

Manufacturing Integration Technology Ltd.

(Company Registration No. 199200075N)

HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2020

1(a)(i) A Statement of Comprehensive Income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	S\$' 000		%
	30/06/2020	30/06/2019	Increase/ -Decrease
Revenue	3,920	5,859	-33.1%
Cost of sales	(4,125)	(6,359)	-35.1%
Gross loss	(205)	(500)	-59.0%
Other income and gains	797	784	1.7%
Marketing and distribution costs	(140)	(295)	-52.5%
Administrative expenses	(1,942)	(5,275)	-63.2%
Finance costs	(82)	(100)	-18.0%
Other losses	-	(242)	NM
Loss before tax from continuing operations	(1,572)	(5,628)	-72.1%
Income tax income	-	82	NM
Loss from continuing operations, net of tax	(1,572)	(5,546)	-71.7%
Profit from discontinued operations, net of tax	-	51,402	NM
(Loss) profit net of tax	(1,572)	45,856	NM
Other comprehensive income (loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax	93	(4)	NM
Other comprehensive income (loss) for the period, net of tax	93	(4)	NM
Total comprehensive (loss) income for the period	(1,479)	45,852	NM

NM: Not meaningful

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statements for the current financial period reported on and the corresponding period of the immediately preceding financial year.

On 20 February 2019, the disposal of MIT Semiconductor Pte Ltd (“MSPL”) and its subsidiaries to MIT Semiconductor (Tian Jin) Company Limited was completed.

The entire results from the disposal group are presented separately in the consolidated income statement as “Discontinued operations”.

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

	Group	
	S\$' 000	
	01/01/2020 - 30/06/2020	01/01/2019 - 20/02/2019
Revenue	-	2,364
Cost of sales	-	(2,377)
Gross loss	-	(13)
Other income and gains	-	15
Marketing and distribution costs	-	(463)
Administrative expenses	-	(526)
Other losses	-	(121)
Loss before tax	-	(1,108)
Income tax expenses	-	-
Loss after tax before disposal gain for the period	-	(1,108)
Gain on disposal	-	52,510
Total profit on discontinued operations	-	51,402

The Group's profit from operating activities is arrived at after other items of income & (expenses) the following: -

Continuing Operations

1) Other income and gains include, mainly:

- Interest income
- Rental income
- Grant income
- Gain on disposal of plant and equipment
- Reversal on impairment loss on trade receivables

2) Other losses include, mainly:

- Inventories written down
- Loss on disposal of development projects

Group	
S\$'000	
01/01/2020 - 30/06/2020	01/01/2019 - 30/06/2019
37	284
232	226
496	26
21	-
-	243
-	(158)
-	(83)

Discontinued Operations

1) Other losses include, mainly:

- Amortisation of development projects
- Foreign exchange adjustment losses

Group	
S\$'000	
01/01/2020 - 30/06/2020	01/01/2019 - 20/02/2019
-	(104)
-	(16)

1(a)(iii) Amount of any adjustment for under or overprovision of tax in respect of prior years.

There was no under or overprovision of tax in respect of prior years in current financial period.
(2019: Over-provision of S\$82,000)

1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
	S\$'000	S\$'000	S\$'000	S\$'000
Assets				
Non-current assets:				
Plant and equipment	876	1,124	376	444
Investment properties	8,287	8,383	8,287	8,383
Investments in subsidiaries	-	-	856	851
Right-of-use assets	1,954	2,344	37	101
Total non-current assets	11,117	11,851	9,556	9,779
Current assets:				
Inventories	3,828	3,088	1,606	-
Trade and other receivables	2,063	2,360	9,959	8,392
Other non-financial assets	169	255	29	40
Cash and cash equivalents	7,535	8,920	6,097	8,077
Total current assets	13,595	14,623	17,691	16,509
Total assets	24,712	26,474	27,247	26,288
Equity and liabilities				
Equity				
Share capital	28,294	28,294	28,294	28,294
Other reserves	(56)	(151)	33	31
Accumulated losses	(8,670)	(7,098)	(3,291)	(2,675)
Total equity	19,568	21,045	25,036	25,650
Non-current liability:				
Financial liabilities - lease liabilities	1,415	1,802	-	-
Total non-current liability	1,415	1,802	-	-
Current liabilities:				
Trade and other payables	2,014	2,085	2,165	541
Financial liabilities - lease liabilities	594	645	46	97
Other financial liabilities	591	386	-	-
Other non-financial liabilities	530	511	-	-
Total current liabilities	3,729	3,627	2,211	638
Total liabilities	5,144	5,429	2,211	638
Total equity and liabilities	24,712	26,474	27,247	26,288

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

As at 30/06/2020		As at 31/12/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
591	-	386	-

Amount repayable after one year

As at 30/06/2020		As at 31/12/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Details of any collateral

1. Short-term bank loan of RMB3.0m to the wholly owned subsidiary, MIT (Shanghai) Co., Ltd is guaranteed by the Company.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group (S\$'000)	
	30/06/2020	30/06/2019
<u>Cash flows from operating activities</u>		
Loss before tax from continuing operations	(1,572)	(5,628)
Profit before tax from discontinued operations	-	51,402
	(1,572)	45,774
Adjustments for:		
Depreciation of property, plant and equipment	299	254
Depreciation of investment properties	96	95
Depreciation of right-of-use assets	390	393
Interest income	(37)	(284)
Interest expense	15	47
Lease interest	67	53
Gain on disposal of subsidiaries	-	(52,510)
Gain on disposal of plant and equipment	(21)	-
Loss on disposal of development projects	-	83
Net effect of exchange rate changes in consolidating foreign operations	(41)	(257)
Share based payment	2	53
Operating cash flow used in changes in working capital	(802)	(6,299)
Trade and other receivables	297	(5,331)
Other non-financial assets	86	(71)
Inventories	(740)	(1,276)
Trade and other payables	(71)	2,313
Other non-financial liabilities	19	-
Net cash flow used in operation	(1,211)	(10,664)
Income tax paid	-	(74)
Net cash flows used in operating activities	(1,211)	(10,738)
<u>Cash flows from investing activities</u>		
Proceeds on disposal of subsidiaries	-	68,817
Purchase of plant and equipment	(29)	(293)
Proceeds on disposal of plant and equipment	21	-
Interest received	37	284
Net cash flows from investing activities	29	68,808
<u>Cash flows from financing activities</u>		
Interest paid	(15)	(47)
Increase (decrease) in borrowings	205	(6,803)
Dividends paid	-	(37,071)
Lease payments - principle portion paid	(393)	(396)
Issue of shares	-	961
Net cash used in financing activities	(203)	(43,356)
Net (decrease) increase in cash and cash equivalents	(1,385)	14,714
Cash and cash equivalents, beginning balance	8,920	19,554
Cash and cash equivalents, ending balance	7,535	34,268

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

<u>Group</u>	Total equity	Share capital	(Accumulated losses) / retained earnings	Translation reserves	Share option reserve
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Current year:					
Opening balance at 1 January 2020	21,045	28,294	(7,098)	(182)	31
Changes in equity:					
Total comprehensive loss for the period	(1,479)	-	(1,572)	93	-
Share based payment expenses	2	-	-	-	2
Closing balance at 30 June 2020	19,568	28,294	(8,670)	(89)	33
Previous year:					
Opening balance at 1 January 2019	44,007	47,742	(3,826)	(142)	233
Changes in equity:					
Total comprehensive income for the period	45,852	-	45,856	(4)	-
Issuance of shares pursuant to employee share option scheme	961	961	-	-	-
Exercise of share options	-	-	255	-	(255)
Expiry of share options	-	-	2	-	(2)
Share based payment expenses	53	-	-	-	53
Dividends paid	(37,071)	-	(37,071)	-	-
Closing balance at 30 June 2019	53,802	48,703	5,216	(146)	29

Company

	Total equity	Share capital	(Accumulated losses) / retained earnings	Share option reserve
	S\$'000	S\$'000	S\$'000	S\$'000
Current year :				
Opening balance at 1 January 2020	25,650	28,294	(2,675)	31
Changes in equity:				
Total comprehensive loss for the period	(616)	-	(616)	-
Share based payment expenses	2	-	-	2
Closing balance at 30 June 2020	25,036	28,294	(3,291)	33
Previous year :				
Opening balance at 1 January 2019	44,733	47,742	(3,242)	233
Movements in equity:				
Total comprehensive income for the period	48,062	-	48,062	-
Issuance of shares pursuant to employees share option scheme	961	961	-	-
Exercise share options	-	-	255	(255)
Expiry of share options	-	-	2	(2)
Share based payment expenses	53	-	-	53
Dividends paid	(37,071)	-	(37,071)	-
Closing balance at 30 June 2019	56,738	48,703	8,006	29

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital

As at 30 June 2020, the number of ordinary shares issued was 240,112,470 (31 December 2019: 240,112,470 ordinary shares).

Share Options

As at 30 June 2020, the number of outstanding options under the Scheme was 559,000 (31 December 2019: 559,000). During the period January to June 2020, no options were exercised nor lapsed under the Scheme.

Performance Shares

As at 30 June 2020, there were no outstanding performance shares held under the PSP (31 December 2019: NIL)

Treasury Shares

As at 30 June 2020, no ordinary shares were held as Treasury Shares (31 December 2019: NIL). No shares were bought back by the Company during the period.

The Company does not have any subsidiary holdings.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Group & Company	
	as at 30/06/2020	as at 31/12/2019
Total number of issued shares	240,112,470	233,916,970
Add : New issued shares	-	6,195,500
Total number of issued shares (excluding treasury shares)	240,112,470	240,112,470

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfer, cancellation and/or use of treasury shares during the period.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: -

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting year compared with the audited financial statements for the year ended 31 December 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards ("SFRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 January 2020. The adoption of these new and revised SFRS and INT FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

6. Earnings (loss) per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	30/06/2020	30/06/2019
Earnings (loss) per ordinary share of the group, after deducting any provision for preference dividends (in cents):		
(a) Based on weighted average number of ordinary shares on issue		
Continuing operations	(0.65)	(2.32)
Discontinued operations	-	21.55
(b) On a fully diluted basis		
Continuing operations	(0.65)	(2.32)
Discontinued operations	-	21.54

- a) Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the year.
- b) Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the period adjusted to assume conversion of all dilutive ordinary shares.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Company		Group	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Net asset value per ordinary share based on issued share capital at the end of (in cents):	10.43	10.68	8.15	8.76

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Turnover

The Group recorded a lower revenue of S\$3.92m during 1H 2020 compared with S\$5.86m in 1H 2019. The decline of 33% was mainly due to a lower build-to-print and customized automation sales.

Earnings

The Group posted a gross loss of S\$0.20m in 1H 2020 as compared with gross loss of S\$0.50m in 1H 2019, largely attributable to the lower revenue base and the consequent large unabsorbed direct overheads.

The other income and gains for this period was mainly from:

- Grant income from Job Support Scheme & others (S\$0.49m)
- Rental income from our industrial property (S\$0.23m)
- Interest income (S\$0.04m)
- Gain on disposal of plant and equipment (S\$0.02m)

Following the lower revenue base and slower business activities, marketing and distribution as well as administrative expenses were lower by 53% and 63% respectively. Manpower costs were lower due to reduced headcount and pay reductions that were administered since Jan 2020.

Assets and Liabilities

After depreciation charges during the period, plant & equipment and investment properties decreased accordingly during the financial period.

The decrease in right-of-use assets was mainly a result of repayment of leases during the period.

Inventories increased by S\$0.74m from S\$3.09 in YE2019 to S\$3.83m in anticipation of major deliveries in the coming months.

In line with the lower revenue, trade and other receivables decreased by 13% from S\$2.36m in YE2019 to S\$2.06m during this financial period.

The increase in other financial liabilities was mainly a result of increase in short term loan for the working capital in the Group's Shanghai operations.

Cash Flow

The cash & cash equivalents of S\$7.53m represents a decrease of S\$1.38m from 31 Dec 2019 was mainly attributable to:

- working capital (S\$0.78m)
- inventories (S\$0.74m),
- trade and other payables (S\$0.07m)
- plant and equipment (S\$0.03m)
- offsetting a decrease in trade and other receivables (S\$0.30m).

Cash and cash equivalents per share stood at 3.14 cents, which accounts for about 39% of the net asset per share.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The 1H YE2020 financial performance is in line with the Group's profit guidance announcement on 4th August 2020.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

We will continue to market and accelerate our customized automation services aggressively through AMS in the pharmaceutical, bio-medical; healthcare consumer product areas.

The COVID-19 pandemic situation has been challenging during the last six months and impacted both the revenue as well as the backlog order for the company. The situation is unlikely to change for the next twelve months because of the global spread of the disease and inability to control the spread, resulting in devastating economic activities around the world. The e-cigarette industry had also entered a stalled mode of growth, as the industry braces itself for newer legislative challenges, because of health-related concerns in the US.

Our Built-to-Print business is trending towards a normalcy or slightly below the pre-COVID-19 level, and so we are streamlining our supply chain to minimize any disruptions as well.

However, the COVID-19 development had impacted our Shanghai operations in the first quarter because of mandated factory closures. It has since resumed operations on February 14, 2020 with limited staff, and we expected to see some improvement in the second half of the year.

We have realised some amount of savings through cost control measures instituted at the beginning of the year, and we will shave off some surplus space when the lease agreement is up for renewal in the later part of the year.

On the corporate side, we are looking forward to receive the last tranche of sale proceeds, in the Escrow account, for the divestment of our semiconductor equipment business in August 2020. Barring any adjustment and financial situation, we hope to return the net proceeds to shareholders by year-end 2020.

On a balance perspective, the Group expects to hold or make a modest improvement in operational performance in the current year versus last year, provided the current COVID-19 outlook does not deteriorate further or drastic changes to the geo-political situation especially the trade war between US and China.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

The Company has announced the following interim dividends on 22 March 2019 and 28 June 2019 respectively (“the Dividends”).

Name of Dividend	First Interim Dividend	Second Interim Dividend
Dividend Type	Cash	Cash
Dividend Amount per Share	15.5 cents	3.3 cents
Tax Rate	Tax Exempt (One-Tier)	Tax Exempt (One-Tier)
Payment Date	12 April 2019	23 July 2019

The Dividends form part of the distribution that the Company wishes to distribute to its shareholders using the net sale proceeds arising from the disposal by the Company to MIT Semiconductor (Tian Jin) Company Limited of the entire issued and paid-up share capital of MIT Semiconductor Pte. Ltd.

In addition, the Company also made a capital distribution of 8.5 Singapore cents per share on 23 July 2019 after the capital reduction program came into was effect.

(c) Date payable

No applicable.

(d) Record date

No applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended. This is in line with our operating performance amidst a difficult business environment.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have a shareholders' mandate for IPTs.

During the period ended 30 June 2020, the Group did not enter into any interested person transaction which aggregate value exceeds S\$100,000.

14. Confirmation by the Board Pursuant to Rule 705(5) of the Listing Manual.

The Board of Directors of the Company hereby confirms to the best of their knowledge that nothing has come to their attention which may render the financial statements for the half year ended 30 June 2020 to be false or misleading.

15. Confirmation Pursuant to Rule 720(1) of the Listing Manual - The Directors' and Executive Officers' Undertakings.

The Company confirms that it has procured the requisite undertakings from all its directors and executive officers under Listing Rule 720(1).

ON BEHALF OF THE BOARD

Lim Chin Hong
Executive Director and Chief Executive Officer

6 August 2020