

MANUFACTURING INTEGRATION TECHNOLOGY LTD.

(Company Registration Number 199200075N)

(Incorporated in the Republic of Singapore)

RESPONSES TO QUERIES FROM SIAS ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The board of directors (the “**Board**”) of Manufacturing Integration Technology Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to its annual report for the financial year ended 31 December 2018. The Board would like to respond to the following queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) as follows:

SIAS Question 1

The 2018 annual report has been titled “A new beginning... Automating the future” to reflect the divestment of the semiconductor equipment business on 20 February 2019 and the shifting of its business focus to contract equipment manufacturing (“CEM”) and customised automation.

The CEM segment grew 52% from the previous year’s \$12.3m to \$18.7m, driven mainly by new customised automation projects and improved Built-To-Print (“BTP”) orders, particularly in the semiconductor and LED markets.

- (i) Other than semiconductor and LED (and perhaps garment), how well established/connected is the group in the other industries where it is aiming to serve, namely medical, consumer electronics, storage media, automotive and mobile devices?
- (ii) What is the strategy to acquire new customers?
- (iii) What are some of the opportunities or low hanging fruits in the next 18-24 months?
- (iv) Has the board set a target for management in terms of the pace of growth for the CEM business? What would be the targeted level of sales, scale of operations and customer base in 5 years’ time?

The Company’s response to Question 1

- (i) The Group’s CEM business comprises of 2 areas:
 - a. Built-to-print
 - b. Customized automation

The Group is well entrenched in current semiconductor, LED and garment sectors for the built-to-print business.

We started a major expansion of the customized automation business only in late 2017 and are making inroads in the consumer electronics, semiconductor and medical sectors. We are also currently pursuing opportunities in the automotive sector.

It is our aim to spread our customer base as widely as possible, both from a customer concentration and industry exposure perspective. We hope to achieve a balance between stable built-to-print sales and the lumpy customized automation sales.

- (ii) The Group sells its services based on its core capabilities, which is the design and assembly of complex electromechanical systems, sub-systems and modules. This is further supported by an experienced team with extensive exposure in the industrial automation and semiconductor industries.

We acquire new customers through referrals from previous customers, suppliers, partners as well as using agents for overseas markets.

- (iii) These are mainly in the consumer electronics, medical and semiconductor areas.
- (iv) The CEM business grew 52% in FY2018 to \$18.7m, which is still small for a company listed on the Mainboard of the SGX. The Board recognizes this and has been working closely with management on developing strategies on its next phase of growth, especially after the divestment of the semiconductor business in February 2019. This is an ongoing process.

SIAS Question 2

The Group is carrying out a capital reduction which will involve a cash distribution of 8.5 cents per share for each share held by shareholders. Following the distribution, the group would still have excess of S\$12 million cash as a 31 December 2018 to fund the CEM business.

The group, through the newly renamed Automated Manufacturing Solutions Pte Ltd (“AMS”), has also leased an additional 15,000 square feet space in an adjacent factory to aggressively beef up and operationalize its engineering capabilities in anticipation of new orders.

- (i) Can management help shareholders understand the level of capital expenditure required to scale up the business?
- (ii) What was the utilisation rate of the plants in Shanghai and in Singapore?
- (iii) Will the group be announcing its order wins to help shareholders understand the progress made in growing the business?

The Company’s response to Question 2

- (i) Built-to-print and customized automation are knowledge-based and skills based businesses. It is manpower intensive and our people are involved in the design of capital goods and/or assembly of such low volume and high mix equipment.

There is minimal capital expenditure involved. We invest more in IT systems than in production machines or plants.

Hence, the two biggest operating costs are in high end manpower and office/factory rental, not depreciation.

- (ii) It is not meaningful to look at plant utilization rates as we have negligible production equipment in our business.
- (iii) The Group will not be announcing order wins in the short term as we have not reached a steady state and revenues can be lumpy. We may consider announcing wins only for very large orders.

SIAS Question 3:

As announced by the company, Mr Lim Chin Tong has been re-designated as executive director and chief executive officer after serving as executive director since 15 August 2007 (page 4). The profiles of the key executive team members are shown on page 6 of the annual report.

- (i) Is management still looking to add to its team to further bolster its CEM business?
- (ii) Has the board reviewed if the group has the necessary human talent in place, especially in business development and technical expertise, to meet its objectives?
- (iii) How much of the experienced staff remains with the group after the disposal? Does the group already have a core team to scale up its CEM operations?

The Company's response to Question 3

- (i) We believe we have an adequate management team to drive the company forward. Selectively, we may recruit senior managers when we find quality technical talents. In the meantime, we will continue to recruit designers and experienced technicians in line with our business growth.
- (ii) The Board regularly questions management on the composition of our management team and meets them informally during events. It recognizes the importance of human resources as we are in the knowledge based business. Issues such as recruitment difficulties, compensation etc are regularly discussed and reviewed.
- (iii) As stated on Page 10, Para 7 of our Shareholders' Circular dated 2 January 2019 on the divestment of the semiconductor business:

“The Group has also been operating the Target Business and the CEM Business independently with separate sets of facilities and manpower although the Target Business and the CEM Business, for administrative efficiency, shared the same administrative support structure such as Finance and Human Resources”

In other words, we already have existing management, technical and commercial teams that are separate from the semiconductor business that was disposed. This is the same team that forms the core to drive the Group forward.

By Order of the Board
Manufacturing Integration Technology Ltd.

Lim Chin Tong
Executive Director and Chief Executive Officer
25 April 2019