <u>Group</u>                |                             |                             | <u>Company</u>              |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| (Decrease) Increase in inventories of finished goods and work-in-progress | (10,588)                    | 2,327                       | (985)                       | (1,304)                     | (3,199)                     | 1,273                       |
| Raw materials and consumables used  | 16,741                      | 31,970                      | 16,451                      | 11,422                      | 33,077                      | 18,068                      |

(a) The reversal of the allowance is for goods with an estimated increase in net realisable value.

There are no inventories pledged as security for liabilities.

## 20. Trade and other receivables

|   | <u>Group</u>                |                             |                             | <u>Company</u>              |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| <u>Trade receivables:</u>   |                             |                             |                             |                             |                             |                             |
| Outside parties   | 5,904                       | 16,555                      | 14,030                      | 1,897                       | 12,429                      | 10,754                      |
| Subsidiaries  | –                           | –                           | –                           | 77                          | 3                           | 130                         |
| Less: allowance for impairment  | (1,430)                     | (2,257)                     | (2,118)                     | (69)                        | (170)                       | –                           |
| Net trade receivables – subtotal  | 4,474                       | 14,298                      | 11,912                      | 1,905                       | 12,262                      | 10,884                      |
| <u>Other receivables:</u>   |                             |                             |                             |                             |                             |                             |
| Advances to employees   | 17                          | 7                           | 8                           | –                           | 4                           | 4                           |
| Subsidiaries (Note 3)   | –                           | –                           | –                           | 7,021                       | 8,054                       | 6,983                       |
| Less: allowance for impairment on other receivables from subsidiaries                                       | –                           | –                           | –                           | (2,930)                     | (3,015)                     | (2,947)                     |
| Forward currency contracts (Note 34)  | 28                          | 54                          | –                           | 28                          | 54                          | –                           |
| Other receivables   | 122                         | 9                           | 76                          | 121                         | 10                          | 30                          |
| Net other receivables – subtotal  | 167                         | 70                          | 84                          | 4,240                       | 5,107                       | 4,070                       |
| Total trade and other receivables   | 4,641                       | 14,368                      | 11,996                      | 6,145                       | 17,369                      | 14,954                      |
| Movements in above allowance:   |                             |                             |                             |                             |                             |                             |
| At beginning of the year  | 2,257                       | 2,118                       | 2,341                       | 3,185                       | 2,947                       | 2,947                       |
| Foreign exchange adjustments  | (55)                        | (31)                        | (109)                       | –                           | –                           | –                           |
| Charge (reversal) for trade receivables to profit or loss included in other losses (gains)                  | (772)                       | 170                         | (114)                       | (101)                       | 170                         | –                           |
| (Reversal) charge for other receivables from subsidiaries to profit or loss included in other (gain) losses | –                           | –                           | –                           | (85)                        | 68                          | –                           |
| At end of the year  | 1,430                       | 2,257                       | 2,118                       | 2,999                       | 3,185                       | 2,947                       |

# NOTES TO THE FINANCIAL STATEMENTS

## 20. Trade and other receivables (cont'd)

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These trade receivables are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses.

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

The group has few customers and which can be graded as low risk individually. These trade receivables are individually assessed and are considered to have low credit risk. At the end of the reporting year a loss allowance is recognised at an amount equal to life time expected credit losses because there has not been a significant financing component and significant increase in credit risk since initial recognition. There are no collateral held as security and other credit enhancements for the trade receivables.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the trade receivable's credit risk at initial recognition (based on original, unmodified cash flows) with the credit risk at the reporting date. As the credit risk is low, no loss allowance is recognised based on the lifetime expected credit losses on the amount.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 90 days (31.12.2017: 30 to 90 days and 01.01.2017: 30 to 90 days). But some customers take a longer period to settle the amounts.

(a) Ageing analysis of the age of trade receivables amounts that are past due as at the end of reporting year but not impaired:

|                    | Group             |                   |                   | Company           |                   |                   |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                    | <u>31.12.2018</u> | <u>31.12.2017</u> | <u>01.01.2017</u> | <u>31.12.2018</u> | <u>31.12.2017</u> | <u>01.01.2017</u> |
|                    | \$'000            | \$'000            | \$'000            | \$'000            | \$'000            | \$'000            |
| Trade receivables: |                   |                   |                   |                   |                   |                   |
| 61 to 90 days      | 244               | 644               | 10,572            | 199               | 603               | 6,943             |
| 91 to 180 days     | 619               | 500               | 1,860             | 184               | 366               | 1,683             |
| Over 180 days      | 1,871             | 3,539             | 4,807             | 503               | 3,459             | 4,732             |
| Total              | <u>2,734</u>      | <u>4,683</u>      | <u>17,239</u>     | <u>886</u>        | <u>4,428</u>      | <u>13,358</u>     |

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

|                    | Group             |                   |                   | Company           |                   |                   |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                    | <u>31.12.2018</u> | <u>31.12.2017</u> | <u>01.01.2017</u> | <u>31.12.2018</u> | <u>31.12.2017</u> | <u>01.01.2017</u> |
|                    | \$'000            | \$'000            | \$'000            | \$'000            | \$'000            | \$'000            |
| Trade receivables: |                   |                   |                   |                   |                   |                   |
| Over 180 days      | 1,430             | 2,257             | 2,118             | 69                | 170               | –                 |
| Total              | <u>1,430</u>      | <u>2,257</u>      | <u>2,118</u>      | <u>69</u>         | <u>170</u>        | <u>–</u>          |

Concentration of trade receivable customers as at end of reporting year:

|                    | Group             |                   |                   | Company           |                   |                   |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                    | <u>31.12.2018</u> | <u>31.12.2017</u> | <u>01.01.2017</u> | <u>31.12.2018</u> | <u>31.12.2017</u> | <u>01.01.2017</u> |
|                    | \$'000            | \$'000            | \$'000            | \$'000            | \$'000            | \$'000            |
| Trade receivables: |                   |                   |                   |                   |                   |                   |
| Top 1 customer     | 3,074             | 3,588             | 5,793             | 231               | 3,588             | 5,793             |
| Top 2 customers    | 4,727             | 6,169             | 7,511             | 450               | 6,169             | 7,511             |
| Top 3 customers    | <u>5,887</u>      | <u>7,445</u>      | <u>8,443</u>      | <u>571</u>        | <u>7,445</u>      | <u>8,443</u>      |



# NOTES TO THE FINANCIAL STATEMENTS

## 20. Trade and other receivables (cont'd)

Other receivables are normally with no fixed terms and therefore there is no maturity. Other receivables are regarded as low credit risk as if they have a low risk of default and the debtor has strong capacity to meet the contractual cash flows obligation in near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

## 21. Other assets, current

|                             | <u>Group</u>                |                             |                             | <u>Company</u>              |                             |                             |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                             | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| Deposits to secure services | 184                         | 287                         | 99                          | 54                          | 19                          | 54                          |
| Prepayments                 | 230                         | 529                         | 130                         | 62                          | 294                         | 59                          |
|                             | <u>414</u>                  | <u>816</u>                  | <u>229</u>                  | <u>116</u>                  | <u>313</u>                  | <u>113</u>                  |

## 22. Cash and cash equivalents

|   | <u>Group</u>                |                             |                             | <u>Company</u>              |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| Not restricted in use                                   | <u>11,554</u>               | <u>21,884</u>               | <u>17,892</u>               | <u>9,088</u>                | <u>18,764</u>               | <u>14,085</u>               |
| Interest earning balances maturing within 1 to 4 months | <u>–</u>                    | <u>13,657</u>               | <u>14,704</u>               | <u>–</u>                    | <u>12,837</u>               | <u>12,000</u>               |

During the year, the rate of interest for the cash on interest earning accounts is between 0.30% and 1.80% (31.12.2017: 0.30% and 1.52% and 01.01.2017: 0.30% and 0.95%) per annum.

## 22A. Reconciliation of liabilities arising from financing activities:

|   | <u>2017</u><br>\$'000 | <u>Cash flows</u><br>\$'000 | <u>Non-cash changes</u><br>\$'000 | <u>2018</u><br>\$'000 |
|---|-----------------------|-----------------------------|-----------------------------------|-----------------------|
| Long-term borrowings                        | –                     | 7,000                       | –                                 | 7,000                 |
| Finance lease liabilities                   | 117                   | (117)                       | –                                 | –                     |
| Total liabilities from financing activities | <u>117</u>            | <u>6,883</u>                | <u>–</u>                          | <u>7,000</u>          |
|   | <u>2016</u><br>\$'000 | <u>Cash flows</u><br>\$'000 | <u>Non-cash changes</u><br>\$'000 | <u>2017</u><br>\$'000 |
| Long-term borrowings                        | 3,590                 | (3,590)                     | –                                 | –                     |
| Finance lease liabilities                   | 163                   | (46)                        | –                                 | 117                   |
| Total liabilities from financing activities | <u>3,753</u>          | <u>(3,636)</u>              | <u>–</u>                          | <u>117</u>            |

# NOTES TO THE FINANCIAL STATEMENTS

## 22. Cash and cash equivalents (cont'd)

### 22B. Reconciliation of consolidated statement of cash flows:

| <u>Group</u>  | <u>31.12.2018</u> | <u>31.12.2017</u> |
|---|-------------------|-------------------|
|   | \$'000            | \$'000            |
| Cash and cash equivalents in the statements of financial position     | 11,554            | 21,884            |
| Cash and cash equivalents included in a disposal group held for sale  | 8,000             | –                 |
| Cash and cash equivalents in the consolidated statement of cash flows | <u>19,554</u>     | <u>21,884</u>     |

## 23. Assets held for sale

On 18 July 2018, the company has entered into an agreement to dispose of the semi-conductor segment of the group. The assets and liabilities attributable to the semi-conductor segment, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the statements of financial position.

The proceeds of disposal are expected to exceed the net carrying amount of the assets and liabilities and accordingly, no impairment loss has been recognised on classification of these operations as held for sales.

The carrying amount of the assets and liabilities comprising the disposal group held for sale are as follows:

|  | <u>2018</u>   |
|--|---------------|
|  | \$'000        |
| <u>Assets:</u>                         |               |
| Plant and equipment                    | 1,213         |
| Intangible assets                      | 14            |
| Development projects                   | 4,748         |
| Inventories                            | 12,344        |
| Trade and other receivables            | 9,877         |
| Other assets, current                  | 366           |
| Cash and cash equivalents              | 8,000         |
| Total assets at end of the year        | <u>36,562</u> |
| <u>Liabilities:</u>                    |               |
| Provisions                             | 47            |
| Trade and other payables               | 10,601        |
| Total liabilities at end of the year   | <u>10,648</u> |
| Net carrying amount at end of the year | <u>25,914</u> |

# NOTES TO THE FINANCIAL STATEMENTS

## 24. Share capital

| <u>Group and Company</u>   | Number of<br>ordinary<br>shares<br><u>issued</u><br>'000 | Number of<br>treasury<br>shares<br><u>held</u><br>'000 | Share<br><u>capital</u><br>\$'000 | Treasury<br><u>shares</u><br>\$'000 | <u>Total</u><br>\$'000 |
|--|--|--|-----------------------------------|-------------------------------------|------------------------|
| <u>Ordinary shares of no par value:</u>                                |  |  |                                   |                                     |                        |
| At beginning of the year 1 January 2017                                | 224,606  | 407  | 46,682                            | (61)                                | 46,621                 |
| Exercise of share options (Note 25)                                    | 4,024  | –  | 324                               | –                                   | 324                    |
| Issuance of shares under performance share plan (Note 25)              | 250  | –  | 45                                | –                                   | 45                     |
| Reissued of treasury shares pursuant to employees' share option scheme | 407  | (407)  | –                                 | 61                                  | 61                     |
| Balance at end of the year 31 December 2017                            | 229,287  | –  | 47,051                            | –                                   | 47,051                 |
| Exercise of share options (Note 25)                                    | 4,230  | –  | 613                               | –                                   | 613                    |
| Issuance of shares under performance share plan (Note 25)              | 400  | –  | 78                                | –                                   | 78                     |
| Balance at end of the year 31 December 2018                            | 233,917  | –  | 47,742                            | –                                   | 47,742                 |

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

Reissued of treasury shares related to ordinary shares of the company that are held by the company. In 2017, the company reissued 407,000 (01.01.2017: 1,259,000) treasury shares pursuant to its employees' share option scheme at an average fair value of \$0.20 (01.01.2017: \$0.18) per share.

### Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

|   | <u>31.12.2018</u><br>\$'000 | <u>Group</u><br><u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
|---|-----------------------------|---|-----------------------------|
| Net debt:   |                             |   |                             |
| All current and non-current borrowings including finance leases | 7,000                       | 117   | 3,753                       |
| Less: Cash and cash equivalents                                 | (11,554)                    | (21,884)                                    | (17,892)                    |
| Net debt  | (4,554)                     | (21,767)                                    | (14,139)                    |

# NOTES TO THE FINANCIAL STATEMENTS

## 24. Share capital (cont'd)

### Capital management: (cont'd)

|   | <u>Group</u>      |                   |                   |
|---|-------------------|-------------------|-------------------|
|   | <u>31.12.2018</u> | <u>31.12.2017</u> | <u>01.01.2017</u> |
|   | \$'000            | \$'000            | \$'000            |
| Adjusted capital:   |                   |                   |                   |
| Total equity  | 44,007            | 51,130            | 45,198            |
| Adjusted capital  | 44,007            | 51,130            | 45,198            |
| Debt-to-adjusted capital ratio                                  | N/M               | N/M               | N/M               |
| N/M – Not meaningful  |                   |                   |                   |
|   | <u>Company</u>    |                   |                   |
|   | <u>31.12.2018</u> | <u>31.12.2017</u> | <u>01.01.2017</u> |
|   | \$'000            | \$'000            | \$'000            |
| Net debt:   |                   |                   |                   |
| All current and non-current borrowings including finance leases | 7,000             | 117               | 3,753             |
| Less: Cash and cash equivalents                                 | (9,088)           | (18,764)          | (14,085)          |
| Net debt  | (2,088)           | (18,647)          | (10,332)          |
| Adjusted capital:   |                   |                   |                   |
| Total equity  | 44,733            | 50,376            | 47,239            |
| Adjusted capital  | 44,733            | 50,376            | 47,239            |
| Debt-to-adjusted capital ratio                                  | N/M               | N/M               | N/M               |
| N/M – Not meaningful  |                   |                   |                   |

In order to maintain its listing on the Singapore Stock Exchange, it has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the year.

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

## 25. Share-based payments

### Employees' Share Option Scheme ("ESOS")

As at the end of the reporting year, share options granted to selected full-time employees and full-time executive directors under the Manufacturing Integration Technology Ltd. Employees' Share Option Scheme to take up 6,654,500 (31.12.2017: 11,371,400 and 01.01.2017: 15,625,000) unissued ordinary shares in the company as at the end of the reporting year were outstanding as follows:-

| Date of grant   | Balance<br>as at<br>1.1.2018 | New | Lapsed | Exercised | Balance<br>as at<br>31.12.2018 | Exercise<br>Price | Expiry date  |
|---|------------------------------|-----|--------|-----------|--------------------------------|-------------------|--------------|
|   |                              |     |        |           |                                | \$                |              |
| <u>Options to subscribe number of unissued ordinary shares of no par value:</u> |                              |     |        |           |                                |                   |              |
| 6 March 2008  | 20,000                       | –   | –      | 20,000    | –                              | 0.1500*           | 5 March 2018 |
| 6 March 2008  | 20,000                       | –   | –      | 20,000    | –                              | 0.1200**          | 5 March 2018 |
| 14 May 2012   | 130,000                      | –   | –      | 30,000    | 100,000                        | 0.1000*           | 13 May 2022  |
| 14 May 2012   | 180,000                      | –   | –      | 30,000    | 150,000                        | 0.0800**          | 13 May 2022  |

# NOTES TO THE FINANCIAL STATEMENTS

## 25. Share-based payments (cont'd)

| Date of grant    | Balance<br>as at<br>1.1.2018 | New      | Lapsed         | Exercised        | Balance<br>as at<br>31.12.2018 | Exercise<br>Price | Expiry date      |
|------------------|------------------------------|----------|----------------|------------------|--------------------------------|-------------------|------------------|
|                  |                              |          |                |                  |                                | \$                |                  |
| 9 June 2014      | 981,000                      | –        | 120,000        | 461,000          | 400,000                        | 0.0650*           | 8 June 2024      |
| 9 June 2014      | 1,085,000                    | –        | 120,000        | 515,000          | 450,000                        | 0.0520**          | 8 June 2024      |
| 15 December 2014 | 18,000                       | –        | –              | 18,000           | –                              | 0.0830*           | 14 December 2024 |
| 15 December 2014 | 25,000                       | –        | –              | 25,000           | –                              | 0.0660**          | 14 December 2024 |
| 20 May 2016      | 3,837,400                    | –        | 107,400        | 1,564,000        | 2,166,000                      | 0.1940*           | 19 May 2026      |
| 20 May 2016      | 4,475,000                    | –        | 140,000        | 1,546,500        | 2,788,500                      | 0.1550**          | 19 May 2026      |
| 5 June 2017      | 300,000                      | –        | –              | –                | 300,000                        | 0.2450*           | 4 June 2022      |
| 5 June 2017      | 300,000                      | –        | –              | –                | 300,000                        | 0.1960**          | 4 June 2022      |
|                  | <u>11,371,400</u>            | <u>–</u> | <u>487,400</u> | <u>4,229,500</u> | <u>6,654,500</u>               |                   |                  |

\* Market price

\*\* 20% discount to the market price of Company's shares

During the current reporting year, certain employees have exercised 4,229,500 share options under ESOS.

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the reporting year:

|                                  | <u>Year</u><br><u>2018</u> | <u>WAEP (\$)</u><br><u>2018</u> | <u>Year</u><br><u>2017</u> | <u>WAEP (\$)</u><br><u>2017</u> |
|----------------------------------|----------------------------|---------------------------------|----------------------------|---------------------------------|
| Outstanding at beginning of year | 11,371,400                 | 0.11                            | 15,625,000                 | 0.13                            |
| Additional during the year       | –                          |                                 | 600,000                    | 0.22                            |
| Exercised during the year        | (4,229,500)                | 0.11                            | (4,431,600)                | 0.08                            |
| Expired during the year          | (487,400)                  | 0.12                            | (422,000)                  | 0.10                            |
|                                  | <u>6,654,500</u>           | 0.13                            | <u>11,371,400</u>          | 0.11                            |
| Exercisable at end of year       | <u>6,654,500</u>           | 0.13                            | <u>11,371,400</u>          | 0.11                            |

The options granted have a contractual life up to 10 years and there are no cash settlement alternatives.

During the current reporting year, the fair value of share options amounting to \$233,000 (2017: \$265,000) was estimated by the management, using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense in the profit or loss during the reporting year is approximately \$154,000 (2017: \$179,000) (Note 8). The inputs to the model used for share options granted in current reporting year are shown below:

|  | <u>2018</u>         |
|--|---------------------|
| Dividend yield (%)                     | 2.04                |
| Expected and historical volatility (%) | 17.9                |
| Risk-free interest rate (%)            | 1.73                |
| Expected life of option (years)        | 1 to 10             |
| Weighted average share price (\$)      | <u>0.15 to 0.35</u> |

The expected life of the option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

# NOTES TO THE FINANCIAL STATEMENTS

## 25. Share-based payments (cont'd)

### Performance Share Plan ("PSP")

During the year, the Company has issued and allotted 400,000 (2017: 250,000) ordinary shares in the share capital of the Company to the employee under PSP. As at 31 December 2018, the number of outstanding performance shares held under PSP is 150,000 (2017: 550,000).

## 26. Dividends on equity shares

|   | Group and Company      |      |                |                |
|---|------------------------|------|----------------|----------------|
|   | Rate per share - cents |      | 2018<br>\$'000 | 2017<br>\$'000 |
|   | 2018                   | 2017 |                |                |
| Final tax exempt (1-tier) dividend paid | 0.75                   | 0.25 | <u>1,725</u>   | <u>571</u>     |
| Total dividend paid in the year         |                        |      | <u>1,725</u>   | <u>571</u>     |

## 27. Other reserves

|   | Group                |                      |                      | Company              |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 31.12.2018<br>\$'000 | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 | 31.12.2018<br>\$'000 | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 |
| Foreign currency translation reserve (Note 27A) | (142)                | (18)                 | 75                   | -                    | -                    | -                    |
| Share option reserve (Note 27B)                 | <u>233</u>           | <u>265</u>           | <u>222</u>           | <u>233</u>           | <u>265</u>           | <u>222</u>           |
| At end of the year                              | <u>91</u>            | <u>247</u>           | <u>297</u>           | <u>233</u>           | <u>265</u>           | <u>222</u>           |

All reserves classified on the face of the statements of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

## 27A. Foreign currency translation reserve

|  | Group                |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | 31.12.2018<br>\$'000 | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 |
| At beginning of the year                               | (18)                 | 75                   | 393                  |
| Exchange differences on translating foreign operations | <u>(124)</u>         | <u>(93)</u>          | <u>(318)</u>         |
| At end of the year                                     | <u>(142)</u>         | <u>(18)</u>          | <u>75</u>            |

The foreign currency translation reserve accumulates all foreign exchange differences arising from the translation of financial statements of entities that are denominated in currencies other than the presentation currency of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 27. Other reserves (cont'd)

### 27B. Share option reserve

|                              | <u>Group and company</u> |                   |                   |
|------------------------------|--------------------------|-------------------|-------------------|
|                              | <u>31.12.2018</u>        | <u>31.12.2017</u> | <u>01.01.2017</u> |
|                              | \$'000                   | \$'000            | \$'000            |
| At beginning of the year     | 265                      | 222               | 113               |
| Exercise of share options    | (169)                    | (119)             | (28)              |
| Expiry of share options      | (17)                     | (17)              | (24)              |
| Share based payment expenses | 154                      | 179               | 161               |
| At end of the year           | 233                      | 265               | 222               |

## 28. Other financial liabilities

|   | <u>Group and company</u> |                   |                   |
|---|--------------------------|-------------------|-------------------|
|   | <u>31.12.2018</u>        | <u>31.12.2017</u> | <u>01.01.2017</u> |
|   | \$'000                   | \$'000            | \$'000            |
| <u>Non-current:</u>                                     |                          |                   |                   |
| <u>Financial instruments with fixed interest rates:</u> |                          |                   |                   |
| Finance leases (Note 28B)                               | -                        | 70                | 116               |
| Non-current   | -                        | 70                | 116               |
| <u>Current:</u>   |                          |                   |                   |
| <u>Financial instruments with fixed interest rates:</u> |                          |                   |                   |
| Bank loan (secured) (Note 28A)                          | 7,000                    | -                 | 3,590             |
| Finance leases (Note 28B)                               | -                        | 47                | 47                |
| Current   | 7,000                    | 47                | 3,637             |
| Total   | 7,000                    | 117               | 3,753             |

The bank agreements for certain of the bank loans and other credit facilities provide among other matters for the following:-

1. A legal mortgage over investment properties (Note 14).
2. Assignment of all insurance taken on the investment properties.
3. Assignment and charge of proceeds in respect of the properties.

### 28A. Bank loan (secured)

In 2018, the total outstanding for Bank Loan A (secured) was \$7,000,000 at a fixed interest rate of 3.65% per annum. The secured bank loan is repayable at the end of the loan on 31 January 2019. The fair value was a reasonable approximation of the carrying amount. The fair value of the bank loan was estimated by discounting the future cash flows payable under the terms of the loan using the year-end market interest rate applicable to loans of similar credit risk, terms and conditions (Level 2).

# NOTES TO THE FINANCIAL STATEMENTS

## 28. Other financial liabilities (cont'd)

### 28B. Finance lease liabilities

The finance lease has been fully settled during the financial year.

| <u>31.12.2017</u>               | <u>Minimum payments</u><br>\$'000 | <u>Finance charges</u><br>\$'000 | <u>Present value</u><br>\$'000 |
|---------------------------------|-----------------------------------|----------------------------------|--------------------------------|
| Minimum lease payments payable: |                                   |                                  |                                |
| Due within one year             | 52                                | (5)                              | 47                             |
| Due within 2 to 5 years         | 78                                | (8)                              | 70                             |
| Total                           | <u>130</u>                        | <u>(13)</u>                      | <u>117</u>                     |

Carrying value of plant and equipment under finance leases 270

| <u>01.01.2017</u>               | <u>Minimum payments</u><br>\$'000 | <u>Finance charges</u><br>\$'000 | <u>Present value</u><br>\$'000 |
|---------------------------------|-----------------------------------|----------------------------------|--------------------------------|
| Minimum lease payments payable: |                                   |                                  |                                |
| Due within one year             | 52                                | (5)                              | 47                             |
| Due within 2 to 5 years         | 130                               | (14)                             | 116                            |
| Total                           | <u>182</u>                        | <u>(19)</u>                      | <u>163</u>                     |

Carrying value of plant and equipment under finance leases 348

There are leased assets under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under the finance leases are secured by the lessor's charge over the leased assets. Other details are as follows:

|   | <u>Group and company</u> |                   |                   |
|---|--------------------------|-------------------|-------------------|
|   | <u>31.12.2018</u>        | <u>31.12.2017</u> | <u>01.01.2017</u> |
| Average lease term, in years              | –                        | 5                 | 5                 |
| Average effective borrowing rate per year | <u>–</u>                 | <u>4.48%</u>      | <u>4.48%</u>      |

The total for finance leases and the average effective borrowing rate per year is disclosed above. In 2017, interest rate of 4.48% (01.01.2017: 4.48%) is applicable to similar finance leases (Level 2).

## 29. Provisions, current

|   | <u>Group</u>                |                             |                             | <u>Company</u>              |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| <u>Provision for installation expenses:</u>                                       |                             |                             |                             |                             |                             |                             |
| Balance at beginning of the year  | 107                         | 93                          | 179                         | 107                         | 93                          | 179                         |
| Provision charged to profit or loss included in selling and distribution expenses | 118                         | 376                         | 267                         | 118                         | 376                         | 267                         |



# NOTES TO THE FINANCIAL STATEMENTS

## 29. Provisions, current (cont'd)

|  | <u>Group</u>                |                             |                             | <u>Company</u>              |                             |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| Provision reversed to profit or loss included in selling and distribution expenses | (168)                       | (105)                       | (175)                       | (168)                       | (105)                       | (175)                       |
| Used   | (57)                        | (257)                       | (178)                       | (57)                        | (257)                       | (178)                       |
| Balance at end of the year   | –                           | 107                         | 93                          | –                           | 107                         | 93                          |
| <u>Provision for product warranty:</u>   |                             |                             |                             |                             |                             |                             |
| Balance at beginning of the year   | 65                          | 161                         | 94                          | 65                          | 46                          | 78                          |
| Provision charged to profit or loss  | 68                          | 127                         | 196                         | 18                          | 127                         | 82                          |
| Provision reversed to profit or loss   | (46)                        | (47)                        | (50)                        | (46)                        | (29)                        | (43)                        |
| Used   | (40)                        | (176)                       | (79)                        | (37)                        | (79)                        | (71)                        |
| Transfer to liabilities held for sale  | (47)                        | –                           | –                           | –                           | –                           | –                           |
| Balance at end of the year   | –                           | 65                          | 161                         | –                           | 65                          | 46                          |
| Total at end of the year   | –                           | 172                         | 254                         | –                           | 172                         | 139                         |

The provision for installation/product warranty is recognised for expected installation charges/warranty claims on certain automated equipment and vision inspection system sold by the group. A provision is made based on past experience and future expectation and an assessment of the probability of an outflow for the obligations as a whole.

The reversal of the provision relates to prior years overprovision not utilised as at reporting year end.

## 30. Trade and other payables, current

|   | <u>Group</u>                |                             |                             | <u>Company</u>              |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| <u>Trade payables:</u>                  |                             |                             |                             |                             |                             |                             |
| Outside parties and accrued liabilities | 3,652                       | 13,573                      | 7,569                       | 890                         | 4,578                       | 3,274                       |
| Subsidiaries                            | –                           | –                           | –                           | –                           | 7                           | 263                         |
| Trade payables – subtotal               | 3,652                       | 13,573                      | 7,569                       | 890                         | 4,585                       | 3,537                       |
| <u>Other payables:</u>                  |                             |                             |                             |                             |                             |                             |
| Subsidiary (Note 3)                     | –                           | –                           | –                           | 1,638                       | 163                         | –                           |
| Advance received from customers         | 24                          | 2,448                       | 1,196                       | –                           | 810                         | 1,196                       |
| Forward currency contracts (Note 34)    | –                           | –                           | 136                         | –                           | –                           | 136                         |
| Other payables *                        | 357                         | 249                         | 185                         | 234                         | 112                         | 112                         |
| Other payables – subtotal               | 381                         | 2,697                       | 1,517                       | 1,872                       | 1,085                       | 1,444                       |
| Total trade and other payables          | 4,033                       | 16,270                      | 9,086                       | 2,762                       | 5,670                       | 4,981                       |

\* Provision for restoration amounted to \$14,000 (31.12.2017: \$104,000 and 01.01.2017: \$81,368) is included as part of other payables.

# NOTES TO THE FINANCIAL STATEMENTS

## 31. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

|  | <u>Group</u>          |                       |
|--|-----------------------|-----------------------|
|  | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
| Contractual obligations for maintenance of equipment | <u>147</u>            | <u>-</u>              |

## 32. Operating lease payment commitments – as lessee

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

|   | <u>Group</u>          |                       | <u>Company</u>        |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
| Not later than one year                           | 739                   | 757                   | 124                   | 365                   |
| Later than one year and not later than five years | <u>2,110</u>          | <u>631</u>            | <u>406</u>            | <u>254</u>            |
| Rental expense for the year                       | <u>1,088</u>          | <u>1,029</u>          | <u>106</u>            | <u>341</u>            |

Operating lease payments represent rentals payable for offices and factory premises. The group leases certain properties under lease agreements that are non-cancellable within a year. The leases expire at various dates until 2020.

## 33. Operating lease income commitments – as lessor

At the end of the reporting year, the total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

|   | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
|---|-----------------------|-----------------------|
| <u>Group and company</u>                          |                       |                       |
| Not later than one year                           | 451                   | 615                   |
| Later than one year and not later than five years | <u>319</u>            | <u>771</u>            |
| Rental income for the year (Note 5)               | <u>615</u>            | <u>670</u>            |

Operating lease income commitments are for the investment properties. The lease rental income terms are negotiated for an average term of three years.

# NOTES TO THE FINANCIAL STATEMENTS

## 34. Derivatives financial instruments

These include the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

|  | Group and company    |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | 31.12.2018<br>\$'000 | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 |
| <u>Assets (Liabilities) – Contracts with negative fair values:</u> |                      |                      |                      |
| Forward foreign exchange   | 28                   | 54                   | (136)                |
| Total at end of the year   | <u>28</u>            | <u>54</u>            | <u>(136)</u>         |

## 34A. Forward currency exchange contracts

|                         | Notional<br>amount | Contract<br>dates             | Value<br>dates                | Favourable / (Unfavourable)<br>(Notes 20 and 30) |
|-------------------------|--------------------|-------------------------------|-------------------------------|--|
| <u>31.12.2018</u>       | US\$'000           |                               |                               | \$'000   |
| <u>US Dollar (US\$)</u> |                    |                               |                               |  |
| Sell for SGD            | <u>2,500</u>       | 9 Oct 2018 to<br>14 Dec 2018  | 11 Jan 2018 to<br>24 Jan 2018 | <u>28</u>  |
| <br>                    |                    |                               |                               |  |
| <u>31.12.2017</u>       |                    |                               |                               |  |
| <u>US Dollar (US\$)</u> |                    |                               |                               |  |
| Sell for SGD            | <u>5,000</u>       | 27 Oct 2017 to<br>28 Dec 2017 | 2 Jan 2018 to<br>27 Feb 2018  | <u>54</u>  |
| <br>                    |                    |                               |                               |  |
| <u>01.01.2017</u>       |                    |                               |                               |  |
| <u>US Dollar (US\$)</u> |                    |                               |                               |  |
| Sell for SGD            | <u>4,000</u>       | 20 Oct 2016 to<br>22 Dec 2016 | 21 Feb 2017 to<br>27 Apr 2017 | <u>(136)</u>                                     |

The purpose of these contracts is to mitigate the fluctuations of expected sales and purchases (forecast transactions) denominated in the non-functional currencies. The foreign currency sales and purchase forecasts are prepared for the following year with monthly information and designated as the hedged item the part of monthly sales exceeding the purchases of the month. Cash flows are expected to occur and affect profit or loss in the month concerned.

The fair value (Level 2) of forward currency contracts is based on the current value of the difference between the contractual exchange rate and the market rate at the end of the reporting year. The valuation technique uses market observable inputs.

## 35. Financial information by operating segment

### 35A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standards on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. Financial information by operating segment (cont'd)

### 35A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

For management purposes, the reporting entity is organised into the following major strategic operating segments that offer different products and services: (1) semiconductor, (2) non-semiconductor business. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance.

The segments and the types of products and services are as follows:

The semiconductor segment is mainly engaged in designing, developing, and manufacturing of automated equipment for semiconductor and solar industry.

The non-semiconductor segment is mainly engaged in contract equipment manufacturing activities.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

The discontinued operations relate to the semiconductor segment which was disposed during the year (see Note 11).

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment's operating results is the earnings from operations before depreciation and amortisation, interests and income taxes (called "Recurring EBITDA").

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

### 35B. Profit or loss from continuing operations and reconciliations

Segment information about these businesses is presented below:-

|                                   | Non-<br><u>semiconductor</u><br>\$'000 | <u>Unallocated</u><br>\$'000 | <u>Group</u><br>\$'000 |
|-----------------------------------|--|------------------------------|------------------------|
| <b>Continuing operations 2018</b> |  |                              |                        |
| <b>Revenue by segment</b>         |  |                              |                        |
| Total revenue by segment          | 23,046                                 | -                            | 23,046                 |
| Inter-segment sales               | (4,338)                                | -                            | (4,338)                |
| <b>Total revenue</b>              | <b>18,708</b>                          | <b>-</b>                     | <b>18,708</b>          |

# NOTES TO THE FINANCIAL STATEMENTS

## 35. Financial information by operating segment (cont'd)

### 35B. Profit or loss from continuing operations and reconciliations (cont'd)

|   | Non-<br>semiconductor<br>\$'000 | Unallocated<br>\$'000 | Group<br>\$'000 |
|---|---------------------------------|-----------------------|-----------------|
| <b>Recurring EBITDA</b>                             | (927)                           | 522                   | (405)           |
| Interest income                                     | 13                              | –                     | 13              |
| Finance costs                                       | (43)                            | –                     | (43)            |
| Depreciation  | (329)                           | (189)                 | (518)           |
| (Loss) profit before tax from continuing operations | (1,286)                         | 333                   | (953)           |
| Income tax expense                                  |                                 |                       | (1,075)         |
| <b>Loss from continuing operations</b>              |                                 |                       | <b>(2,028)</b>  |

|                                   | <u>Discontinued<br/>Operations</u> | <u>Continued Operations</u>     |                       | Group<br>\$'000 |
|-----------------------------------|------------------------------------|---------------------------------|-----------------------|-----------------|
|                                   | Semiconductor<br>\$'000            | Non-<br>semiconductor<br>\$'000 | Unallocated<br>\$'000 |                 |
| <b>Continuing operations 2017</b> |                                    |                                 |                       |                 |
| <b>Revenue by segment</b>         |                                    |                                 |                       |                 |
| Total revenue by segment          | 80,490                             | 16,172                          | –                     | 96,662          |
| Inter-segment sales               | (26,880)                           | (3,853)                         | –                     | (30,733)        |
| <b>Total revenue</b>              | <b>53,610</b>                      | <b>12,319</b>                   | <b>–</b>              | <b>65,929</b>   |
| <b>Recurring EBITDA</b>           | 8,976                              | (1,721)                         | 576                   | 7,831           |
| Interest income                   | 115                                | 44                              | –                     | 159             |
| Finance costs                     | (5)                                | –                               | (66)                  | (71)            |
| Depreciation                      | (740)                              | (109)                           | (189)                 | (1,038)         |
| Amortisation                      | (371)                              | –                               | –                     | (371)           |
| Profit (loss) before tax          | 7,975                              | (1,786)                         | 321                   | 6,510           |
| Income tax expense                | (395)                              | (109)                           | –                     | (504)           |
| <b>Profit (loss) for the year</b> | <b>7,580</b>                       | <b>(1,895)</b>                  | <b>321</b>            | <b>6,006</b>    |

# NOTES TO THE FINANCIAL STATEMENTS

## 35. Financial information by operating segment (cont'd)

### 35C. Assets and reconciliations

|  | <u>Semiconductor</u><br>\$'000 | <u>Non-<br/>semiconductor</u><br>\$'000 | <u>Unallocated</u><br>\$'000 | <u>Group</u><br>\$'000 |
|--|--------------------------------|---|------------------------------|------------------------|
| <u>31.12.2018</u>                        |                                |   |                              |                        |
| Total assets for reportable segments     | –                              | 20,628                                  | 8,572                        | 29,200                 |
| Unallocated:                             |                                |   |                              |                        |
| Assets of a disposal group held for sale | 36,562                         | –                                       | –                            | 36,562                 |
| <b>Total group assets</b>                | <b>36,562</b>                  | <b>20,628</b>                           | <b>8,572</b>                 | <b>65,762</b>          |
| <u>31.12.2017</u>                        |                                |   |                              |                        |
| Total assets for reportable segments     | 46,861                         | 12,567                                  | 8,761                        | 68,189                 |
| Unallocated:                             |                                |   |                              |                        |
| Deferred tax assets                      | 217                            | 1,113                                   | –                            | 1,330                  |
| <b>Total group assets</b>                | <b>47,078</b>                  | <b>13,680</b>                           | <b>8,761</b>                 | <b>69,519</b>          |
| <u>01.01.2017</u>                        |                                |   |                              |                        |
| Total assets for reportable segments     | 42,126                         | 7,105                                   | 8,993                        | 58,224                 |
| Unallocated:                             |                                |   |                              |                        |
| Deferred tax assets                      | 217                            | 1,129                                   | –                            | 1,346                  |
| <b>Total group assets</b>                | <b>42,343</b>                  | <b>8,234</b>                            | <b>8,993</b>                 | <b>59,570</b>          |

### 35D. Liabilities and reconciliations

|   | <u>Semiconductor</u><br>\$'000 | <u>Non-<br/>semiconductor</u><br>\$'000 | <u>Unallocated</u><br>\$'000 | <u>Group</u><br>\$'000 |
|---|--------------------------------|---|------------------------------|------------------------|
| <u>31.12.2018</u>                         |                                |   |                              |                        |
| Total liabilities for reportable segments | –                              | 11,033                                  | –                            | 11,033                 |
| Unallocated:                              |                                |   |                              |                        |
| Income tax payable                        | –                              | 74                                      | –                            | 74                     |
| Liabilities of a disposal held for sale   | 10,648                         | –                                       | –                            | 10,648                 |
| <b>Total group liabilities</b>            | <b>10,648</b>                  | <b>11,107</b>                           | <b>–</b>                     | <b>21,755</b>          |
| <u>31.12.2017</u>                         |                                |   |                              |                        |
| Total liabilities for reportable segments | 10,673                         | 5,886                                   | –                            | 16,559                 |
| Unallocated:                              |                                |   |                              |                        |
| Income tax payable                        | 1,778                          | 52                                      | –                            | 1,830                  |
| <b>Total group liabilities</b>            | <b>12,451</b>                  | <b>5,938</b>                            | <b>–</b>                     | <b>18,389</b>          |

# NOTES TO THE FINANCIAL STATEMENTS

## 35. Financial information by operating segment (cont'd)

### 35D. Liabilities and reconciliations (cont'd)

| <u>01.01.2017</u>                         | <u>Semiconductor</u><br>\$'000 | <u>Non-<br/>semiconductor</u><br>\$'000 | <u>Unallocated</u><br>\$'000 | <u>Group</u><br>\$'000 |
|---|--------------------------------|---|------------------------------|------------------------|
| Total liabilities for reportable segments | 8,235                          | 1,268                                   | 3,590                        | 13,093                 |
| Unallocated:                              |                                |   |                              |                        |
| Income tax payable                        | 1,279                          | –                                       | –                            | 1,279                  |
| <b>Total group liabilities</b>            | <b>9,514</b>                   | <b>1,268</b>                            | <b>3,590</b>                 | <b>14,372</b>          |

### 35E. Other material items and reconciliations

|  | <u>Semiconductor</u><br>\$'000 | <u>Non-<br/>semiconductor</u><br>\$'000 | <u>Unallocated</u><br>\$'000 | <u>Group</u><br>\$'000 |
|--|--------------------------------|---|------------------------------|------------------------|
| Capital expenditure  |                                |   |                              |                        |
| 2018   | –                              | 1,140                                   | –                            | 1,140                  |
| 2017   | 1,039                          | 464                                     | –                            | 1,503                  |
| Allowance for impairment loss on inventory obsolescence, net |                                |   |                              |                        |
| 2018   | –                              | –                                       | –                            | –                      |
| 2017   | 431                            | –                                       | –                            | 431                    |

### 35F. Geographical information

The group's geographical segments are based on the location of the group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The group's operations are located in Singapore and China.

Revenues are attributes to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

|                                    | <u>Revenue</u>        |                       | <u>Non-current assets</u> |                       |
|------------------------------------|-----------------------|-----------------------|---------------------------|-----------------------|
|                                    | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 | <u>2018</u><br>\$'000     | <u>2017</u><br>\$'000 |
| <u>Revenue:</u>                    |                       |                       |                           |                       |
| China                              | 6,049                 | 6,118                 | 68                        | 110                   |
| Singapore                          | 8,347                 | 4,146                 | 9,497                     | 14,554                |
| Europe and USA                     | 2,403                 | 2,055                 | –                         | –                     |
| Asia excluding China and Singapore | 1,909                 | –                     | –                         | –                     |
| Total continuing operations        | <b>18,708</b>         | <b>12,319</b>         | <b>9,565</b>              | <b>14,664</b>         |

# NOTES TO THE FINANCIAL STATEMENTS

## 35. Financial information by operating segment (cont'd)

### 35F. Geographical information (cont'd)

|                             | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
|-----------------------------|-----------------------|-----------------------|
| <b>Capital Expenditure:</b> |                       |                       |
| China                       | 18                    | 66                    |
| Singapore                   | 1,122                 | 1,437                 |
|                             | <u>1,140</u>          | <u>1,503</u>          |

### 35G. Information about major customers

|   | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
|---|-----------------------|-----------------------|
| Top 1 customer in non-semiconductor segment | <u>5,723</u>          | <u>*</u>              |
| Top 1 customer in semiconductor segment     | 19,304 #              | 17,877                |
| Top 2 customers in semiconductor segment    | 24,009 #              | 30,096                |
| Top 3 customers in semiconductor segment    | <u>24,009 #</u>       | <u>36,845</u>         |

\* There are no customers in non-semiconductor segment with revenue transactions of over 10% of the group revenue.

# Semiconductor revenue are reported under discontinued operations.

## 36. Financial instruments: information on financial risks

### 36A. Categories of financial assets and liabilities

The following table categories the carrying amount of financial assets and financial liabilities recorded at the end of the reporting year:

|  | <u>Group</u>                |                             |                             | <u>Company</u>              |                             |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| <b>Financial assets:</b>   |                             |                             |                             |                             |                             |                             |
| Financial assets at amortised costs                                | 16,167                      | 36,198                      | 29,888                      | 15,205                      | 36,079                      | 29,039                      |
| Financial assets at fair value through profit or loss (FVTPL)      | 28                          | 54                          | –                           | 28                          | 54                          | –                           |
| At end of the year   | <u>16,195</u>               | <u>36,252</u>               | <u>29,888</u>               | <u>15,233</u>               | <u>36,133</u>               | <u>29,039</u>               |
| <b>Financial liabilities:</b>                                      |                             |                             |                             |                             |                             |                             |
| Financial liabilities at amortised cost                            | 11,009                      | 13,939                      | 11,507                      | 9,762                       | 4,977                       | 7,402                       |
| Financial liabilities at fair value through profit or loss (FVTPL) | –                           | –                           | 136                         | –                           | –                           | 136                         |
| At end of the year   | <u>11,009</u>               | <u>13,939</u>               | <u>11,643</u>               | <u>9,762</u>                | <u>4,977</u>                | <u>7,538</u>                |

Further quantitative disclosures are included throughout these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## 36. Financial instruments: information on financial risks (cont'd)

### 36B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market price risk comprising interest rate and currency risk exposures. Management has certain practices for the management of financial risks. These guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines includes the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following acceptable market practices.
5. When appropriate enter into derivatives or any other similar instruments solely for hedging purposes.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risks.

### 36C. Fair value of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statements of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

### 36D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses ("ECL") on financial assets, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

For purpose of impairment assessment, the deferred consideration and other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses ("ECL").

Note 22 discloses the cash and cash equivalents balances with less than 90 days maturity. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 36. Financial instruments: information on financial risks (cont'd)

### 36E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

| <u>Group</u>                                 | <u>Less than<br/>1 year</u> | <u>1 -3<br/>years</u> | <u>3 -5<br/>years</u> | <u>Total</u>  |
|--|-----------------------------|-----------------------|-----------------------|---------------|
|  | <u>\$'000</u>               | <u>\$'000</u>         | <u>\$'000</u>         | <u>\$'000</u> |
| <u>Non-derivative financial liabilities:</u> |                             |                       |                       |               |
| <u>31.12.2018:</u>                           |                             |                       |                       |               |
| Gross borrowings commitments                 | 7,063                       | –                     | –                     | 7,063         |
| Trade and other payables                     | 4,009                       | –                     | –                     | 4,009         |
| At end of the year                           | <u>11,072</u>               | <u>–</u>              | <u>–</u>              | <u>11,072</u> |
| <u>31.12.2017:</u>                           |                             |                       |                       |               |
| Gross finance lease obligations              | 52                          | 78                    | –                     | 130           |
| Trade and other payables                     | 13,822                      | –                     | –                     | 13,822        |
| At end of the year                           | <u>13,874</u>               | <u>78</u>             | <u>–</u>              | <u>13,952</u> |
| <u>01.01.2017:</u>                           |                             |                       |                       |               |
| Gross borrowings commitments                 | 3,590                       | –                     | –                     | 3,590         |
| Gross finance lease obligations              | 52                          | 104                   | 26                    | 182           |
| Trade and other payables                     | 7,754                       | –                     | –                     | 7,754         |
| At end of the year                           | <u>11,396</u>               | <u>104</u>            | <u>26</u>             | <u>11,526</u> |
| <u>Company</u>                               |                             |                       |                       |               |
| <u>Non-derivative financial liabilities:</u> |                             |                       |                       |               |
| <u>31.12.2018:</u>                           |                             |                       |                       |               |
| Gross borrowings commitments                 | 7,063                       | –                     | –                     | 7,063         |
| Trade and other payables                     | 2,762                       | –                     | –                     | 2,762         |
| At end of the year                           | <u>9,825</u>                | <u>–</u>              | <u>–</u>              | <u>9,825</u>  |
| <u>31.12.2017:</u>                           |                             |                       |                       |               |
| Gross finance lease obligations              | 52                          | 78                    | –                     | 130           |
| Trade and other payables                     | 4,860                       | –                     | –                     | 4,860         |
| At end of the year                           | <u>4,912</u>                | <u>78</u>             | <u>–</u>              | <u>4,990</u>  |
| <u>01.01.2017:</u>                           |                             |                       |                       |               |
| Gross borrowings commitments                 | 3,590                       | –                     | –                     | 3,590         |
| Gross finance lease obligations              | 52                          | 104                   | 26                    | 182           |
| Trade and other payables                     | 3,649                       | –                     | –                     | 3,649         |
| At end of the year                           | <u>7,291</u>                | <u>104</u>            | <u>26</u>             | <u>7,421</u>  |

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## 36. Financial instruments: information on financial risks (cont'd)

### 36E. Liquidity risk – financial liabilities maturity analysis (cont'd)

The following table analyses the derivative financial assets (liabilities) by remaining contractual maturity (contractual and undiscounted cash flows):

| <u>Group and company</u>                   | Less than<br>1 year | 1 -3<br>years | Total  |
|--|---------------------|---------------|--------|
| Derivative financial assets (liabilities): | \$'000              | \$'000        | \$'000 |
| <u>31.12.2018:</u>                         |                     |               |        |
| Foreign currency forward contracts         | 28                  | –             | 28     |
| <u>31.12.2017:</u>                         |                     |               |        |
| Foreign currency forward contracts         | 54                  | –             | 54     |
| <u>01.01.2017:</u>                         |                     |               |        |
| Foreign currency forward contracts         | (136)               | –             | (136)  |

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. When the counter-party has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

Financial guarantee in favour of a bank to secure bank facilities for subsidiaries – At the end of the reporting year no claims on the financial guarantees are expected to be payable.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 60 days (2017: 30 to 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

#### Bank facilities:

|                              | <u>Group</u>                |                             |                             | <u>Company</u>              |                             |                             |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                              | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 | <u>31.12.2018</u><br>\$'000 | <u>31.12.2017</u><br>\$'000 | <u>01.01.2017</u><br>\$'000 |
| Undrawn borrowing facilities | 4,647                       | 4,328                       | 7,611                       | 1,860                       | 4,328                       | 6,260                       |

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk.

# NOTES TO THE FINANCIAL STATEMENTS

## 36. Financial instruments: information on financial risks (cont'd)

### 36F. Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognised in statements of financial position. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

|                                      | Group                |                      |                      | Company              |                      |                      |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                      | 31.12.2018<br>\$'000 | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 | 31.12.2018<br>\$'000 | 31.12.2017<br>\$'000 | 01.01.2017<br>\$'000 |
| Financial liabilities with interest: |                      |                      |                      |                      |                      |                      |
| Fixed rate                           | 7,000                | 117                  | 163                  | 7,000                | 117                  | 163                  |
| Floating rate                        | –                    | –                    | 3,590                | –                    | –                    | 3,590                |
| At end of the year                   | <u>7,000</u>         | <u>117</u>           | <u>3,753</u>         | <u>7,000</u>         | <u>117</u>           | <u>3,753</u>         |
| Financial assets with interest:      |                      |                      |                      |                      |                      |                      |
| Fixed rate                           | –                    | 13,657               | 14,704               | –                    | 12,837               | 12,000               |
| At end of the year                   | <u>–</u>             | <u>13,657</u>        | <u>14,704</u>        | <u>–</u>             | <u>12,837</u>        | <u>12,000</u>        |

The floating rate debt obligations are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in the respective Notes 22 and 28.

Sensitivity analysis: The effect on pre-tax profit is not significant.

### 36G. Foreign currency risks

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in major non-functional currencies.

| Group   | US dollar     | Euro         | Singapore dollar | Total         |
|---|---------------|--------------|------------------|---------------|
| 31.12.2018:   | \$'000        | \$'000       | \$'000           | \$'000        |
| <b>Financial assets:</b>                              |               |              |                  |               |
| Cash and cash equivalents                             | 7,517         | 16           | 15               | 7,548         |
| Trade and other receivables                           | <u>9,411</u>  | <u>–</u>     | <u>23</u>        | <u>9,434</u>  |
| Total financial assets                                | <u>16,928</u> | <u>16</u>    | <u>38</u>        | <u>16,982</u> |
| <b>Financial liabilities:</b>                         |               |              |                  |               |
| Trade and other payables                              | <u>1,972</u>  | <u>179</u>   | <u>–</u>         | <u>2,151</u>  |
| Total financial liabilities                           | <u>1,972</u>  | <u>179</u>   | <u>–</u>         | <u>2,151</u>  |
| Net financial assets (liabilities) at end of the year | <u>14,956</u> | <u>(163)</u> | <u>38</u>        | <u>14,831</u> |

# NOTES TO THE FINANCIAL STATEMENTS

## 36. Financial instruments: information on financial risks (cont'd)

### 36G. Foreign currency risks (cont'd)

|   | US dollar<br>\$'000 | Euro<br>\$'000 | Singapore<br>dollar<br>\$'000 | Total<br>\$'000 |
|---|---------------------|----------------|-------------------------------|-----------------|
| <u>31.12.2017:</u>                                    |                     |                |                               |                 |
| <u>Financial assets:</u>                              |                     |                |                               |                 |
| Cash and cash equivalents                             | 6,668               | 1              | 111                           | 6,780           |
| Trade and other receivables                           | 9,058               | –              | 251                           | 9,309           |
| Total financial assets                                | <u>15,726</u>       | <u>1</u>       | <u>362</u>                    | <u>16,089</u>   |
| <u>Financial liabilities:</u>                         |                     |                |                               |                 |
| Trade and other payables                              | 1,881               | 137            | 726                           | 2,744           |
| Total financial liabilities                           | <u>1,881</u>        | <u>137</u>     | <u>726</u>                    | <u>2,744</u>    |
| Net financial assets (liabilities) at end of the year | <u>13,845</u>       | <u>(136)</u>   | <u>(364)</u>                  | <u>13,345</u>   |
| <u>01.01.2017:</u>                                    |                     |                |                               |                 |
| <u>Financial assets:</u>                              |                     |                |                               |                 |
| Cash and cash equivalents                             | 565                 | 1              | 225                           | 791             |
| Trade and other receivables                           | 11,919              | –              | 47                            | 11,966          |
| Total financial assets                                | <u>12,484</u>       | <u>1</u>       | <u>272</u>                    | <u>12,757</u>   |
| <u>Financial liabilities:</u>                         |                     |                |                               |                 |
| Trade and other payables                              | 1,507               | 175            | 130                           | 1,812           |
| Total financial liabilities                           | <u>1,507</u>        | <u>175</u>     | <u>130</u>                    | <u>1,812</u>    |
| Net financial assets (liabilities) at end of the year | <u>10,977</u>       | <u>(174)</u>   | <u>142</u>                    | <u>10,945</u>   |
| <u>Company</u>  |                     |                |                               |                 |
| <u>31.12.2018:</u>                                    | US dollar<br>\$'000 | Euro<br>\$'000 | Total<br>\$'000               |                 |
| <u>Financial assets:</u>                              |                     |                |                               |                 |
| Cash and cash equivalents                             | 4,006               | 4              | 4,010                         |                 |
| Trade and other receivables                           | 1,151               | –              | 1,151                         |                 |
| Total financial assets                                | <u>5,157</u>        | <u>4</u>       | <u>5,161</u>                  |                 |
| <u>Financial liabilities:</u>                         |                     |                |                               |                 |
| Trade and other payables                              | 50                  | 106            | 156                           |                 |
| Total financial liabilities                           | <u>50</u>           | <u>106</u>     | <u>156</u>                    |                 |
| Net financial assets (liabilities) at end of the year | <u>5,107</u>        | <u>(102)</u>   | <u>5,005</u>                  |                 |
| <u>31.12.2017:</u>                                    |                     |                |                               |                 |
| <u>Financial assets:</u>                              |                     |                |                               |                 |
| Cash and cash equivalents                             | 6,380               | 1              | 6,381                         |                 |
| Trade and other receivables                           | 8,607               | –              | 8,607                         |                 |
| Total financial assets                                | <u>14,987</u>       | <u>1</u>       | <u>14,988</u>                 |                 |
| <u>Financial liabilities:</u>                         |                     |                |                               |                 |
| Trade and other payables                              | 1,154               | 108            | 1,262                         |                 |
| Total financial liabilities                           | <u>1,154</u>        | <u>108</u>     | <u>1,262</u>                  |                 |
| Net financial assets (liabilities) at end of the year | <u>13,833</u>       | <u>(107)</u>   | <u>13,726</u>                 |                 |

# NOTES TO THE FINANCIAL STATEMENTS

## 36. Financial instruments: information on financial risks (cont'd)

### 36G. Foreign currency risks (cont'd)

|   | <u>US dollar</u> | <u>Euro</u>  | <u>Total</u>  |
|---|------------------|--------------|---------------|
|   | \$'000           | \$'000       | \$'000        |
| <u>01.01.2017:</u>                                    |                  |              |               |
| <u>Financial assets:</u>                              |                  |              |               |
| Cash and cash equivalents                             | 519              | 1            | 520           |
| Trade and other receivables                           | <u>11,459</u>    | <u>–</u>     | <u>11,459</u> |
| Total financial assets                                | <u>11,978</u>    | <u>1</u>     | <u>11,979</u> |
| <u>Financial liabilities:</u>                         |                  |              |               |
| Trade and other payables                              | <u>1,419</u>     | <u>104</u>   | <u>1,523</u>  |
| Total financial liabilities                           | <u>1,419</u>     | <u>104</u>   | <u>1,523</u>  |
| Net financial assets (liabilities) at end of the year | <u>10,559</u>    | <u>(103)</u> | <u>10,456</u> |

There is exposure to foreign currency risk as part of its normal business. In particular, there is significant exposure to US dollars currency risk due to the large value of sales are made in the US dollars. In this respect, the group enters into foreign currency contracts on a rollover basis for the purpose of hedging the excess of anticipated sales in US dollar over purchases in US dollars. Note 34 illustrates the foreign currency contracts that are in place at end of the year.

|  | <u>Group</u>      |                   | <u>Company</u>    |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | <u>31.12.2018</u> | <u>31.12.2017</u> | <u>01.01.2017</u> | <u>31.12.2018</u> | <u>31.12.2017</u> | <u>01.01.2017</u> |
|  | \$'000            | \$'000            | \$'000            | \$'000            | \$'000            | \$'000            |
| A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the US\$ with all other variables held constant would have an unfavourable effect on pre-tax profit of | <u>(1,496)</u>    | <u>(1,385)</u>    | <u>(1,098)</u>    | <u>(511)</u>      | <u>(1,383)</u>    | <u>(1,056)</u>    |

The effect of Euro and Singapore dollar is not significant.

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction on the profit or loss.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

## 37. Events after the end of the reporting year

- (a) On 20 February 2019, the proposed disposal of MIT Semiconductor Pte. Ltd. ("MSPL") and its subsidiaries to MIT Semiconductor (Tian Jin) Company Limited was completed. The company has received 80% of the actual sale price amounted to S\$67,600,000 along with the reimbursement of S\$8,000,000 for the cash left by the company in MIT Semiconductor Pte. Ltd. on 20 February 2019.

# NOTES TO THE FINANCIAL STATEMENTS

## 37. Events after the end of the reporting year (cont'd)

- (b) On 22 March 2019, the board of directors of the company has declared an interim tax-exempt (one-tier) dividend of 15.5 cents per share for the financial year ending 31 December 2019 and the payment of the dividend will be made on 12 April 2019.
- (c) On 26 March 2019, the board of directors of the company announced a proposed capital reduction exercise to be carried out which will involve a cash distribution by the company to the shareholders of the company of \$0.085 per share in the capital of the company held by a shareholder as at a books closure date to be determined by the directors. The proposed capital reduction exercise is subject to the following criteria:
- (i) The clearance of the Singapore Exchange Securities Trading Limited for the issue of the Circular;
  - (ii) The approval of shareholders by way of a special resolution for the proposed capital reduction at an extraordinary general meeting of the shareholders to be convened;
  - (iii) The approval of the High Court of Singapore for the proposed capital reduction; and
  - (iv) All other relevant approvals and consents being obtained.

## 38. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

| <u>SFRS (I) No.</u> | <u>Title</u>  |
|---------------------|---|
| SFRS(I) 1           | First-time Adoption of Singapore Financial Reporting Standards (International)  |
| SFRS(I) 2           | Amendments to, Classification and Measurement of Share-based Payment Transactions   |
| SFRS(I) 9           | Financial Instruments   |
| SFRS(I) 15          | Revenue from Contracts with Customers.<br>Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers |

## 39. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards will have on the entity's financial statements in the period of initial application.

| <u>SFRS(I) No.</u> | <u>Title</u>  | <u>Effective date for periods beginning on or after</u> |
|--------------------|---|---|
| SFRS(I) 16         | Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards) | 1 Jan 2019  |

# NOTES TO THE FINANCIAL STATEMENTS

## 39. New or amended standards in issue but not yet effective (cont'd)

### Leases:

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessor, the accounting remains largely unchanged. As for the finance leases of a lessee, as the financial statements have already recognised an asset and a related finance lease liability for the lease arrangement, the application of the new reporting standard on leases is not expected to have a material impact on the amounts recognised in the financial statements. For the lessee almost all leases will be brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. For the entity's non-cancellable operating lease commitments as at 31 December 2018 shown in Note 32, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under the new reporting standard on leases. Thus, the entity will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. However, it is not practical to provide a reasonable financial estimate of that effect until the detailed review by management is completed.



# SHAREHOLDERS' INFORMATION

As at 15 March 2019

|   |                                    |                      |
|---|------------------------------------|----------------------|
| I | Class of shares                    | : Ordinary share     |
|   | Number of ordinary shares in issue | : 233,916,970        |
|   | Voting rights                      | : One vote per share |

## STATISTICS OF SHAREHOLDINGS

| Size of Shareholdings | Number of Shareholders | %             | Number of Shares   | %             |
|-----------------------|------------------------|---------------|--------------------|---------------|
| 1 - 99                | 4                      | 0.11          | 214                | 0.00          |
| 100 - 1,000           | 907                    | 25.89         | 894,745            | 0.38          |
| 1,001 - 10,000        | 1,855                  | 52.94         | 8,405,377          | 3.60          |
| 10,001 - 1,000,000    | 719                    | 20.52         | 51,748,634         | 22.12         |
| 1,000,001 and above   | 19                     | 0.54          | 172,868,000        | 73.90         |
| <b>TOTAL</b>          | <b>3,504</b>           | <b>100.00</b> | <b>233,916,970</b> | <b>100.00</b> |

II Treasury Shares and Subsidiary Holdings - NIL

## TWENTY LARGEST SHAREHOLDERS

| No. | Name  | No. of Shares      | %            |
|-----|---|--------------------|--------------|
| 1   | MIT TECHNOLOGIES PTE LTD                        | 120,627,910        | 51.57        |
| 2   | DBS NOMINEES (PRIVATE) LIMITED                  | 7,926,300          | 3.39         |
| 3   | RAFFLES NOMINEES (PTE.) LIMITED                 | 7,917,400          | 3.38         |
| 4   | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.       | 6,951,452          | 2.97         |
| 5   | KWONG KIM MONE                                  | 4,984,118          | 2.13         |
| 6   | CHAN KOK TUNG TOM                               | 3,039,726          | 1.30         |
| 7   | PHILLIP SECURITIES PTE LTD                      | 2,918,000          | 1.25         |
| 8   | UOB KAY HIAN PRIVATE LIMITED                    | 2,270,700          | 0.97         |
| 9   | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 2,007,500          | 0.86         |
| 10  | LIM CHIN TONG                                   | 1,804,000          | 0.77         |
| 11  | HONG LEONG FINANCE NOMINEES PTE LTD             | 1,780,000          | 0.76         |
| 12  | OCBC NOMINEES SINGAPORE PRIVATE LIMITED         | 1,655,900          | 0.71         |
| 13  | OCBC SECURITIES PRIVATE LIMITED                 | 1,459,000          | 0.62         |
| 14  | KWONG KAM SENG                                  | 1,379,147          | 0.59         |
| 15  | CHUA SOK KHIM                                   | 1,350,000          | 0.58         |
| 16  | LOW BOON YONG                                   | 1,287,400          | 0.55         |
| 17  | CITIBANK NOMINEES SINGAPORE PTE LTD             | 1,272,100          | 0.54         |
| 18  | ESTATE OF KONG KIM YIT, DECEASED                | 1,139,147          | 0.49         |
| 19  | MAYBANK KIM ENG SECURITIES PTE. LTD.            | 1,098,200          | 0.47         |
| 20  | YEE LAT SHING                                   | 1,000,000          | 0.43         |
|     | <b>TOTAL</b>                                    | <b>173,868,000</b> | <b>74.33</b> |

# SHAREHOLDERS' INFORMATION

As at 15 March 2019

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

|                             | Direct Interest | %     | Deemed Interest | %     |
|-----------------------------|-----------------|-------|-----------------|-------|
| Kwong Kim Mone <sup>1</sup> | 4,984,118       | 2.13  | 120,627,910     | 51.57 |
| Kwong Kim Ho <sup>2</sup>   | -               | -     | 120,627,910     | 51.57 |
| MIT Technologies Pte Ltd    | 120,627,910     | 51.57 | -               | -     |

Notes:

- 1 Kwong Kim Mone holds a total of 125,612,028 shares, of which 4,984,118 shares are held in his own name and 120,627,910 shares held in the name of MIT Technologies Pte Ltd ("MITT"). Kwong Kim Mone is deemed to be interested in the shares of the Company held by MITT by virtue of section 7 of the Companies Act, Cap. 50.
- 2 Kwong Kim Ho is deemed to be interested in the shares of the Company held by MITT by virtue of section 7 of the Companies Act, Cap. 50.

## PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

41.80% of the Company's shares (excluding treasury shares) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MANUFACTURING INTEGRATION TECHNOLOGY LTD. (the "Company") will be held at Sapphire III, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Friday, 26 April 2019 at 9.30 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Independent Auditor's Report thereon.

**(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Article 91 of the Constitution of the Company:

Mr Lim Chin Hong

**(Resolution 2)**

Mr Pow Tien Tee

**(Resolution 3)**

*Mr Lim Chin Hong will, upon re-election as Director of the Company, remain as Independent Director of the Company and a member of the Audit Committee, Nominating Committee, Remuneration Committee and Investment Committee and will be considered independent.*

*Mr Pow Tien Tee will, upon re-election as Director of the Company, remain as Independent Director, Chairman of the Remuneration Committee and a member of the Audit Committee, Nominating Committee and Investment Committee and will be considered independent.*

3. To approve the payment of additional Directors' Fees up to S\$54,000 for the financial year ended 31 December 2018:

[See Explanatory Note (i)]

**(Resolution 4)**

4. To approve the payment of Directors' Fees up to S\$180,000 for the financial year ending 31 December 2019, to be paid yearly in arrears (FY2018: up to S\$150,000).

[See Explanatory Note (ii)]

**(Resolution 5)**

5. To re-appoint Messrs RSM Chio Lim LLP as the Independent Auditor of the Company and to authorise the Directors of the Company to fix their remuneration.

**(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "Companies Act") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

# NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

**(Resolution 7)**

# NOTICE OF ANNUAL GENERAL MEETING

## 8. Authority to issue shares under the MIT Performance Share Plan

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to offer and grant awards in accordance with the provisions of the prevailing MIT Performance Share Plan (the “Plan”) and (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) to allot and issue and/or deliver such number of fully-paid shares in the form of the existing shares held as treasury shares and/or the new shares as may be required to be delivered pursuant to the vesting of the awards under the Plan, provided always that the aggregate number of shares (comprising new shares and/or treasury shares) to be delivered pursuant to the Plan, when added to the number of new shares issued and issuable and the number of treasury shares delivered pursuant to all other share schemes of the Company for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) from time to time, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

**(Resolution 8)**

## 9. Proposed Renewal of the Share Buy Back Mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (the “Shares”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

- (i) market purchases (each a “Market Purchase”) transacted on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) through the SGX-ST’s ready market trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (ii) off-market purchases (each an “Off-Market Purchase”) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all conditions prescribed by the Companies Act and the Listing Manual of the SGX-ST,

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “Share Buy Back Mandate”);

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earlier of:

- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; and
- (ii) the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Buy Back Mandate are carried out in full to the Prescribed Limit mandated;

# NOTICE OF ANNUAL GENERAL MEETING

(c) in this Ordinary Resolution:

“Prescribed Limit” means that number of issued Shares representing ten per centum (10%) of the total number of issued Shares as at the date of the passing of this Ordinary Resolution unless the Company has effected a reduction of the total number of issued Shares of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any subsidiary holdings and Shares which are held as treasury shares will be disregarded for purposes of computing the ten per centum (10%) limit;

“Relevant Period” means the period commencing from the date of the Annual General Meeting at which the renewal of the Share Buy Back Mandate is approved and expiring on the date on which the next Annual General Meeting of the Company is held or required by law to be held, whichever is earlier; and

“Maximum Price”, in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, one hundred and five per centum (105%) of the Average Closing Price (as hereinafter defined); and
- (ii) in the case of an Off-Market Purchase, one hundred and twenty per centum (120%) of the Average Closing Price (as hereinafter defined),

where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as hereinafter defined) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action which occurs after the relevant five-day period; and

“date of the making of the offer” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

- (d) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company, pursuant to the Share Buy Back Mandate, in any manner as they think fit, which is permissible under the Companies Act; and
- (e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

[See Explanatory Note (v)]

**(Resolution 9)**

# NOTICE OF ANNUAL GENERAL MEETING

## 10. **Proposed Adoption of the MIT Employee Share Option Scheme 2019**

That:

- (a) the employee share option scheme to be named the “MIT Employee Share Option Scheme 2019” (the “ESOS 2019”), details of which are set out in the Appendix to Shareholders dated 11 April 2019 (the “Appendix”), be and is hereby approved and adopted;
- (b) the Directors of the Company be and are hereby authorised:
  - (i) to establish and administer the ESOS 2019;
  - (ii) to modify and/or amend the ESOS 2019 at any time and from time to time provided that such modifications and/or amendments are effected in accordance with the rules of the ESOS 2019 and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the ESOS 2019; and
  - (iii) to grant options (the “Options”) in accordance with the rules of the ESOS 2019 and to allot and issue or deliver from time to time such number of new ordinary shares or treasury shares required pursuant to the exercise of the Options under the ESOS 2019; and
- (c) the Directors of the Company and each of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required in connection with the ESOS 2019) and exercise such discretion as the Director(s) may in their or his absolute discretion deem fit, advisable or necessary to give full effect to this Ordinary Resolution and the ESOS 2019.

[See Explanatory Note (vi)]

**(Resolution 10)**

## 11. **Proposed Grant of Options at a Discount under the ESOS 2019**

That subject to and contingent upon the passing of Resolution 10, the Directors be and are hereby authorised to grant Options in accordance with the rules of the ESOS 2019 with exercise prices set at a discount to the Market Price (as defined in the Appendix), provided that the maximum discount which may be given shall not exceed 20% of the relevant Market Price for the shares applicable to that Option.

[See Explanatory Note (vii)]

**(Resolution 11)**

By Order of the Board

Wong Yoen Har  
Company Secretary  
Singapore, 11 April 2019

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) The Ordinary Resolution 4 in item 3 above is to approve the payment of additional Directors' Fees of up to S\$54,000 for the financial year ended 31 December 2018. If approved, such payment will be made to the independent directors of the Company as a form of recognition for their past contributions to the Company as well as for the attendance to extra meetings and discussion relating to the Company's divestment of its semiconductor business.
- (ii) The increase of Directors' Fees is due to the payment to the Non-Executive Non-Independent Chairman of the Board following the re-designation in February 2019.
- (iii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings), of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iv) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting of the Company until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards granted or to be granted under the Plan, provided always that the aggregate number of shares to be issued in respect of the Plan shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) from time to time.
- (v) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company to buyback issued Shares from time to time (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued Shares (excluding subsidiary holdings and treasury shares) at the prices of up to but not exceeding the Maximum Price, in accordance with the terms and subject to the conditions set out in Appendix to Shareholders dated 11 April 2019, the Companies Act and the Listing Manual of the Singapore Exchange Securities Trading Limited. This authority will, unless revoked or varied at general meeting, continue in force until the earlier of (i) the date that the next Annual General Meeting of the Company is held or required by law to be held and (ii) the date on which the purchases or acquisitions of Shares are carried out in full to the Prescribed Limit mandated.

The Company may use internal sources of funds and/or external borrowings to finance the purchases or acquisitions of its Shares pursuant to the Share Buy Back Mandate. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of Annual General Meeting as these will depend on the number of Shares purchased or acquired, whether the purchase or acquisition of Shares is made out of capital or profits, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are cancelled or held as treasury shares.

Purely for illustrative purposes only, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy Back Mandate on the audited consolidated financial statements of the Company for the financial year ended 31 December 2018, based on certain assumptions, are set out in paragraph 2.8 of the Appendix to Shareholders dated 11 April 2019. Please refer to the said Appendix for more details.

- (vi) The Ordinary Resolution 10 proposed in item 10 above, if passed, will authorise the Company to adopt the ESOS 2019. The Company currently has in place the MIT Employee Share Option Scheme 2009, which was approved by shareholders on 28 April 2009 and will lapse and expire on 15 November 2019. The Company therefore wishes to adopt the ESOS 2019 to replace the MIT Employee Share Option Scheme 2009, subject to independent shareholders' approval being obtained for the adoption of the ESOS 2019 at the Annual General Meeting. The ESOS 2019, if and should independent shareholders' approval be obtained at the Annual General Meeting for the adoption of the ESOS 2019, will take effect immediately on the date of the Annual General Meeting. Accordingly, the Company will have two employee share option scheme until the MIT Employee Share Option Scheme 2009 expires on 15 November 2019. The rationale for the adoption of the ESOS 2019, details of and a summary of the principal rules of the ESOS 2019 are set out in the Appendix to Shareholders dated 11 April 2019. Please refer the said Appendix for more details.



# NOTICE OF ANNUAL GENERAL MEETING

- (vii) The Ordinary Resolution 11 proposed in item 11 above, if passed, will authorise the Directors to grant Options under the ESOS 2019 at a discount of not more than 20% to the Market Price, details of which are set out in the Appendix to the Shareholders dated 11 April 2019. Please refer to the said Appendix for more details.

## Notes:

1. (a) A Member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").  
  
(b) A Member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.  
  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at Block 5004 Ang Mo Kio Ave. 5, #05-01, TECHplace II, Singapore 569872 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

## Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Photographic, sound and/or video recordings of the Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Meeting. Accordingly, the personal data of a member of the Company (such as his name, his presence at the Meeting and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

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**MANUFACTURING INTEGRATION TECHNOLOGY LTD.**

Company Registration No. 199200075N

(Incorporated in the Republic of Singapore)

**PROXY FORM**

(Please see notes overleaf before completing this Form)

**IMPORTANT**

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF/SRS monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and/or SRS Operators.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective CPF Approved Nominees and/or SRS Operators if they have any queries regarding their appointment as proxies.

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of MANUFACTURING INTEGRATION TECHNOLOGY LTD. (the "Company"), hereby appoint:

| Name    | NRIC/Passport No. | Proportion of Shareholdings |   |
|---------|-------------------|-----------------------------|---|
|         |                   | No. of Shares               | % |
| Address |                   |                             |   |

and/or (delete as appropriate)

| Name    | NRIC/Passport No. | Proportion of Shareholdings |   |
|---------|-------------------|-----------------------------|---|
|         |                   | No. of Shares               | % |
| Address |                   |                             |   |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Sapphire III, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Friday, 26 April 2019 at 9.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

| No. | Resolutions relating to:   | Number of Votes For <sup>(1)</sup> | Number of Votes Against <sup>(1)</sup> |
|-----|--|------------------------------------|--|
| 1   | Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018  |                                    |  |
| 2   | Re-election of Mr Lim Chin Hong as Director  |                                    |  |
| 3   | Re-election of Mr Pow Tien Tee as Director   |                                    |  |
| 4   | Approval of additional Directors' Fees up to S\$54,000 for the financial year ended 31 December 2018 |                                    |  |
| 5   | Approval of Directors' Fees up to S\$180,000 for the financial year ending 31 December 2019          |                                    |  |
| 6   | Re-appointment of Messrs RSM Chio Lim LLP as Independent Auditor                                     |                                    |  |
| 7   | Authority to issue new shares  |                                    |  |
| 8   | Authority to issue shares under the MIT Performance Share Plan                                       |                                    |  |
| 9   | Proposed Renewal of the Share Buy Back Mandate   |                                    |  |
| 10  | Proposed Adoption of the MIT Employee Share Option Scheme 2019 ("ESOS 2019")                         |                                    |  |
| 11  | Proposed Grant of Options at a Discount under the ESOS 2019  |                                    |  |

<sup>(1)</sup> If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

| Total number of Shares in: | No. of Shares |
|----------------------------|---------------|
| (a) CDP Register           |               |
| (b) Register of Members    |               |

.....  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

\*Delete where inapplicable



**NOTES:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a relevant intermediary) entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend and vote at a meeting of the Company is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.  
"Relevant intermediary" means:
  - (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Block 5004 Ang Mo Kio Ave. 5, #05-01, TECHplace II, Singapore 569872 not less than forty-eight (48) hours before the time appointed for the Meeting.

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(1) Fold along this line

Affix  
Postage  
Stamp

Manufacturing Integration Technology Ltd.

Blk 5004 Ang Mo Kio Ave 5  
#05-01 TECHplace II  
Singapore 569872

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(2) Fold along this line

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act.

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2019.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.