



Manufacturing Integration Technology Ltd

STAYING THE COURSE

I N U N C E R T A I N T I M E S



ANNUAL REPORT | 2016

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MISSION

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

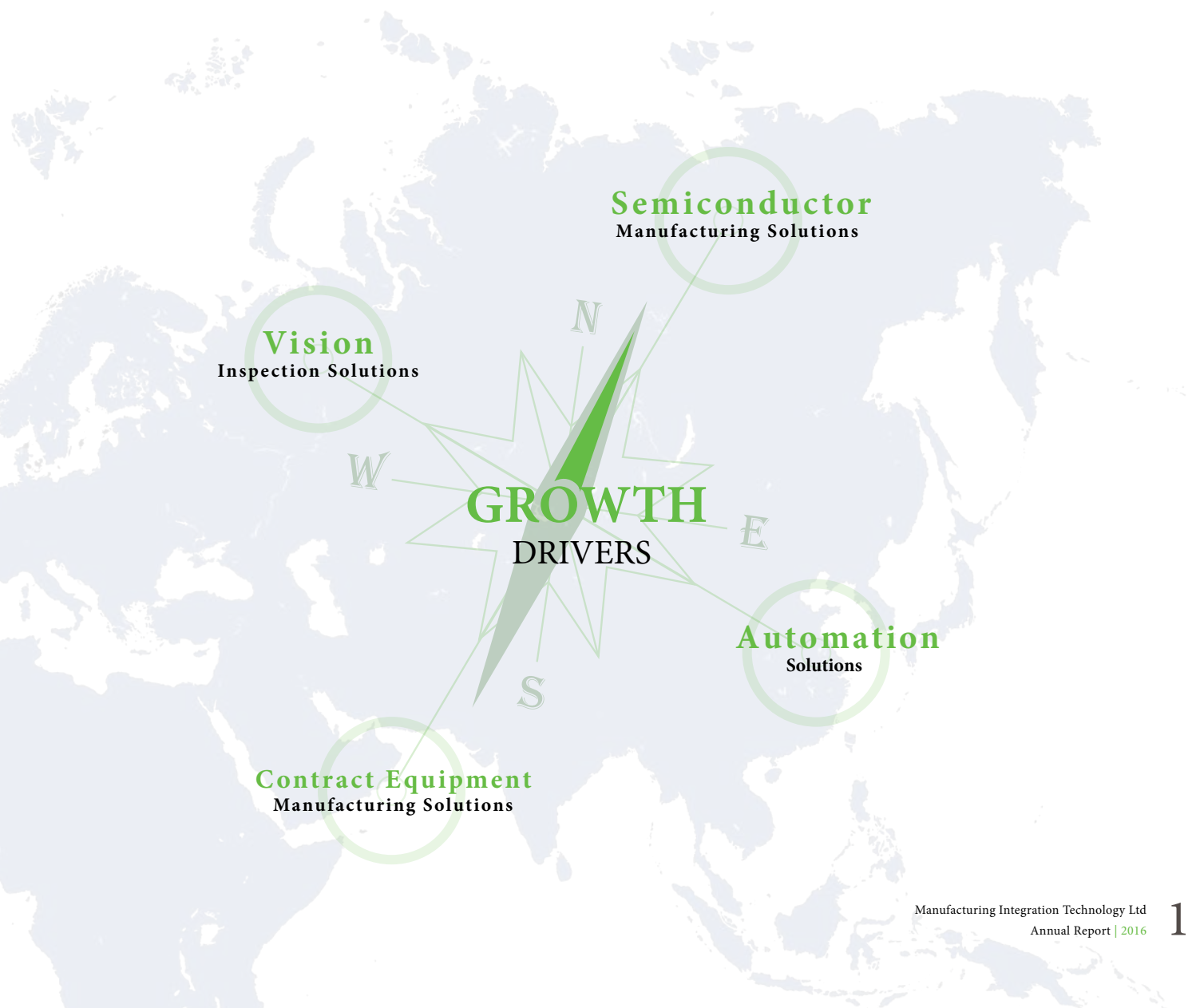
VISION

To be the ultimate partner of choice as a world-class provider of Semiconductor, Solar and Contract Equipment Manufacturing Solutions.

COMPANY PROFILE

MIT was founded in 1992 by our Chairman and Managing Director, Mr. Tony Kwong, to provide industrial automation services to the electronics industry in Singapore. In a span of 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 USA, Europe and Asia. MIT became a publicly listed company in 1999 with its shares traded on the Mainboard of the Singapore Exchange Ltd.

We operate from two rented facilities; one in Ang Mo Kio (Singapore) and the other in Jiading District (Shanghai, China). Our corporate headquarters is in Singapore together with our R&D centre for semiconductor equipment. The semiconductor equipment are manufactured in Singapore while the heavy and bulky solar machines are assembled in our Jiading facility. Both facilities also provide after-sales services to their respective customers. In addition, we also provide CEM services to a wide international customer base from both facilities.



CHAIRMAN'S MESSAGE

Dear Shareholders

After 2 consecutive years of revenue and profit growth, we were hit by a down cycle when sales declined 61% from S\$90.3m to S\$35.5m. Likewise, profit after tax dropped from S\$15.4m to a loss after tax of S\$5.5m. The decline was mainly due to difficult global market conditions that affected all of our business units across the board. In particular, there was a paucity of bulk semiconductor equipment orders from our major customers who had been ramping up their capex spending consistently over the previous years. This breather is to be expected. In addition, our renewable energy equipment business was also buffeted by the lack of solar projects.

Staying the course

We remain unfazed by this set of disappointing results, having witnessed and overcome numerous economic cycles in the past 25 years of our corporate history. But more importantly, we are still sanguine of our business and the growth prospects underpinned by the technological capabilities that we had honed over the years, a blue chip customer base and a strong balance sheet that will enable the Group to quickly recover from the bad patch. This also gives us the confidence and wherewithal to stay the course in an unpredictable global business environment.

Technology race

Competition in the Technology front continues to be intense. We strive to keep at the head of the technology curve by continually investing in R&D and humanware especially in the areas of machine vision inspection and wafer-level handling capabilities at ultra-precision and speed. It has been said that in today's rate of technology change, one really has to run very fast just to stand still. By the 1H of 2017, we expect to integrate all our development efforts under an Engineering Centre with grant support from SPRING Singapore.

Growth Drivers

A series of new semiconductor equipment models will be launched this year targeted at the vision inspection and die sorting markets. We expect our new models to gain traction with IDMs (Integrated Design Manufacturers) and OSATs (Outsourced Semiconductor Assembly and Test) houses with a strong presence in Asia, particularly China.

In Contract Equipment Manufacturing (CEM), we have also recently signed a new agreement with an existing US customer to expand our service offerings in the high-



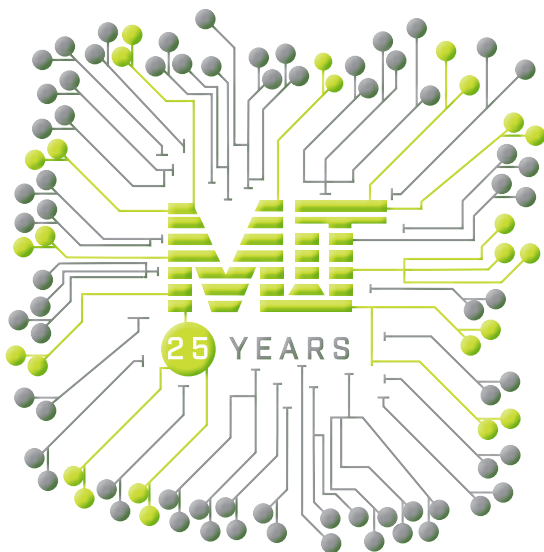
Mr Kwong Kim Mone
Chairman and Managing Director

“

... we are still sanguine of our business and the growth prospects underpinned by the technological capabilities that we had honed over the years, a blue chip customer base and a strong balance sheet that will enable the Group to quickly recover from the bad patch.”

CHAIRMAN'S MESSAGE

“ 2017 marks the 25th anniversary of our corporate existence. It has been for us an incredible journey over the past two and a half decades; complete with countless achievements, our fair share of hits and misses, and many other valuable lessons learnt. ”



MIT celebrates its 25th Year

end textile/garment processing area. We will move up the manufacturing value chain from the current modular assembly services to full-turnkey total systems starting this year. This is expected to lead to much higher sales from FY 2018 onwards when production goes into full throttle.

At the same time, we also hope to extend our engineering design reach into more industry segments in collaboration with smart manufacturing spawned by Industry 4.0.

In the past year, the renewable energy side of our business has been somewhat of a dampener as the thin film based solar equipment demand seems to have stalled along with our major customer in China. We hope things will turnaround for the better in this solar segment with fresh Government's impetus towards meeting its renewable energy goals. In the meantime, we have decided to take a dovish approach to this business and will deploy our resources whenever tangible opportunities surface.

Looking ahead

With these developments and an outstanding order book of S\$20m as at 22 February 2017, the Board is confident of an improved performance and to return to profitability in FY 2017, barring any unforeseen circumstances.

25th Anniversary

2017 marks the 25th anniversary of our corporate existence. It has been for us an incredible journey over the past two and a half decades; complete with countless achievements, our fair share of hits and misses, and many other valuable lessons learnt. Taken together, we believe we had grown a lot stronger and more resilient that will allow us to strengthen our Group further and to re-write a new history for the next 25 years on.

We take great pride in having a great bunch of people working with us, a Board that has been highly supportive and our loyal shareholders who had stayed the course with us throughout our journey, to all of whom I am forever grateful.

Mr Kwong Kim Mone
Chairman and Managing Director

BOARD OF DIRECTORS

MR KWONG KIM MONE

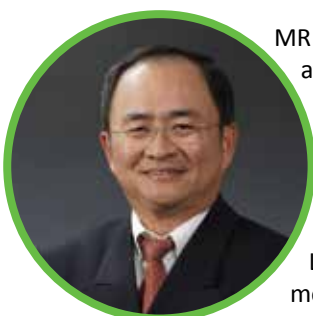
Chairman and Managing Director



MR KWONG KIM MONE was appointed Director of the Company on 15 February 1992. He is the Founder and Managing Director of the Company and became its Chairman on 1 November 1999. Mr Kwong has been largely instrumental in providing the strategic direction and driving the business performance of the Group. Under his leadership, the Group has diversified beyond its core semiconductor business to include solar equipment, contract equipment manufacturing and precision machining services. This success has enabled the Group to broaden its revenue, product and customer base towards achieving a more sustainable growth. Mr Kwong was one of the recipients of the Rotary-ASME Entrepreneur of the Year Award in 1998. Under Mr Kwong's stewardship, the Company garnered 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 Director on 28 April 2015.

MR LIM CHIN TONG

Executive VP and Executive Director



MR LIM CHIN TONG was re-designated Executive Director of the Company on 15 August 2007 after serving as an Independent Director of the Company since February 2005. As Executive Director, Mr Lim oversees the formulation and execution of the Group's business and growth strategies particularly in the areas of contract equipment manufacturing and precision engineering services. 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 is also an Independent Director of Catalyst-listed Metal Component Engineering Ltd and 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 22 April 2016.

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 the Chief Cooperation Officer of UnionPay International Co, a wholly owned subsidiary of China UnionPay Company in Shanghai. 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) for being ranked first in their professional examination. He is also a member of the Singapore Harvard Club. Mr Lee was last re-elected as Lead Independent Director on 28 April 2015.

BOARD OF DIRECTORS

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 28 April 2015.



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

MR TAN BAN HEE

is our Executive VP and Chief Financial Officer overseeing the entire financial management of the Group at both operational and strategic levels. He also has responsibility for the Group's IT function in his concurrent capacity as Head of the MIS Department. Prior to joining the Company in November 1999, he had held key finance portfolios in several local private and public listed companies. Mr Tan, who graduated from Foon Yew High School in 1985, holds a Bachelor of Accountancy degree from the National University of Singapore and is currently a Fellow member of the Institute of Singapore Chartered Accountants.

MR TERENCE CHUA YEE HEONG

joined the Company in August 2016 as Senior VP heading the Group's Semiconductor Business & Services. He has 30 years of business and manufacturing experience in the regional semiconductor industry, holding management positions in IDM and OSAT companies. Terence holds a B. Eng (Hons) in Mechanical & Production Engineering from the National University of Singapore and Graduate Diplomas in Marketing and in Financial Management from the Marketing Institute of Singapore and the Singapore Institute of Management respectively.

MR DAVID FOO WAH MENG

joined the Company in March 1998 and is the Group's semiconductor VP of Regional Sales and Service. Mr Foo graduated from the Singapore Polytechnic with a Diploma in Electronics and Communications. He was also awarded a scholarship by the then Trade Development Board to pursue an International Marketing program in collaboration with Denmark's Niels Brock Business Institute.

MR EDDY LIM KOK YEOW

joined the Company in March 2009. As VP and Head of Technology & Development, Mr Lim spearheads all new product design and development work leveraging on advanced packaging manufacturing technologies. Mr Lim has a B. Eng (Hons) in Mechanical Engineering from the Nanyang Technological University, Master of Science in Manufacturing Technology and Automation from the National University of Singapore and a Certificate in Ultra Precision Machine Design from Cranfield University, UK. He also has more than 20 years of working experience in system design and development involving ultra precision applications. Prior to joining the Company, Mr Lim had held several Director level positions in other semiconductor equipment and wafer bumping technology companies.

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 a new 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 DENNIS FOO PIAU YEW

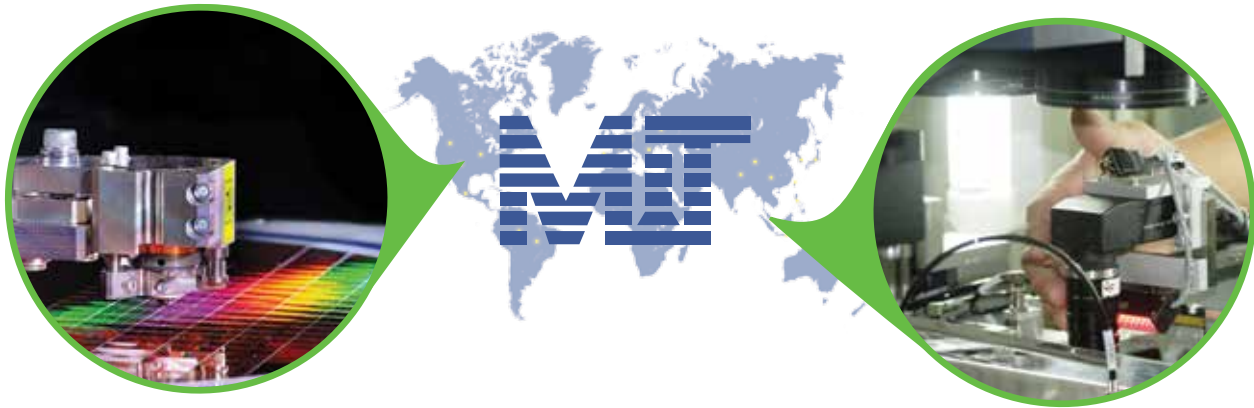
is the VP of Sales in Casem (Asia) Pte Ltd with responsibility for sales, marketing and business development of the Group's contract equipment manufacturing (CEM) business. In his earlier career, he had held senior engineering and operations positions in various American and European MNCs related to harddisk, 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 HOWE WENG KHIONG

joined Generic Power Pte Ltd as General Manager in January 2010, overseeing the vision inspection business. Mr Howe is concurrently the Senior VP and General Manager of iPAC Manufacturing Pte Ltd with responsibility for Manufacturing, Materials and Supply Chain operations supporting the various business units in the Group. Prior to joining the Company, Mr Howe was the General Manager of a semiconductor silicon wafer reclaim company. He was also an Investment Manager with EDB Investments Pte Ltd from the period 1996 to 2000. Mr Howe holds a Bachelor of Accounting degree from the Nanyang Technological University.

MR CAVIN TEO SIEW HENG

joined the Company in March 2001 as Senior Human Resource and Administration Manager. He concurrently holds the appointment as Head of Corporate Services overseeing HRM and Corporate Affairs. Before joining the Company, Mr Teo had held various senior managerial appointments in local, Japanese and American MNCs. He graduated with a MBA from the Central Queensland University (Australia) with several Dean's Letter of Commendation; and a Bachelor of Business from the University of Tasmania (Australia) ("UTAS"). At UTAS, he was also a recipient of the Dean's Roll of Excellence conferred by the Faculty of Commerce. As a training practitioner, he completed his ACTA training at the Institute of Adult Learning.



Semiconductor Segment

The high sales and profit growth that we saw in 2014 and 2015 fizzled out in 2016 as our major customers put their earlier capital investments into full production. As with past cycles, strong buying patterns will resume when additional capacities are needed or when new packages or devices are being introduced into the market.

At the same time, we are also working to enlarge our customer base, especially amongst emerging semiconductor assembly and test houses in China, arguably the fastest growing semiconductor market in the world today. We have beefed up our direct sales force and have also increased our visibility and mindshare through roadshows and industry exhibitions. This year, 2017, will be the third year in a row that we are exhibiting our new-gen equipment at the annual Semicon China show.

To support future growth and market needs, we are continuing our R&D efforts to deepen our core capabilities in vision inspection and ultra-precision handling solutions. By combining these two multi-disciplinary technologies, we have developed niche capabilities to process miniaturized semiconductor packages at super high speeds and at ultra-precision tolerances. Continuous product improvements and new developments are now being consolidated under our new Engineering Centre that provides innovative designs, module testing and a test-bed for prototype building.

These developments are all primed to capitalize on ongoing advances in the smartphone market (that is still a strong industry growth driver) and for the future in seizing new opportunities embedded in wearable electronics, Internet of Things (IoT) and Industry 4.0.

Solar Segment

Unfortunately, our main customer in China had reportedly gone into some difficulties resulting in a lack of thin-film solar contracts in 2016. To manage our overheads, we have decided to follow through any new solar projects on an opportunistic basis whilst we pursue other growth markets and/or complementary new businesses.

OPERATING REVIEW

Contract Equipment Manufacturing Segment

In CEM, our customers provide us with the drawings upon which MIT will procure the necessary components and materials (that may involve a few thousand parts-lists) for assembly, final testing and commissioning. In some cases, we will also offer value added engineering services and design content to improve on the manufacturability, costs and reliability of the products.

With long term customers and regular orders, our CEM business helps to moderate the gyrations that are characteristic of the semiconductor industry. However, our CEM customers are also not entirely insulated from the business challenges prevalent in their respective sector(s). As a case in point, our main LED customer had scaled back rather steeply on their production in 2016. The decline had impacted us even though the other CEM areas continued to remain resilient. Looking ahead, we expect this segment to pick up the slack from last year, bolstered by a new turnkey contract that we had recently entered with an existing customer in the textile/garment sector.

Order Book

As at 22 Feb 2017, our outstanding order book from our main businesses stood at S\$20m, excluding the distribution segment.



FINANCIAL SUMMARY

Revenue

Group revenue declined 61% to S\$35.5m in FY2016 from S\$90.3m in the previous financial year. The decline was mainly due to a slowdown in semiconductor equipment orders from our existing customers who had made strong investments in the previous two years. In addition, contract equipment manufacturing (CEM) sales also declined due to lower LED equipment orders and a lack of solar projects.

Earnings

As a result of the significantly lower revenues, the Group recorded a net loss of S\$5.5m in FY2016 from a net profit of S\$15.4m in the year before. Gross profit margin contracted to 19.8% in FY2016 as compared with 40.5% in FY2015. This was mainly due to unabsorbed fixed costs that resulted from our lower sales during the year.

Following the lower revenue and slower business activities, marketing and distribution costs and administrative expenses declined by 15% and 33% respectively.

Interest income also reduced as we had lower cash on hand. On the flip side, our finance costs decreased due to repayment of loans in MIT Singapore.

Other gains were derived from recurring rental income from our investment properties in Yishun, reversal on allowance for impairment loss on trade receivables & inventories which were made in previous years.

Assets and Liabilities

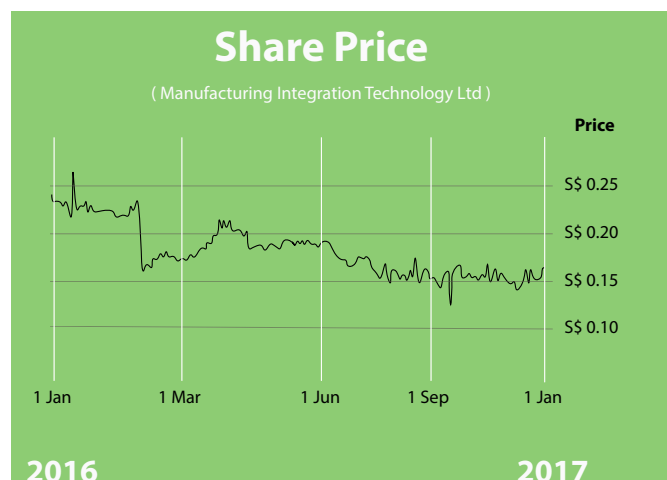
The increase in plant and equipment was mainly due to the purchase of toolings for production as well as upgrading of IT resources.

After depreciation charges during the year, the net book value of the Investment properties decreased at the end of the financial year.

The increase of S\$2.2m under development projects was due to new R&D activities undertaken by the Group.

Investments in subsidiaries decreased in the Company due to allowance for impairment on investments in subsidiaries. However, there is no profit or loss impact at the MIT group level.

In line with the lower revenue, Inventories as well as Trade and other receivables were lower by 8% and 44% respectively.



Other assets decreased due to lower deposits and prepayment when compared to the same period last year.

The decrease in other financial liabilities was mainly a result of repayment of bank loans primarily for the industrial property.

The lower amount in trade and other payables corresponded with the lower inventory level maintained.

Returns

Overall, we had a negative return on equity (ROE) due to our loss position.

As a result, net asset per share declined from 23.23 cents to 20.12 cents as at 31 December 2016.

Total shareholder returns (TSR), comprising the sum of dividend payments and share price changes during the year came to a negative 25.6%. No dividends was paid during the year while our share prices as at 4 January 2016 and 31 December 2016 were 23.4 cents and 17.4 cents respectively.

Cash Flow

Despite lower sales, the Group achieved a positive cash flow from operating activities of S\$2.6m during the year.

After significant spending on development projects (S\$2.6m), dividend payments (S\$1.1m), repayment of bank loans (S\$0.9m), investment in tooling & IT resources (S\$0.6m) and others, we ended the year with cash and cash equivalents of S\$17.9m.

Cash and cash equivalents per share stood at 7.9 cents, which accounted for about 40% of the net asset per share.

FIVE-YEAR FINANCIAL HIGHLIGHTS

(All amounts in S\$'000)

Statement of Comprehensive Income	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revenue	40,609	31,301	64,273	90,351	35,527
EBITDA	1,348	(5,207)	10,962	20,495	(3,345)
(Earnings before interest, tax, dep & amort)					
EBIT	(247)	(6,505)	9,493	18,772	(4,674)
(Earnings before interest & tax)					
Finance cost	117	85	261	184	108
(Loss) Income before tax from continuing operations	(276)	(6,491)	9,305	18,866	(4,556)
(Loss) Income from continuing operations, net of tax	311	(6,491)	10,172	15,426	(5,496)
Statement of Financial Position					
Current assets	33,211	35,457	56,698	58,377	44,681
Current liabilities	7,845	16,410	27,839	15,684	14,256
Total assets	43,070	48,575	70,316	71,331	59,570
Total borrowings	793	9,866	8,913	4,700	3,753
Cash and cash equivalents	13,952	8,541	16,945	20,434	17,892
Shareholders' equity	33,907	27,598	37,930	51,894	45,198
Net tangible assets	33,772	27,481	37,834	51,811	45,113
Net asset value per share (cents)	15.58	12.68	17.43	23.23	20.12
Financial Ratios					
Profitability					
Return on equity (%)	0.9%	-23.5%	26.8%	29.7%	-12.2%
Return on assets (%)	0.7%	-13.4%	14.5%	21.6%	-9.2%
Liquidity					
Current ratio (times)	4.2	2.2	2.0	3.7	3.1
Cash as a percentage of NAV (%)	41.1%	30.9%	44.7%	39.4%	39.6%
Leverage					
Gearing (%)	2.3%	35.7%	23.5%	9.1%	8.3%
Interest cover (times)	N.A.	N.A.	36.4	102.0	N.A.
Investment					
Earnings per share (cents)	0.14	-2.98	4.65	6.79	-2.45
Gross dividend per share (cents)	N.A.	N.A.	0.50	1.00	N.A.
Gross dividend yield (%)	N.A.	N.A.	7.5%	4.9%	N.A.
Dividend payout ratios	N.A.	N.A.	10.8%	14.7%	N.A.
Productivity					
Number of employees (Group)	303	256	301	312	291
Revenue/Employee (S\$'000)	134.02	122.27	213.53	289.59	122.09

RISK MANAGEMENT

We recognise that businesses must take calculated risks in order to make a profit and to grow. To achieve our corporate objectives, such risks will need to be taken in a responsible and measured way. We will not undertake more risks beyond what we can afford in terms of financial and operational assets.

The Group has formed an Enterprise Risk Management Committee (ERMC) comprising Senior Management staff to oversee the identification and implementation of risk management measures in the financial, operational and compliance areas. It reports to the Audit Committee of the Board.

Some of the broad key risk areas and mitigators are identified and addressed in this Risk Management Report. The list is by no means exhaustive, and we have internalised most of these risks in our everyday functions. Our mitigation factors have also allowed us to address these risks without much systemic stress.

Operating Risks

Inherent cyclical nature of the semiconductor industry

The Group will continue to grow its other business pillars and to explore new growth opportunities to further broaden its revenue mix. It is hoped that new steady businesses will help to moderate these cycles.

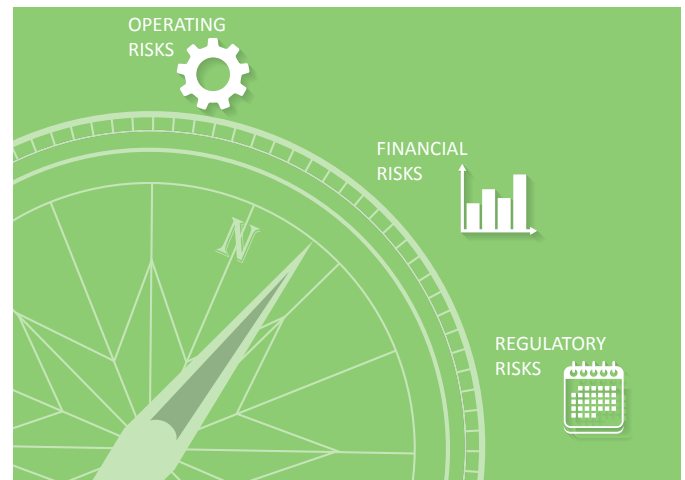
Rapidly changing technology may make our products obsolete

The challenge is to press on with innovation by continually investing in R&D and developing deeper human capital capabilities to stay ahead of the technology curve and competition. Despite a challenging year, we actually hired more technical staff to beef up our capabilities.

Disruptions in the supply chain for key components and fabricated parts

Apart from depending on its own in-house precision machining capabilities (in MIT Shanghai) to produce key common machine modules, the Group is also 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 businesses.



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 dependent on a few key customers

Even though the top 5 of its major customers accounted for around 75% of our total sales turnover in FY2016, the customer mix differed from the previous year in line with their different buying patterns and production needs. Notwithstanding, the Group will continue to secure new major accounts in different segments of the industry to reduce dependency on any one cluster of customers for all its business units.

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

We are exposed to the risk of unutilised stocks

Exposure is reduced by regularly updating demand forecasts from major customers and making informed decisions on production loading plans especially involving risk-built inventory. In addition, a new ERP system has been implemented to provide real-time information and controls across the key business processes to insure against discrepant buying and inventory overhang.

Financial Risks

Exposure to foreign exchange risk

Trading currencies are in US dollar (mainly), RMB and SGD. In FY2016, USD transactions contributed almost 90% of the total sales revenue.

The Group aims to mitigate these risks in several ways. One strategy is through natural hedging by procuring raw materials at source where the currency rate is in its favor. A treasury policy on hedging is also in place that is reviewed periodically to ensure that practices are in line with prevailing market conditions and currency trends. The current Group's policy is to hedge at least 50% of net foreign currency position by entering into forward contracts to minimize exposure to foreign currency.

Financial instruments risk

The Group does not participate 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 investments, 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 position and low bank debt, 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

Every effort will be taken to ensure that the IP rights of others are not infringed in our R&D work. At the same time, the Group will continue to build on its portfolio of patents to defend and to enforce on its own IP rights in order to safeguard its business interests. The Group has 13 approved patents to-date.

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.

A large, light gray compass rose is centered on the page. It features a central circular hub with a white ring, from which several lines radiate outwards to form a circular scale. The cardinal directions are marked with large, stylized letters: 'N' at the top, 'E' on the right, 'S' at the bottom, and 'W' on the left. The background of the page is a light gray gradient, and the compass rose is semi-transparent, allowing the text to be visible through it.

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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 2016, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”).

Board Matters (Principle 1)

Board of Directors

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.

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;
- 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

Mr Lim Chin Hong was appointed as an Independent Director on 1 February 2016 and had undergone an orientation programme to familiarise him with the Company's structure, organisation, businesses and governance practices. In addition, 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. Further the newly appointed Director had been provided with a formal letter setting out the duties and obligations to ensure that the new director is fully aware of the responsibilities and obligations of being a Director.

Directors' Meetings held in financial year ended 31 December 2016 ("FY 2016")

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)	3	3
Mr Lim Chin Tong	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 (appointed on 1 February 2016)	3	3

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.

The Chairman and Managing Director is Mr Kwong Kim Mone, who with the support and advice of the Board, plays 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. 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.

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 Directors 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 Directors 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 Directors, 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 directors, Mr Kwong Kim Mone and Mr Lim Chin Tong are Executive Directors. Mr Kwong Kim Mone is the Chairman and Managing Director of the Company. 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.

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, taking into account 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	(appointed on 1 February 2016)

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.

The AC also meets with the external auditors, without the presence of management, at least once a year. With the full co-operation of Management given to external auditors during their course of audit reviews, there was no significant issue which warranted to AC's attention that require separate meeting without the presence of management for FY 2016.

In FY2016, 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

Note: Mr Lim Chin Hong was appointed as AC member on 1 February 2016.

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 FY2016 paid to the external auditors, RSM Chio Lim LLP, were S\$119,000 and S\$25,300 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 32 and 33 of the annual report, AC's view and responses are as follows:

Key audit matters	AC's view and responses
Impairment of trade receivables	<p>Out of the carrying amount of trade and other receivables of S\$11.9 million as of 31 December 2016, S\$5.4 million was past due for 365 days and an impairment allowance of S\$2.1 million had been made. Based on the knowledge of the customers' payment history and credit worthiness, the remaining amount of S\$3.3 million was viewed recoverable.</p> <p>The AC considered the management's formula and justification used for estimates for allowance. The AC also considered the observations and findings presented by the external auditor on the historical repayments trend of trade receivables and adequacy of its impairment allowance.</p> <p>The above procedures provided the AC with the assurance to concur with the management's conclusion on the adequacy of impairment allowance as well as the appropriateness of the related disclosures made.</p>
Adequacy of inventory impairment allowance	<p>An inventory written down of S\$0.8 million was made in this financial year and no further impairment is viewed necessary. As of 31 December 2016, the carrying amount of inventories amounted to S\$14.6 million, which accounted for approximately 24.5% of the Group's total assets.</p> <p>The AC considered the management's formula and justification used for estimates for allowance. The AC also considered the observations and findings presented by the external auditor on the inventory aging and adequacy of its impairment allowance.</p> <p>The above procedures provided the AC with the assurance to concur with the management's conclusion on the adequacy of impairment allowance as well as the appropriateness of the related disclosures made.</p>

Whistle-Blowing Policy

The Company has put in place a whistleblowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible corporate improprieties on matters of financial reporting or other legal or ethical issues whilst ensuring that comprehensive procedures are in place to address them. The details of the whistle blowing policy and reporting mechanisms have been made available to all employees.

The Whistleblowing Officers are all members of the AC. Any Whistleblowing Officer to whom a concern has been raised, is obliged to make a report to the Board of the substance of the concern without breaching employee confidentiality. The AC is obliged to review all reports received and take or approve the appropriate actions.

There was no whistleblowing complaints received during FY 2016.

Nominating Committee (“NC”)

The NC comprises five (5) Directors, a majority of whom, including the NC Chairman, are Independent Directors.

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

Mr Kam Boon Cheong	(Chairman)
Mr Kwong Kim Mone	
Mr Lee Yong Guan	
Mr Pow Tien Tee	
Mr Lim Chin Hong	(appointed on 1 February 2016)

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 Board performance and for FY 2016, 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 2016, the number of NC meetings held and attended by each member of the Committee is as follows:

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

Note: Mr Lim Chin Hong was appointed as NC member on 1 February 2016.

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 require 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 Kwong Kim Mone and Mr Lee Yong Guan who will be retiring at the forthcoming AGM pursuant to Article 91 of the Company’s Constitution and the Board has accepted the recommendation of the retiring Directors, who have given their consents for re-election.

Mr Kwong Kim Mone will, upon re-election as a Director of the Company, remain as the Chairman and Managing Director, Chairman of the Investment Committee and a member of the Nominating Committee and will be considered non-independent.

Mr Lee Yong Guan will, upon re-election as a Director of the Company, remain as the Lead Independent Director, the Chairman of the Audit Committee and a member of the Nominating Committee, Remuneration Committee and Investment Committee and will be considered independent.

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 FY 2016, 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	(appointed on 1 February 2016)

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 Director’s 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 FY 2016, 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

Note: Mr Lim Chin Hong was appointed as RC member on 1 February 2016.

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 the remuneration packages for all Directors. The Chairman and Managing Director, the executive director(s) and key executives are paid 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 Executive Directors have Service Agreements. Each 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 the expiry of the Service Agreement and shall submit their recommendations to the Board.

The performance of Managing Director, Executive Directors and other 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 services contracts of our Executive Directors.

Directors of the Company	Total Remuneration (\$'000)	Fee	Salary	AWS/ Bonus	Allowances and Other Benefits	CPF	Total
Mr Kwong Kim Mone	547	-	71%	9%	18%	2%	100%
Mr Lim Chin Tong	289	-	73%	9%	15%	3%	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	29	100%	-	-	-	-	100%

Key Executives of the Group	Fee	Salary	AWS / Bonus	Allowances and Other Benefits	CPF	Total
Below S\$250,000						
Mr David Foo Wah Meng	-	55%	23%	15%	7%	100%
Mr Cavin Teo Siew Heng	-	54%	22%	18%	6%	100%
Mr Dennis Foo Piau Yew	-	55%	23%	15%	7%	100%
Mr Terence Chua Yee Heong	-	75%	6%	12%	7%	100%

Note: Mr Terence Chua joined the Company in August 2016.

Key Executives of the Group	Fee	Salary	AWS / Bonus	Allowances and Other Benefits	CPF	Total
<u>Between S\$250,000-S\$499,999</u>						
Mr Howe Weng Khiong	-	52%	26%	15%	7%	100%
Mr Boh Teck Keong	-	59%	25%	13%	3%	100%
Mr Tan Ban Hee	-	55%	28%	12%	5%	100%
Mr Eddy Lim Kok Yeow	-	53%	28%	13%	6%	100%

The total annual aggregate remuneration of the top five key executives (who are not directors or the CEO) is S\$1,434,081. 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 FY 2016.

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 FY 2016.

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 in 2009. Information on Employees’ Share Options Scheme is set out in the Statement by Directors on Page 28 & 29. 500,000 Performance Shares were granted to a participant during the year. The renewal of the MIT Performance Share Plan is being proposed at the general meeting for shareholders’ approvals.

Investment Committee (“IC”)

The IC comprises all six (6) Directors: Two (2) Executive Directors and four (4) Independent Directors. The members of the IC 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	(appointed on 1 February 2016)

The duties of the IC include:

- to implement and review the Group’s investment strategy and policy;
- 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 FY 2016, 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	Executive	2	2
Mr Lim Chin Tong	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

Note: Mr Lim Chin Hong was appointed as IC member on 1 February 2016.

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 statement, it is released within 45 days from the end of the period whereas full-year results within 60 days from the financial year end. For interim financial statement, 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.mit.com.sg.

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 responsibility, Management has established an Enterprise Risk Management Committee ("ERMC"). The ERMC is chaired by Mr Lim Chin Tong, the Executive Director and comprises the CFO and 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 the 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 2016 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 2016.

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 2016 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 FY2016.

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 does not have a formal dividend policy. The form, frequency and amount of future dividend of the Company's shares will depend on the earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem 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

There are no material contracts or loans of the Company or its subsidiaries involving the interests of the Managing Director, each Director or Controlling shareholders, 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 FY2016, 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 share 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.

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 2016.

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	(Chairman and Managing Director)
Lim Chin Tong	(Executive Director)
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 were not interested in shares in or 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:

<u>Name of directors and companies in which interest are held</u>	<u>Shareholdings registered in the name of the directors</u>		<u>Shareholdings in which directors are deemed to have an interest</u>	
	<u>At beginning of the reporting year</u>	<u>At end of the reporting year</u>	<u>At beginning of the reporting year</u>	<u>At end of the reporting year</u>
The company: <u>Manufacturing Integration 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	1,254,000	1,354,000	–	–
Lee Yong Guan	336,000	336,000	–	–
Pow Tien Tee	25,000	25,000	9,000	9,000
Kam Boon Cheong	1,145,000	1,145,000	–	–

STATEMENT BY DIRECTORS

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

Name of directors and companies in which interest are held	Shareholdings registered in the name of the directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of the reporting year	At end of the reporting year	At beginning of the reporting year	At end of the reporting year
Ultimate parent company: <u>MIT Technologies Pte Ltd</u>	<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 with shareholdings as above is deemed to have an interest in the company and in all the related body corporates of the company.

The directors' interests as at 21 January 2017 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 3 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 15,625,000 (2015: 8,021,000) 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 at 1.1.2016	Granted	Lapsed	Exercised	Balance as at 31.12.2016	Exercise Price \$	Expiry Date
<u>Options to subscribe number of unissued ordinary shares of no par value:</u>							
5 September 2007	75,000	–	–	–	75,000	0.1900*	4 September 2017
5 September 2007	75,000	–	–	–	75,000	0.1520**	4 September 2017
6 March 2008	50,000	–	–	–	50,000	0.1500*	5 March 2018
6 March 2008	50,000	–	–	–	50,000	0.1200**	5 March 2018
9 September 2009	–	–	–	–	–	0.1930*	8 September 2019
9 September 2009	–	–	–	–	–	0.1540**	8 September 2019
15 June 2010	–	–	–	–	–	0.1470*	14 June 2020
15 June 2010	–	–	–	–	–	0.1180**	14 June 2020

Manufacturing Integration Technology Ltd
**STATEMENT BY
DIRECTORS**

5. Shares options (cont'd)

Date of grant	Balance as at 1.1.2016	Granted	Lapsed	Exercised	Balance as at 31.12.2016	Exercise Price \$	Expiry Date	
14 May 2012	192,000	–	–	14,000	178,000	0.1000*	13 May 2022	#
14 May 2012	270,000	–	–	20,000	250,000	0.0800**	13 May 2022	#
9 June 2014	2,994,000	–	172,000	473,000	2,349,000	0.0650*	8 June 2024	#
9 June 2014	3,840,000	–	215,000	736,000	2,889,000	0.0520**	8 June 2024	#
11 August 2014	150,000	–	–	–	150,000	0.0570*	10 August 2024	#
11 August 2014	225,000	–	–	–	225,000	0.0460**	10 August 2024	#
15 December 2014	50,000	–	–	16,000	34,000	0.0830*	14 December 2024	
15 December 2014	50,000	–	–	–	50,000	0.0660**	14 December 2024	
20 May 2016	–	4,795,000	170,000	–	4,625,000	0.1940*	19 May 2026	#
20 May 2016	–	4,795,000	170,000	–	4,625,000	0.1550**	19 May 2026	#
	<u>8,021,000</u>	<u>9,590,000</u>	<u>727,000</u>	<u>1,259,000</u>	<u>15,625,000</u>			

During the current reporting year, certain employees exercised a total of 1,259,000 share options under ESOS. The exercise of share options is satisfied by way of re-issuance of 1,259,000 treasury shares of the company held by the company.

* 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	900,000	4,140,000	(590,000)	(1,800,000)	1,750,000	\$0.052 – \$0.194
Lim Chin Tong	350,000	950,000	(308,000)	–	642,000	\$0.052 – \$0.194
Lee Yong Guan	–	250,000	(25,000)	(100,000)	125,000	\$0.046 – \$0.057
Pow Tien Tee	–	150,000	(25,000)	–	125,000	\$0.046 – \$0.057
Kam Boon Cheong	–	150,000	(25,000)	–	125,000	\$0.046 – \$0.057

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 (“PSP”)

The Company had granted 500,000 ordinary shares to its employee pursuant to the performance share plan on 22 August 2016. 250,000 ordinary shares shall vest on 21 August 2017 and the remaining 250,000 shall vest on 21 August 2018.

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 number of new shares available under PSP.

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

7. 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, it 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 also includes an explanation of how independent auditors objectivity and independence is safeguarded where the independent auditors 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.

8. Independent auditor

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

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 auditor, 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 2016.

10. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements as announced on 22 February 2017, 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 2017

.....
Lim Chin Tong
Director

Manufacturing Integration Technology Ltd
**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 2016, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Financial Reporting Standards in Singapore (FRSs) 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 2016 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 (KAMs) 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.

Impairment of trade receivables

Refer to Note 2 on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; Note 19 on trade and other receivables and the annual report on the section on the audit committee’s view and responses to reported KAMs.

The carrying amount of trade and other receivables amounted to S\$11.9 million, which accounted for approximately 20% of the Group’s total assets as at the reporting year end.

Out of this amount, S\$5.4 million was past due for 365 days and an impairment allowance of S\$2.1 million had been made, based on management’s knowledge of the customers’ payment history and credit worthiness. Management is of the view that the remaining amount of S\$3.3 million is recoverable. Any impairment of significant trade receivables could have material impact to the Group’s profit or loss. The estimate of impairment loss is based on the historical trend of these receivables, which includes analysis of the age of these receivables, credit worthiness of the profile of the customers and future collectability.

Manufacturing Integration Technology Ltd

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MANUFACTURING INTEGRATION TECHNOLOGY LTD**

Impairment of trade receivables (cont'd)

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 monitoring of credit limit, past payment patterns and payments made by the customers subsequent to the reporting year end. We have also assessed the adequacy of the disclosures made in the financial statements.

Adequacy of inventory impairment allowance

Refer to Note 2 on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; Note 18 on inventories and the annual report on the section on the audit committee's view and responses to reported KAMs.

The carrying amount of inventories amounted to S\$14.6 million, which accounted for approximately 24.5% of the Group's total assets as at the reporting year end. Cost of inventories may not be recoverable if they become obsolete, or if their selling price have declined. The estimate of allowance for inventories is based on the age of these inventories, prevailing market conditions in the industry and historical allowance experience which requires management judgement.

We have reviewed the Group's policy for inventory allowance and understand that full allowance is to be made for work in progress and finished goods that are aged more than 2 years for raw materials more than 3 years.

We have also reviewed the Group's inventory aging as at the reporting year end, as well as the Group's computation for inventory allowance and found them to be reasonable. We also reviewed the inventory turnover days and aging of the inventories 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 price lists and past sales prices where 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.

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 FRSs, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MANUFACTURING INTEGRATION TECHNOLOGY LTD

Responsibilities of management and directors for the financial statements (cont'd)

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.
- 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.

Manufacturing Integration Technology Ltd
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MANUFACTURING INTEGRATION TECHNOLOGY LTD

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

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 2017

Engagement partner - effective from year ended 31 December 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2016

		<u>Group</u>	
	<u>Notes</u>	2016 \$'000	2015 \$'000
Revenue	4	35,527	90,351
Cost of sales		<u>(28,481)</u>	<u>(53,762)</u>
Gross profit		7,046	36,589
Interest income	5	226	278
Other gains	6	1,177	2,559
Marketing and distribution costs		(4,958)	(5,835)
Administrative expenses		(6,319)	(9,491)
Finance costs	7	(108)	(184)
Other losses	6	<u>(1,620)</u>	<u>(5,050)</u>
(Loss) income before tax from continuing operations		(4,556)	18,866
Income tax expenses	10	<u>(940)</u>	<u>(3,440)</u>
(Loss) income from continuing operations, net of tax		<u>(5,496)</u>	<u>15,426</u>
<u>Other comprehensive (loss) income:</u>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		<u>(318)</u>	<u>140</u>
Other comprehensive (loss) income for the year, net of tax		<u>(318)</u>	<u>140</u>
Total comprehensive (loss) income		<u>(5,814)</u>	<u>15,566</u>
Earnings (loss) per share			
Earnings (loss) per share currency unit		<u>Cents</u>	<u>Cents</u>
– Basic	11	<u>(2.45)</u>	<u>6.97</u>
– Diluted	11	<u>(2.45)</u>	<u>6.79</u>

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

Manufacturing Integration Technology Ltd
**STATEMENT OF
 FINANCIAL POSITION**

As at 31 December 2016

	Notes	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Assets					
<u>Non-current assets:</u>					
Plant and equipment	12	1,630	1,629	1,284	1,156
Investment properties	13	8,950	9,139	8,950	9,139
Intangible assets	14	42	40	42	26
Development projects	15	2,878	703	2,466	517
Investments in subsidiaries	16	–	–	7,988	14,160
Deferred tax assets	10	1,346	1,400	217	217
Other assets, non-current	17	43	43	43	43
Total non-current assets		14,889	12,954	20,990	25,258
<u>Current assets:</u>					
Inventories	18	14,564	15,853	7,020	5,862
Trade and other receivables	19	11,996	21,585	14,954	26,106
Other assets, current	20	229	505	113	131
Cash and cash equivalents	21	17,892	20,434	14,085	13,032
Total current assets		44,681	58,377	36,172	45,131
Total assets		59,570	71,331	57,162	70,389
Equity and liabilities					
<u>Equity</u>					
Share capital	22	46,621	46,431	46,621	46,431
Other reserves	25	297	506	222	113
(Accumulated losses) retained earnings		(1,720)	4,957	396	9,622
Total equity		45,198	51,894	47,239	56,166
<u>Non-current liability:</u>					
Other finance liabilities, non-current	26	116	3,753	116	3,753
Total non-current liability		116	3,753	116	3,753
<u>Current liabilities:</u>					
Income tax payable		1,279	1,823	1,050	1,192
Provisions	27	254	273	139	257
Trade and other payables	28	9,086	12,641	4,981	8,074
Other financial liabilities, current	26	3,637	947	3,637	947
Total current liabilities		14,256	15,684	9,807	10,470
Total liabilities		14,372	19,437	9,923	14,223
Total equity and liabilities		59,570	71,331	57,162	70,389

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

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2016

Group	Total equity	Share capital	Retained earnings / (accumulated losses)	Translation reserves	Share option reserve
	\$'000	\$'000	\$'000	\$'000	\$'000
Current year:					
Opening balance at 1 January 2016	51,894	46,431	4,957	393	113
Movement in equity:					
Total comprehensive loss for the year	(5,814)	–	(5,496)	(318)	–
Exercise of share options (Note 25B)	–	–	28	–	(28)
Expiry of share options (Note 25B)	–	–	24	–	(24)
Share based payment expenses (Note 25B)	161	–	–	–	161
Dividend paid (Note 24)	(1,117)	–	(1,117)	–	–
Treasury shares reissued pursuant to employees' share option scheme (Notes 22 and 23)	190	190	–	–	–
Loss on reissuance of treasury shares to equity pursuant to employee share option scheme	(116)	–	(116)	–	–
Closing balance at 31 December 2016	45,198	46,621	(1,720)	75	222

Group	Total equity	Share capital	(Accumulated losses) / retained earnings	Translation reserves	Share option reserve
	\$'000	\$'000	\$'000	\$'000	\$'000
Previous year:					
Opening balance at 1 January 2015	37,930	45,768	(8,278)	253	187
Movement in equity:					
Total comprehensive income for the year	15,566	–	15,426	140	–
Ordinary shares issued pursuant to employees' share option scheme (Notes 22 and 23)	396	396	–	–	–
Exercise of share options (Note 25B)	–	–	136	–	(136)
Expiry of share options (Note 25B)	–	–	12	–	(12)
Share based payment expenses (Note 25B)	74	–	–	–	74
Dividend paid (Note 24)	(2,216)	–	(2,216)	–	–
Treasury shares reissued pursuant to employees' share option scheme (Notes 22 and 23)	267	267	–	–	–
Loss on reissuance of treasury shares to equity pursuant to employee share option scheme	(123)	–	(123)	–	–
Closing balance at 31 December 2015	51,894	46,431	4,957	393	113

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

Manufacturing Integration Technology Ltd
**STATEMENT OF
 CHANGES IN EQUITY**

Year Ended 31 December 2016

Company	Total equity	Share capital	(Accumulated losses) / retained earnings	Share option reserve
	\$'000	\$'000	\$'000	\$'000
Current year:				
Opening balance at 1 January 2016	56,166	46,431	9,622	113
Movement in equity:				
Total comprehensive loss for the year	(8,045)	–	(8,045)	–
Exercise of share options	–	–	28	(28)
Expiry of share options (Note 25B)	–	–	24	(24)
Share based payment expenses (Note 25B)	161	–	–	161
Dividend paid (Note 24)	(1,117)	–	(1,117)	–
Treasury shares reissued pursuant to employees' share option scheme (Notes 22 and 23)	190	190	–	–
Loss on reissuance of treasury shares to equity pursuant to employees' share option scheme	(116)	–	(116)	–
Closing balance at 31 December 2016	47,239	46,621	396	222
Previous year:				
Opening balance at 1 January 2015	36,277	45,768	(9,678)	187
Movement in equity:				
Total comprehensive income for the year	21,491	–	21,491	–
Ordinary shares issued pursuant to employees' share option scheme (Notes 22 and 23)	396	396	–	–
Exercise of share options	–	–	136	(136)
Expiry of share options (Note 25B)	–	–	12	(12)
Share based payment expenses (Note 25B)	74	–	–	74
Dividend paid (Note 24)	(2,216)	–	(2,216)	–
Treasury shares reissued pursuant to employees' share option scheme (Notes 22 and 23)	267	267	–	–
Loss on reissuance of treasury shares to equity pursuant to employees' share option scheme	(123)	–	(123)	–
Closing balance at 31 December 2015	56,166	46,431	9,622	113

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2016

	Group	
	2016	2015
	\$'000	\$'000
<u>Cash flows from operating activities</u>		
(Loss) Profit before tax	(4,556)	18,866
Adjustments for :		
Depreciation of property, plant and equipment	664	830
Depreciation of investment properties	189	190
Interest income	(226)	(278)
Interest expense	108	184
Gains on disposal of plant and equipment	–	(117)
Amortisation of development projects	428	664
Amortisation of intangible assets	48	40
Share based payment	234	74
Gains on disposal of development projects	–	(309)
Net effect of exchange rate changes in consolidating foreign operations	(183)	39
Operating cash flow (used in) from changes in working capital	<u>(3,294)</u>	<u>20,183</u>
Trade and other receivables	9,589	(2,399)
Other assets	276	(246)
Inventories	1,289	4,455
Trade and other payables	(3,555)	(10,474)
Provisions	<u>(19)</u>	<u>66</u>
Net cash flow from operation	4,286	11,585
Income tax paid	<u>(1,544)</u>	<u>(1,447)</u>
Net cash flows from operating activities	<u>2,742</u>	<u>10,138</u>
<u>Cash flows from investing activities</u>		
Proceeds from disposal of development projects	–	1,047
Additions of patents	(50)	(27)
Proceeds on disposal of plant and equipment	–	159
Purchase of plant and equipment (Note 21A)	(685)	(956)
Development projects incurred	(2,603)	(770)
Interest received	<u>226</u>	<u>278</u>
Net cash flow used in investing activities	<u>(3,112)</u>	<u>(269)</u>
<u>Cash flows from financing activities</u>		
Decrease in borrowings	(900)	(4,326)
Interest paid	(108)	(184)
Dividend paid	(1,117)	(2,216)
Re-issue of treasury shares	–	144
Decrease in finance leases	(47)	(120)
Issue of shares	<u>–</u>	<u>396</u>
Net cash used in financing activities	<u>(2,172)</u>	<u>(6,306)</u>
Net (decrease) increase in cash and cash equivalents	(2,542)	3,563
Cash and cash equivalents, statement of cash flows, beginning balance	20,434	16,945
Effect of foreign exchange rate adjustments	<u>–</u>	<u>(74)</u>
Cash and cash equivalents, statement of cash flows, ending balance (Note 21)	<u>17,892</u>	<u>20,434</u>

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

Manufacturing Integration Technology Ltd
**NOTES TO THE
FINANCIAL STATEMENTS**

31 December 2016

1. General

The company is incorporated in Singapore with limited liability. It is listed on the Singapore Exchange Securities Trading Limited. 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 industry and an investment holding company. The principal activities of the subsidiaries are described in Note 16 to the financial statements.

The registered office is: Blk 5004, Ang Mo Kio Avenue 5, #03-12, Techplace II, Singapore 569872. The company is situated in Singapore.

Accounting convention

The financial statements have been prepared in accordance with the Financial Reporting Standards in Singapore (“FRS”) and the related Interpretations to FRS (“INT FRS”) as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be provided if the information resulting from that disclosure is not material. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS.

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 in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are 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, including income, expenses and cash flows 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. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Manufacturing Integration Technology Ltd
**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 available-for-sale financial assets in accordance with FRS 39.

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 revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are not significant transactions is recognised as the services are provided or when the significant acts have been completed. Rental revenue 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 revenue is recognised using the effective interest method. Dividend revenue from equity instruments is recognised as income when the entity's right to receive payment is established.

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.

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.

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

2A. Significant accounting policies (cont'd)

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 borrowing of funds 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 recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. 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 combined 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 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.

2. Summary of significant accounting policies (cont'd)

2A. Significant accounting policies (cont'd)

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.

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

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 10%

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.

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

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

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. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and 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.

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%
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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

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

2A. Significant accounting policies (cont'd)

Leases (cont'd)

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.

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. 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

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

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

2A. Significant accounting policies (cont'd)

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. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. 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.

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year date there were no financial assets classified in this category.
2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
3. Held-to-maturity financial assets: As at end of the reporting year date there were no financial assets classified in this category.
4. Available for sale financial assets: As at end of the reporting year date there were no financial assets classified in this category.

Cash and cash equivalents

Cash and cash equivalents 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 instruments and hedging activity

The entity is exposed to currency and interest rate risks. The policy is to reduce currency and interest rate exposures through derivatives and other hedging instruments. From time to time, there may be borrowings and foreign exchange arrangements or interest rate swap contracts or similar instruments entered into as hedges against changes in interest rates, cash flows or the fair value of the financial assets and liabilities. They are carried at fair value. The gain or loss from remeasuring these hedging or other arrangement instruments at fair value are recognised in profit or loss. The derivatives and other hedging instruments used are described below in the notes to the financial statements.

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

2A. Significant accounting policies (cont'd)

Derivatives instruments and hedging activity (cont'd)

Derivatives: All derivatives are initially recognised and subsequently carried at fair value. Certain derivatives are entered into in order to hedge some transactions and all the strict hedging criteria prescribed by FRS 39 are not met. In those cases, even though the transaction has its economic and business rationale, hedge accounting cannot be applied. As a result, changes in the fair value of those derivatives are recognised directly in profit or loss and the hedged item follows normal accounting policies.

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expired. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method.

Fair value measurement

When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. It is a market-based measurement, not an entity-specific measurement. 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. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

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

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

The fair value measurements categorise the inputs used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

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.

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.

2B. Other explanatory information

Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

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

2B. Other explanatory information (cont'd)

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.

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 doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade receivables and historical bad debts, customer concentrations, and customer creditworthiness when evaluating the adequacy of the allowance for doubtful trade receivables. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in Note 19 on trade and other receivables.

Net realisable value of inventories:

A review is made periodically 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 is disclosed in Note 18 on inventories.

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 15 on development projects.

Measurement of impairment of subsidiary:

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 \$7,988,000 (2015: \$6,257,000).

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 27 on provisions.

3. Related party relationships and transactions

FRS 24 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	Parent company and ultimate parent company	Singapore

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

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

3B. Related party transactions:

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 financial guarantees 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.

3C. Key management compensation:

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Salaries and other short-term employee benefits	2,738	3,578
Post-employment benefits	134	110
Share-based payments	82	30

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Remuneration of directors of the company	810	1,837
Remuneration of a director of a subsidiary	294	282
Fees to directors of the company	131	98
Share-based payments	28	11

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.

3D. 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:

Manufacturing Integration Technology Ltd
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3. Related party relationships and transactions (cont'd)

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

<u>Company</u>	<u>Subsidiaries</u>	
	<u>2016</u>	<u>2015</u>
<u>Other receivables:</u>	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of the year	4,377	4,892
Amounts paid out and settlement of liabilities on behalf of the subsidiaries	(13,112)	(26,442)
Amounts paid in and settlement of liabilities on behalf of company	12,771	25,895
Allowance for impairment – reversal	–	32
Balance at end of the year (Note 19)	<u>4,036</u>	<u>4,377</u>

<u>Company</u>	<u>Subsidiaries</u>	
	<u>2016</u>	<u>2015</u>
<u>Other payables:</u>	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of the year	228	4
Amounts paid out and settlement of liabilities on behalf of the company	–	228
Amounts paid in and settlement of liabilities on behalf of the company	–	(4)
Allowance for impairment	(228)	–
Balance at end of the year (Note 28)	<u>–</u>	<u>228</u>

4. Revenue

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Sale of goods	<u>35,527</u>	<u>90,351</u>

5. Interest Income

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
	<u>\$'000</u>	<u>\$'000</u>
Interest income from financial institutions	<u>226</u>	<u>278</u>

Manufacturing Integration Technology Ltd
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6. Other gains and (other losses)

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Amortisation of development projects	(428)	(664)
Foreign exchange adjustment (loss) gains	(233)	1,017
Gains on disposal of development projects	–	309
Inventories written down	(765)	(1,383)
Allowance for impairment loss on trade receivables	–	(2,365)
Amortisation of intangible assets	(48)	(40)
Provision of product warranty, net of reversal	(146)	(76)
Reversal of deposits received and other payables	–	235
Reversal on allowance for impairment loss on inventories	192	11
Gains on disposal of property plant and equipment	–	117
Rental income	670	670
Other income	315	200
Other expenses	–	(522)
Net	<u>(443)</u>	<u>(2,491)</u>
Presented in the profit or loss as:		
Other gains	1,177	2,559
Other losses	(1,620)	(5,050)
Net	<u>(443)</u>	<u>(2,491)</u>

7. Finance costs

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Interest expense on financial liabilities carried at amortised cost:		
- Obligations under finance leases	6	15
- Bank borrowings	102	169
Total	<u>108</u>	<u>184</u>

8. Employee benefits expense

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Short term employee benefits expense	13,509	18,455
Contributions to defined contribution plans	1,540	1,654
Share-based payments: equity settled (Note 25B)	161	74
Other benefits	34	197
Total employee benefits expense	<u>15,244</u>	<u>20,380</u>

Manufacturing Integration Technology Ltd
**NOTES TO THE
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8. Employee benefits expense (cont'd)

The employee benefits expenses is changed as follows:

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Cost of sales	9,225	11,509
Marketing and distribution costs	2,686	2,084
Administrative expenses	3,333	6,787
Total	<u>15,244</u>	<u>20,380</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>2016</u>	<u>2015</u>
	\$'000	\$'000
Audit fees to the independent auditor of the company	119	127
Audit fees to the other independent auditor	26	27
Other fees to the independent auditor of the company	<u>25</u>	<u>28</u>

10. Income tax expense

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

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
<u>Current tax expense:</u>		
Current tax expense	–	2,899
Under adjustment in respect of prior periods	940	370
Subtotal	<u>940</u>	<u>3,269</u>
<u>Deferred tax expense:</u>		
Deferred tax expense	–	171
Subtotal	<u>–</u>	<u>171</u>
Total income tax expense	<u>940</u>	<u>3,440</u>

Manufacturing Integration Technology Ltd
**NOTES TO THE
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10. Income tax expense (cont'd)

10A. Components of tax expense recognised in profit or loss include: (cont'd)

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% (2015: 17.0%) to profit or loss before income tax as a result of the following differences:

	<u>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
(Loss) Profit before income tax	<u>(4,556)</u>	<u>18,866</u>
Income tax (benefit) expense at the above rate	(775)	3,207
Income not subject to tax, net	(103)	(148)
Under adjustment in respect of prior periods	940	370
Stepped income exemption	(102)	(166)
Productivity innovation credit claims	(3)	–
Recognition of deferred tax assets which was not recognised in prior periods	–	(476)
Effect of different tax rates in different country	(53)	150
Deferred tax assets not recognised	1,199	384
Others	<u>(163)</u>	<u>119</u>
Total income tax expense	<u>940</u>	<u>3,440</u>

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

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

	<u>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Excess of net book value of plant and equipment over tax values	(68)	–
Excess of tax values over net book value of plant and equipment	(19)	212
Tax loss carryforwards	829	435
Wear & tear allowance carryforwards	(53)	157
Unrecognised deferred tax assets	(487)	384
Provisions	(256)	(1,017)
Exchange difference	<u>54</u>	<u>–</u>
Total deferred tax expense recognised in profit or loss	<u>–</u>	<u>171</u>

Manufacturing Integration Technology Ltd
**NOTES TO THE
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10. Income tax expense (cont'd)

10C. Deferred tax balance in the statements of financial position:

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Deferred tax assets:</u>				
Excess of net book value of plant and equipment over tax values	(68)	–	(68)	–
Excess of tax values over net book value of plant and equipment	7	26	–	25
Tax loss carryforwards	2,730	1,901	196	–
Wear & tear allowance carryforwards	156	209	114	197
Unrecognised deferred tax assets	(2,724)	(2,237)	(108)	(98)
Provisions	1,245	1,501	83	93
Net balance	<u>1,346</u>	<u>1,400</u>	<u>217</u>	<u>217</u>

The above deferred tax assets of certain subsidiaries have not been recognised in respect of the remaining balances as the future taxable profit streams are not probable. 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 Singapore companies is approximately \$2,730,000 (2015: \$1,901,000) subsisting as at the end of the reporting year.

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

11. 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>2016</u> \$'000	<u>2015</u> \$'000
A. Numerators: earnings/(loss) attributable to equity:		
Continuing operations: attributable to equity holders	<u>(5,496)</u>	<u>15,426</u>

Manufacturing Integration Technology Ltd
**NOTES TO THE
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11. Earnings per share (cont'd)

	<u>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
B. Denominators: weighted average number of equity shares		
Basic	224,282	221,452
Dilutive share options effect	–	5,562
Diluted	<u>224,282</u>	<u>227,014</u>

The weighted average number of ordinary shares refers to shares in circulation during the period. It is after the neutralisation of treasury shares.

The dilutive effect derives from share options (Note 23).

In 2016, there is no dilutive effect from the share options as they are anti-dilutive because their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations.

The basic earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. The diluted earnings 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.

12. Property, plant and equipment

<u>Group</u>	<u>Renovations</u> \$'000	<u>Plant and equipment</u> \$'000	<u>Total</u> \$'000
<u>Cost:</u>			
At 1 January 2015	1,562	9,998	11,560
Foreign exchange adjustments	20	172	192
Additions	66	1,123	1,189
Disposals	–	(658)	(658)
At 31 December 2015	<u>1,648</u>	<u>10,635</u>	<u>12,283</u>
Foreign exchange adjustments	(39)	(345)	(384)
Additions	80	605	685
Written off	(65)	(90)	(155)
At 31 December 2016	<u>1,624</u>	<u>10,805</u>	<u>12,429</u>

Manufacturing Integration Technology Ltd
**NOTES TO THE
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12. Property, plant and equipment (cont'd)

<u>Group</u>	<u>Renovations</u> \$'000	<u>Plant and equipment</u> \$'000	<u>Total</u> \$'000
<u>Accumulated depreciation:</u>			
At 1 January 2015	1,424	8,849	10,273
Foreign exchange adjustments	16	151	167
Depreciation for the year	152	678	830
Disposals	–	(616)	(616)
At 31 December 2015	1,592	9,062	10,654
Foreign exchange adjustments	(38)	(326)	(364)
Depreciation for the year	55	609	664
Written off	(65)	(90)	(155)
At 31 December 2016	1,544	9,255	10,799
<u>Carrying value:</u>			
At 1 January 2015	138	1,149	1,287
At 31 December 2015	56	1,573	1,629
At 31 December 2016	80	1,550	1,630

Allocation of the depreciation expense:

	<u>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Cost of sales	329	613
Administrative expenses	335	217
Total	664	830

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**NOTES TO THE
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12. Property, plant and equipment (cont'd)

<u>Company</u>	<u>Renovations</u> \$'000	<u>Plant and equipment</u> \$'000	<u>Total</u> \$'000
<u>Cost:</u>			
At 1 January 2015	698	3,114	3,812
Additions	63	1,037	1,100
Written off	–	(319)	(319)
Disposals	–	(339)	(339)
At 31 December 2015	761	3,493	4,254
Additions	74	368	442
Written off	(63)	(48)	(111)
At 31 December 2016	772	3,813	4,585
<u>Accumulated depreciation:</u>			
At 1 January 2015	698	2,768	3,466
Depreciation for the year	19	228	247
Disposals	–	(296)	(296)
Written off	–	(319)	(319)
At 31 December 2015	717	2,381	3,098
Depreciation for the year	43	271	314
Written off	(63)	(48)	(111)
At 31 December 2016	697	2,604	3,301
<u>Carrying value:</u>			
At 1 January 2015	–	346	346
At 31 December 2015	44	1,112	1,156
At 31 December 2016	75	1,209	1,284

Certain items are under finance lease agreements (see Note 26B).

Manufacturing Integration Technology Ltd
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13. Investment Properties

	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Group and company</u>		
<u>At cost:</u>		
At beginning of the year and at end of the year	<u>9,471</u>	<u>9,471</u>
<u>Accumulated depreciation:</u>		
At beginning of the year	332	142
Depreciation for the year	<u>189</u>	<u>190</u>
At end of the year	<u>521</u>	<u>332</u>
<u>Carrying value:</u>		
At end of the year	<u>8,950</u>	<u>9,139</u>
Fair value for disclosure purposes only:		
Fair value at end of the year	<u>12,850</u>	<u>13,150</u>
Rental income from investment properties (Note 6)	<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 November 2016.
(B) 7 Yishun Industrial Street 1, #06-38/39, Singapore 768162	Property: 60 years from 2011 (2,290 square metres)	Commercial property. Revalued in November 2016.

All the investment properties are mortgaged or pledged as security for the bank facilities (see Note 26).

The investment properties are leased out under operating leases. Also see Note 30 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.

The fair value of each investment property was measured in November 2016 based on the the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on a valuation made by ECG Consultancy Pte. Ltd., a firm of independent professional valuers on a systematic basis at least once yearly. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. There has been no change to the valuation technique during the year. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

13. Investment properties (cont'd)

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:

Asset:	(A) 7 Yishun Industrial Street 1, #07-38, Singapore 768162 (B) 7 Yishun Industrial Street 1, #06-38/39, Singapore 768162
Fair value and fair value hierarchy – level:	(A) \$4,450,000 (2015: \$4,550,000) Level 2 (2015: Level 2); (B) \$8,400,000 (2015: \$8,600,000), Level 2 (2015: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent offer to sell prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square meters. (A) \$4,190 (2015: \$4,284) (B) \$3,669 (2015: \$3,756)
Relationship of unobservable inputs to fair value:	NA.
Sensitivity on management's estimates – 10% variation from estimate	Impact (A) – lower by \$445,000; higher by \$445,000 (B) – lower by \$840,000; higher by \$840,000

14. Intangible assets

	<u>Patents</u>	
	<u>Group</u> \$'000	<u>Company</u> \$'000
<u>Cost:</u>		
At 1 January 2015	482	366
Additions	27	26
At 31 December 2015	<u>509</u>	<u>392</u>
Additions	50	50
At 31 December 2016	<u>559</u>	<u>442</u>
<u>Accumulated amortisation:</u>		
At 1 January 2015	429	341
Amortisation for the year 31 December 2015	40	25
At 31 December 2015	<u>469</u>	<u>366</u>
Amortisation for the year At 31 December 2016	48	34
At 31 December 2016	<u>517</u>	<u>400</u>
<u>Carrying value:</u>		
At 1 January 2015	53	25
At 31 December 2015	<u>40</u>	<u>26</u>
At 31 December 2016	<u>42</u>	<u>42</u>

Manufacturing Integration Technology Ltd
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15. Development projects

	<u>Group</u> \$'000	<u>Company</u> \$'000
<u>Cost:</u>		
At 1 January 2015	7,948	7,312
Additions	770	630
Disposals	<u>(1,036)</u>	<u>(1,036)</u>
At 31 December 2015	7,682	6,906
Additions	2,603	2,330
Written off	<u>(2,728)</u>	<u>(2,728)</u>
At 31 December 2016	<u>7,557</u>	<u>6,508</u>
 <u>Accumulated amortisation and impairment:</u>		
At 1 January 2015	6,613	6,080
Amortisation for the year	664	608
Disposal	<u>(298)</u>	<u>(299)</u>
At 31 December 2015	6,979	6,389
Amortisation for the year	428	381
Written off	<u>(2,728)</u>	<u>(2,728)</u>
At 31 December 2016	<u>4,679</u>	<u>4,042</u>
 <u>Carrying value:</u>		
At 1 January 2015	<u>1,335</u>	<u>1,232</u>
At 31 December 2015	<u>703</u>	<u>517</u>
At 31 December 2016	<u>2,878</u>	<u>2,466</u>

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.

16. Investments in subsidiaries

	<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Movements during the year:		
Balance at beginning of the year, at cost:	14,160	16,131
Additions of quasi-equity loans	873	861
Allowance for impairment losses	<u>(7,045)</u>	<u>(2,832)</u>
	<u>7,988</u>	<u>14,160</u>
 Total cost comprising:		
Unquoted equity shares at cost	11,328	11,328
Quasi-equity loans (Note A)	19,527	18,654
Allowance for impairment losses on unquoted equity shares	(9,022)	(2,844)
Allowance for impairment losses quasi-equity loans	<u>(13,845)</u>	<u>(12,978)</u>
	<u>7,988</u>	<u>14,160</u>

Manufacturing Integration Technology Ltd
**NOTES TO THE
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16. Investments in subsidiaries (cont'd)

	<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Movements in allowance for impairment:		
Balance at beginning of the year	15,822	12,990
Impairment loss on investments charged to profit or loss included in other losses	6,177	–
Impairment loss on quasi-equity loans charged to profit or loss included in other losses	<u>868</u>	<u>2,832</u>
Balance at end of the year	<u>22,867</u>	<u>15,822</u>

Note A:

These are interest free quasi-equity loans from 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 CASEM (Asia) Pte Ltd, Semiconductor Precision Technology Pte Ltd and Generic Power Pte Ltd was considered sufficient evidence to trigger the impairment test. As detailed in this Note the impairment test resulted in the recognition of a loss. The impairment loss relates to CASEM (Asia) Pte Ltd, Semiconductor Precision Technology Pte Ltd and Generic Power Pte Ltd. It has suffered from a fall in demand in sales. Accordingly it has been written down to the recoverable amount.

The subsidiaries held by the company and the group are listed below:

<u>Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)</u>	<u>Cost in books of group</u>		<u>Effective percentage of equity held</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	%	%
<i>Held by the company:</i>				
CASEM (Asia) Pte Ltd (a)				
Singapore				
Design and manufacturing of automated equipment	100	100	100	100
Semiconductor Precision Technology Pte Ltd (a)				
Singapore				
Investment holding	1,500	1,500	100	100
Generic Power Pte Ltd (a)				
Singapore				
Design and manufacturing of vision inspection system	7,904	7,904	100	100

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16. Investments in subsidiaries (cont'd)

	<u>Cost in books of group</u>		<u>Effective percentage of equity held</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> %	<u>2015</u> %
i.PAC Manufacturing Pte Ltd (a) Singapore Contract equipment manufacturing	1,000	1,000	100	100
AMS Biomedical Pte Ltd (a) Singapore Design and manufacturing of medical equipment	824	824	100	100
	<u>11,328</u>	<u>11,328</u>		
<i>Held by Semiconductor Precision Technology Pte Ltd:</i>				
MIT (Shanghai) Co., Ltd (b) People's Republic of China Design, manufacture and distribution of automated equipment and components for electronic and semiconductor industries	8,183	8,183	100	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.

17. Other assets, non-current

	<u>Group and Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Club membership at cost	83	83
Less: allowance for impairment	(40)	(40)
	<u>43</u>	<u>43</u>
Movement in the above allowance:		
Balance at beginning and end of the year	40	40
Balance at end of the year	<u>40</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.

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18. Inventories

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
Raw materials	4,441	4,745	2,517	2,632
Work-in-progress	5,155	9,688	896	2,675
Finished goods	4,968	1,420	3,607	555
	<u>14,564</u>	<u>15,853</u>	<u>7,020</u>	<u>5,862</u>

Inventories are stated after allowance. Movement in allowance:

Balance at beginning of the year	6,858	5,633	4,322	4,357
Reversed to profit or loss included in other credits (a) (Note 6)	(192)	(11)	-	-
Charged to profit or loss included in other charges (Note 6)	765	1,383	212	112
Inventories previously impaired now written off	<u>(3,950)</u>	<u>(147)</u>	<u>(2,812)</u>	<u>(147)</u>
Balance at end of the year	<u>3,481</u>	<u>6,858</u>	<u>1,722</u>	<u>4,322</u>
 (Decrease) Increase in inventories of finished goods and work-in-progress	 <u>(985)</u>	 <u>(5,840)</u>	 <u>1,273</u>	 <u>(753)</u>
 Raw materials and consumables used	 <u>16,451</u>	 <u>39,570</u>	 <u>18,068</u>	 <u>41,156</u>

(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.

19. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Trade receivables:</u>				
Outside parties	14,030	23,864	10,754	20,170
Subsidiaries (Note 3)	-	-	130	1,534
Less: allowance for impairment	<u>(2,118)</u>	<u>(2,341)</u>	<u>-</u>	<u>-</u>
Subtotal	<u>11,912</u>	<u>21,523</u>	<u>10,884</u>	<u>21,704</u>
 <u>Other receivables:</u>				
Outside parties	76	32	30	5
Advances to employees	8	20	4	10
Subsidiaries (Note 3)	-	-	6,983	7,324
Forward currency contracts (Note 31)	-	10	-	10
Less: allowance for impairment on other receivable from subsidiaries	<u>-</u>	<u>-</u>	<u>(2,947)</u>	<u>(2,947)</u>
Subtotal	<u>84</u>	<u>62</u>	<u>4,070</u>	<u>4,402</u>
Total trade and other receivables	<u>11,996</u>	<u>21,585</u>	<u>14,954</u>	<u>26,106</u>

Manufacturing Integration Technology Ltd
**NOTES TO THE
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19. Trade and other receivables (cont'd)

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Trade receivables:</u>				
Movements in above allowance:				
Balance at beginning of the year	2,341	84	2,947	2,979
Foreign exchange adjustments	(109)	(108)	–	–
Charge for trade receivable to profit or loss included in other losses	(114)	2,365	–	–
Charge for other receivables from subsidiaries to profit or loss included in other gains	–	–	–	(32)
Balance at end of the year	<u>2,118</u>	<u>2,341</u>	<u>2,947</u>	<u>2,947</u>

20. Other assets, current

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
Deposits to secure services	99	313	54	105
Prepayments	<u>130</u>	<u>192</u>	<u>59</u>	<u>26</u>
	<u>229</u>	<u>505</u>	<u>113</u>	<u>131</u>

21. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
Not restricted in use	<u>17,892</u>	<u>20,434</u>	<u>14,085</u>	<u>13,032</u>
Interest earning balances maturing within 1 to 4 months	<u>14,704</u>	<u>14,232</u>	<u>12,000</u>	<u>9,000</u>

The rate of interest for the cash on interest earning accounts is between 0.30% and 0.95% (2015: 0.35% and 1.00%) per annum.

21A. Non-cash transactions – Group and Company:

There were acquisitions of certain assets under plant and equipment with a total cost of Nil (2015: \$233,000) acquired by means of finance leases.

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22. Share capital

<u>Group and Company</u>	Number of ordinary shares <u>Issued</u> '000	Number of treasury shares <u>Held</u> '000	Share <u>capital</u> \$'000	Treasury <u>shares</u> \$'000	<u>Total</u> \$'000
<u>Ordinary shares of no par value:</u>					
Balance at 1 January 2015	217,580	3,437	46,286	(518)	45,768
Exercise of share options (Note 23)	3,996	–	396	–	396
Reissued of treasury shares pursuant to employees' share option scheme (Note 23)	<u>1,771</u>	<u>(1,771)</u>	<u>–</u>	<u>267</u>	<u>267</u>
Balance at 31 December 2015	223,347	1,666	46,682	(251)	46,431
Reissued of treasury shares pursuant to employees' share option scheme (Note 23)	<u>1,259</u>	<u>(1,259)</u>	<u>–</u>	<u>190</u>	<u>190</u>
Balance at 31 December 2016	<u>224,606</u>	<u>407</u>	<u>46,682</u>	<u>(61)</u>	<u>46,621</u>

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. The company reissued 1,259,000 (2015: 1,771,000) treasury shares during the current reporting year pursuant to its employees' share option scheme at an average fair value of \$0.18 (2015: \$0.15) 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>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Net debt:		
All current and non-current borrowings including finance leases	3,753	4,700
Less: cash and cash equivalents	<u>(17,892)</u>	<u>(20,434)</u>
Net debt	<u>(14,139)</u>	<u>(15,734)</u>

Manufacturing Integration Technology Ltd
**NOTES TO THE
 FINANCIAL STATEMENTS**

22. Share capital (cont'd)

Capital management: (cont'd)

	<u>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Adjusted capital:		
Total equity	45,198	51,894
Adjusted capital	<u>45,198</u>	<u>51,894</u>
Debt-to-adjusted capital ratio	<u>N/M</u>	<u>N/M</u>

N/M – Not meaningful

	<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Net debt:		
All current and non-current borrowings including finance leases	3,753	4,700
Less: cash and cash equivalents	<u>(14,085)</u>	<u>(13,032)</u>
Net debt	<u>(10,332)</u>	<u>(8,332)</u>

Adjusted capital:		
Total equity	47,239	56,166
Adjusted capital	<u>47,239</u>	<u>56,166</u>
Debt-to-adjusted capital ratio	<u>N/M</u>	<u>N/M</u>

N/M – Not meaningful

In order to maintain its listing on the Singapore 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 automatically continue to satisfy that requirement, as it did throughout the year. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated 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.

Manufacturing Integration Technology Ltd
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23. 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 15,625,000 (2015: 8,021,000) unissued ordinary shares in the company as at the end of the reporting year were outstanding as follows:-

Date of grant	Balance as at 1.1.2016	New	Lapsed	Exercised	Balance as at 31.12.2016	Exercise Price	Expiry date
\$							
<u>Options to subscribe number of unissued ordinary shares of no par value:</u>							
5 September 2007	75,000	–	–	–	75,000	0.1900*	4 September 2017
5 September 2007	75,000	–	–	–	75,000	0.1520**	4 September 2017
6 March 2008	50,000	–	–	–	50,000	0.1500*	5 March 2018
6 March 2008	50,000	–	–	–	50,000	0.1200**	5 March 2018
9 September 2009	–	–	–	–	–	0.1930*	8 September 2019
9 September 2009	–	–	–	–	–	0.1540**	8 September 2019
15 June 2010	–	–	–	–	–	0.1470*	14 June 2020
15 June 2010	–	–	–	–	–	0.1180**	14 June 2020
14 May 2012	192,000	–	–	(14,000)	178,000	0.1000*	13 May 2022
14 May 2012	270,000	–	–	(20,000)	250,000	0.0800**	13 May 2022
9 June 2014	2,994,000	–	(172,000)	(473,000)	2,349,000	0.0650*	8 June 2024
9 June 2014	3,840,000	–	(215,000)	(736,000)	2,889,000	0.0520**	8 June 2024
11 August 2014	150,000	–	–	–	150,000	0.0570*	10 August 2024
11 August 2014	225,000	–	–	–	225,000	0.0460**	10 August 2024
15 December 2014	50,000	–	–	(16,000)	34,000	0.0830*	14 December 2024
15 December 2014	50,000	–	–	–	50,000	0.0660**	14 December 2024
20 May 2016	–	4,795,000	(170,000)	–	4,625,000	0.1940*	19 May 2026
20 May 2016	–	4,795,000	(170,000)	–	4,625,000	0.1550**	19 May 2026
	<u>8,021,000</u>	<u>9,590,000</u>	<u>(727,000)</u>	<u>(1,259,000)</u>	<u>15,625,000</u>		

* Market price

** 20% discount to the market price

During the current reporting year, certain employees have exercised 1,259,000 share options under ESOS. The exercise of share options is satisfied by way of re-issuance of 1,259,000 treasury shares of the company held by the company.

Manufacturing Integration Technology Ltd
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23. Share-based payments (cont'd)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options (including both equity and cash-settled options) during the reporting year:

	<u>Year</u> <u>2016</u>	<u>WAEP (\$)</u> <u>2016</u>	<u>Year</u> <u>2015</u>	<u>WAEP (\$)</u> <u>2015</u>
Outstanding at beginning of year	8,021,000	0.06	14,350,000	0.06
Additional during the year	9,590,000	0.17	–	–
Exercise during the year	(1,259,000)	0.06	(5,767,000)	0.09
Exercise during the year	<u>(727,000)</u>	0.11	<u>(562,000)</u>	0.06
	<u>15,625,000</u>	0.13	<u>8,021,000</u>	0.06
Exercisable at end of year	<u>15,625,000</u>	0.13	<u>8,021,000</u>	0.06

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

During the current reporting year, the fair value of share options amounting to \$222,000 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 \$161,000 (2015: \$74,000) (Note 8). The inputs to the model used for share options granted in current reporting year are shown below.

	<u>2016</u>
Dividend yield (%)	5.87
Expected and historical volatility (%)	40.2
Risk-free interest rate (%)	1.38
Expected life of option (years)	1 to 10
Weighted average share price (\$)	<u>0.04 to 0.05</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.

24. Dividends on equity shares

	<u>Rate per share/cents</u>		<u>Group and Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
			\$'000	\$'000
Final tax exempt (1-tier) dividend paid	0.50	0.50	1,117	1,100
Special tax exempt (1-tier) dividend paid	–	0.50	–	1,116
Total dividend paid in the year			<u>1,117</u>	<u>2,216</u>

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25. Other reserves

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
Foreign currency translation reserve (Note 25A)	75	393	–	–
Share option reserve (Note 25B)	<u>222</u>	<u>113</u>	<u>222</u>	<u>113</u>
Total at end of the year	<u>297</u>	<u>506</u>	<u>222</u>	<u>113</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.

25A. Foreign currency translation reserve

	<u>Group</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
Balance at beginning of the year	393	253
Exchange differences on translating foreign operations	<u>(318)</u>	<u>140</u>
Balance at end of the year	<u>75</u>	<u>393</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.

25B. Share option reserve

	<u>Group and Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000
At beginning of the year	113	187
Exercise of share options	(28)	(136)
Expiry of share options	(24)	(12)
Share based payment expenses	<u>161</u>	<u>74</u>
At end of the year	<u>222</u>	<u>113</u>

26. Other financial liabilities

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Non-current:</u>				
<u>Financial instruments with floating interest rates:</u>				
Bank loan (secured) (Note 26A)	–	3,590	–	3,590
<u>Financial instruments with fixed interest rates:</u>				
Finance leases (Note 26B)	<u>116</u>	<u>163</u>	<u>116</u>	<u>163</u>
Non-current	<u>116</u>	<u>3,753</u>	<u>116</u>	<u>3,753</u>

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26. Other financial liabilities (cont'd)

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Current:</u>				
<u>Financial instruments with floating interest rates:</u>				
Bank loan (secured) (Note 26A)	3,590	900	3,590	900
<u>Financial instruments with fixed interest rates:</u>				
Finance leases (Note 26B)	47	47	47	47
Current	<u>3,637</u>	<u>947</u>	<u>3,637</u>	<u>947</u>
Total	<u>3,753</u>	<u>4,700</u>	<u>3,753</u>	<u>4,700</u>

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 13).
2. Assignment of all insurance taken on the investment properties.
3. Assignment and charge of proceeds in respect of the properties.

26A. Bank loan (secured)

The total outstanding for Bank Loan A (secured) is \$3,590,000 (2015: \$4,490,000) at floating rates of interest. The bank loan bears an interest rate of 2.37% (2015: 2.91%) per annum. The secured bank loan is repayable by 48 equal monthly instalments of \$75,000 commencing in November 2013 and a final instalment on the remaining balance. The fair value is 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).

26B. Finance lease liabilities

<u>Group and Company</u>	<u>Minimum payments</u> \$'000	<u>Finance charges</u> \$'000	<u>Present value</u> \$'000
<u>2016</u>			
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			<u>348</u>
<u>2015</u>			
Minimum lease payments payable:			
Due within one year	52	(5)	47
Due within 2 to 5 years	182	(19)	163
Total	<u>234</u>	<u>(24)</u>	<u>210</u>
Carrying value of plant and equipment under finance leases			<u>427</u>

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26. Other financial liabilities (cont'd)

26B. Finance lease liabilities (cont'd)

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>2016</u>	<u>2015</u>
Average lease term, in years	5	5
Average effective borrowing rate per year	4.48%	4.48%

The total for finance leases and the average effective borrowing rate per year is disclosed above. Interest rate of 4.48% (2015: 4.48%) is applicable to similar finance leases (Level 2).

27. Provisions, current

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Provision for installation expenses:</u>				
Balance at beginning of the year	179	121	179	121
Provision charged to profit or loss included in selling and distribution expenses	267	544	267	544
Provision reversed to profit or loss included in selling and distribution expenses	(175)	(200)	(175)	(200)
Used	(178)	(286)	(178)	(286)
Balance at end of the year	93	179	93	179
<u>Provision for product warranty:</u>				
Balance at beginning of the year	94	86	78	77
Provision charged to profit or loss included in other charges (Note 6)	196	315	82	308
Provision reversed to profit or loss included in other credits (Note 6)	(50)	(239)	(43)	(239)
Used	(79)	(68)	(71)	(68)
Balance at end of the year	161	94	46	78
Total at end of the year	254	273	139	257

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.

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28. Trade and other payables, current

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<u>Trade payables:</u>				
Outside parties and accrued liabilities	7,569	11,696	3,274	5,928
Subsidiaries (Note 3)	–	–	263	1,576
Subtotal	<u>7,569</u>	<u>11,696</u>	<u>3,537</u>	<u>7,504</u>
<u>Other payables:</u>				
Subsidiary (Note 3)	–	–	–	228
Advance received from customers	1,196	158	1,196	126
Forward currency contracts (Note 31)	136	–	136	–
Other payables	185	787	112	216
Subtotal	<u>1,517</u>	<u>945</u>	<u>1,444</u>	<u>570</u>
Total trade and other payables	<u>9,086</u>	<u>12,641</u>	<u>4,981</u>	<u>8,074</u>

29. 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Not later than one year	2,131	1,017	511	500
Later than one year and not later than five years	<u>895</u>	<u>1,521</u>	<u>188</u>	<u>734</u>
Rental expense for the year	<u>834</u>	<u>771</u>	<u>344</u>	<u>355</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 2018.

30. 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>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
<u>Group and company</u>		
Not later than one year	538	670
Later than one year and not later than five years	<u>55</u>	<u>592</u>
Rental income for the year (Note 6)	<u>670</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.

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31. 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.

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
<u>(Liabilities) Assets – Contracts with negative fair values:</u>		
Forward foreign exchange contracts - Hedging instruments (31A)	(136)	10
Total at end of the year	<u>(136)</u>	<u>10</u>

31A. Forward currency exchange contracts

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.

	<u>Notional amount</u>	<u>Contract dates</u>	<u>Value dates</u>	<u>Favourable / (Unfavourable) (Notes 19 and 28)</u>
	US\$'000			\$'000
<u>2016</u>				
<u>US Dollar (US\$)</u>				
Sell for SGD	<u>4,000</u>	20 Oct 2016 to 22 Dec 2016	21 Feb 2017 to 27 Apr 2017	<u>(136)</u>
<u>2015</u>				
<u>US Dollar (US\$)</u>				
Sell for SGD	<u>8,000</u>	7 Sep 2015 to 31 Dec 2015	8 Jan 2016 to 29 Apr 2016	<u>10</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.

32. Financial information by operating segment

32A. 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 FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the group.

For management purposes the reporting entity is organised into the following major strategic operating segments that offer different products and services: (1) manufacturing and (2) distribution. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it

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32. Financial information by operating segment (cont'd)

32A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

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. They are managed separately because each business requires different strategies.

The segments are as follows:

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

The distribution segment is mainly engaged in distributing of automated equipment and parts for the semiconductor industry.

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

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 / amortisation, interests and income taxes (called "Recurring EBITDA").

32B. Profit or loss from continuing operations and reconciliations

Segment information about these businesses is presented below:-

	<u>Manufacturing</u> \$'000	<u>Distribution</u> \$'000	<u>Unallocated</u> \$'000	<u>Group</u> \$'000
Continuing operations 2016				
Revenue by segment				
Total revenue by segment	49,052	3,103	–	52,155
Inter-segment sales	(16,628)	–	–	(16,628)
Total revenue	32,424	3,103	–	35,527
Recurring EBITDA	(3,782)	438	–	(3,344)
Interest income	226	–	–	226
Finance costs	(108)	–	–	(108)
Depreciation	(664)	–	(189)	(853)
Amortisation	(477)	–	–	(477)
Loss before tax from continuing operations	(4,805)	438	(189)	(4,556)
Income tax expense				(940)
Loss from continuing operations				(5,496)

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32B. Profit or loss from continuing operations and reconciliations (cont'd)

	<u>Manufacturing</u> \$'000	<u>Distribution</u> \$'000	<u>Unallocated</u> \$'000	<u>Group</u> \$'000
Continuing operations 2015				
Revenue by segment				
Total revenue by segment	123,054	2,960	–	126,014
Inter-segment sales	(35,663)	–	–	(35,663)
Total revenue	87,391	2,960	–	90,351
Recurring EBITDA				
Interest income	278	–	–	278
Finance costs	(184)	–	–	(184)
Depreciation	(830)	–	(190)	(1,020)
Amortisation	(704)	–	–	(704)
Profit before tax from continuing operations	17,036	1,350	480	18,866
Income tax expense				(3,440)
Profit from continuing operations				15,426

32C. Assets and reconciliations

	<u>Manufacturing</u> \$'000	<u>Distribution</u> \$'000	<u>Unallocated</u> \$'000	<u>Group</u> \$'000
<u>2016</u>				
Total assets for reportable segments	45,811	3,463	8,950	58,224
Unallocated:				
Deferred tax assets	–	–	1,346	1,346
Total group assets	45,811	3,463	10,296	59,570
<u>2015</u>				
Total assets for reportable segments	59,081	1,711	9,139	69,931
Unallocated:				
Deferred tax assets	–	–	1,400	1,400
Total group assets	59,081	1,711	10,539	71,331

32D. Liabilities and reconciliations

	<u>Manufacturing</u> \$'000	<u>Distribution</u> \$'000	<u>Unallocated</u> \$'000	<u>Group</u> \$'000
<u>2016</u>				
Total liabilities for reportable segments				
Unallocated:				
Income tax payable	8,357	1,146	3,590	13,093
	–	–	1,279	1,279
Total group liabilities	8,357	1,146	4,869	14,372

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32D. Liabilities and reconciliations (cont'd)

	<u>Manufacturing</u> \$'000	<u>Distribution</u> \$'000	<u>Unallocated</u> \$'000	<u>Group</u> \$'000
<u>2015</u>				
Total liabilities for reportable segments				
Unallocated:				
Income tax payable	12,547	577	4,490	17,614
Total group liabilities	<u>12,547</u>	<u>577</u>	<u>6,313</u>	<u>19,437</u>

32E. Other material items and reconciliations

	<u>Manufacturing</u> \$'000	<u>Distribution</u> \$'000	<u>Unallocated</u> \$'000	<u>Group</u> \$'000
<u>Capital expenditure</u>				
2016	685	–	–	685
2015	<u>1,189</u>	–	–	<u>1,189</u>
<u>Allowance for impairment loss on inventory obsolescence, net</u>				
2016	573	–	–	573
2015	<u>1,372</u>	–	–	<u>1,372</u>
<u>Provision for installation expenses, net of reversal</u>				
2016	92	–	–	92
2015	<u>344</u>	–	–	<u>344</u>
<u>Provision for product warranty, net of reversal</u>				
2016	146	–	–	146
2015	<u>76</u>	–	–	<u>76</u>

32F. 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.

The following table provides an analysis of the group's revenue by geographical market irrespective of the origin of goods and services:-

	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Revenue:</u>		
China	6,625	40,108
Singapore	10,933	25,282
Europe and USA	2,747	6,582
Asia excluding China and Singapore	<u>15,222</u>	<u>18,379</u>
	<u>35,527</u>	<u>90,351</u>

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32F. Geographical information (cont'd)

The following is an analysis of the carrying amount of segment assets, and additions to plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:-

	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Segment Assets:</u>		
China	6,776	10,496
Singapore	<u>52,821</u>	<u>60,835</u>
	<u>59,597</u>	<u>71,331</u>
	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Capital Expenditure:</u>		
China	59	27
Singapore	<u>626</u>	<u>1,162</u>
	<u>685</u>	<u>1,189</u>

32G. Information about major customers

	<u>2016</u> \$'000	<u>2015</u> \$'000
Top 1 customer in manufacturing segment	5,793	6,070
Top 2 customers in manufacturing segment	7,511	12,096
Top 3 customers in manufacturing segment	<u>8,443</u>	<u>13,344</u>

33. Financial instruments: information on financial risks

33A. Classification of financial assets and liabilities

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

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Financial assets:</u>				
Cash and cash equivalents	17,892	20,434	14,085	13,032
Loans and receivables	11,996	21,575	14,954	26,096
Derivatives financial instruments at fair value through profit or loss	—	10	—	10
At end of the year	<u>29,888</u>	<u>42,019</u>	<u>29,039</u>	<u>39,138</u>
<u>Financial liabilities:</u>				
Other financial liabilities measured at amortised cost	3,753	4,700	3,753	4,700
Derivatives financial instruments at fair value through profit or loss	136	—	136	—
Trade and other payables measured at amortised cost	<u>8,950</u>	<u>12,641</u>	<u>4,845</u>	<u>8,074</u>
At end of the year	<u>12,839</u>	<u>17,341</u>	<u>8,734</u>	<u>12,774</u>

Further quantitative disclosures are included throughout these financial statements.

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

33B. 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 major guidelines are 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.

33C. 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 statement 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.

33D. 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 consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments 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 credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk on customers, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Note 21 discloses the maturity of the cash and cash equivalents balances.

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 (2015: 30 to 90 days). But some customers take a longer period to settle the amounts.

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

33D. Credit risk on financial assets (cont'd)

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

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Trade receivables:</u>				
61 to 90 days	10,572	2,532	6,943	946
91 to 180 days	1,860	4,798	1,683	4,502
Over 180 days	4,807	10,191	4,732	7,029
Total	<u>17,239</u>	<u>17,521</u>	<u>13,358</u>	<u>12,477</u>

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

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
<u>Trade receivables:</u>				
Over 180 days	2,118	2,341	-	-
Total	<u>2,118</u>	<u>2,341</u>	<u>-</u>	<u>-</u>

The allowance which is disclosed in the Note 19 on trade receivables is based on individual accounts totalling \$2,118,000 (2015: \$2,341,000) that are determined to be impaired at the end of reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity.

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

	<u>Group</u>		<u>Company</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
Top 1 customer	5,793	6,070	5,793	6,070
Top 2 customers	7,511	12,096	7,511	12,096
Top 3 customers	<u>8,443</u>	<u>13,344</u>	<u>8,443</u>	<u>13,344</u>

33E. 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</u> <u>1 year</u>	<u>1 -3</u> <u>years</u>	<u>3 -5</u> <u>years</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
<u>2016:</u>				
Gross borrowings commitments	3,590	-	-	3,590
Gross finance lease obligations	52	104	26	182
Trade and other payables	9,086	-	-	9,086
At end of the year	<u>12,728</u>	<u>104</u>	<u>26</u>	<u>12,858</u>

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

33E. Liquidity risk – financial liabilities maturity analysis (cont'd)

<u>Group</u>	Less than <u>1 year</u>	1 -3 <u>years</u>	3 -5 <u>years</u>	<u>Total</u>
Non-derivative financial liabilities:	\$'000	\$'000	\$'000	\$'000
<u>2015:</u>				
Gross borrowings commitments	928	3,703	–	4,631
Gross finance lease obligations	52	104	78	234
Trade and other payables	12,641	–	–	12,641
At end of the year	<u>13,621</u>	<u>3,807</u>	<u>78</u>	<u>17,506</u>
<u>Company</u>	Less than <u>1 year</u>	1 -3 <u>years</u>	3 -5 <u>years</u>	<u>Total</u>
Non-derivative financial liabilities:	\$'000	\$'000	\$'000	\$'000
<u>2016:</u>				
Gross borrowings commitments	3,590	–	–	3,590
Gross finance lease obligations	52	104	26	182
Trade and other payables	4,981	–	–	4,981
At end of the year	<u>8,623</u>	<u>104</u>	<u>26</u>	<u>8,753</u>
<u>2015:</u>				
Gross borrowings commitments	928	3,703	–	4,631
Gross finance lease obligations	52	104	78	234
Trade and other payables	8,074	–	–	8,074
At end of the year	<u>9,054</u>	<u>3,807</u>	<u>78</u>	<u>12,939</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.

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

<u>Group and company</u>	Less than <u>1 year</u>	1 -3 <u>years</u>	<u>Total</u>
Derivative financial liabilities:	\$'000	\$'000	\$'000
<u>2016:</u>			
Foreign currency forward contracts	<u>(136)</u>	<u>–</u>	<u>(136)</u>
<u>2015:</u>			
Foreign currency forward contracts	<u>10</u>	<u>–</u>	<u>10</u>

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 statement 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.

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

33E. Liquidity risk – financial liabilities maturity analysis (cont'd)

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

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 (2015: 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Undrawn borrowing facilities	<u>7,611</u>	<u>7,660</u>	<u>6,260</u>	<u>6,244</u>

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 forecasted operations. A monthly schedule showing the maturity of financial liabilities and unused bank facilities is provided to management to assist them in monitoring the liquidity risk.

33F. Interest rate risk

The interest rate risk exposure is from changes in fixed rate and floating interest rates and it mainly concerns financial liabilities. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Financial assets with interest:				
Fixed rate	163	210	163	210
Floating rate	<u>3,590</u>	<u>4,490</u>	<u>3,590</u>	<u>4,490</u>
Total at end of the year	<u>3,753</u>	<u>4,700</u>	<u>3,753</u>	<u>4,700</u>
Financial assets with interest:				
Fixed rate	<u>14,704</u>	<u>14,232</u>	<u>12,000</u>	<u>9,000</u>
Total at end of the year	<u>14,704</u>	<u>14,232</u>	<u>12,000</u>	<u>9,000</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 21 and 26.

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

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

33G. Foreign currency risks

Analysis of amounts denominated in major non-functional currencies:

<u>Group</u>	US dollar	Euro	Singapore dollar	Total
<u>2016:</u>	\$'000	\$'000	\$'000	\$'000
<u>Financial assets:</u>				
Cash	565	1	225	791
Trade and other receivables	11,919	–	47	11,966
Total financial assets	12,484	1	272	12,757
<u>Financial liabilities:</u>				
Trade and other payables	1,507	175	130	1,812
Total financial liabilities	1,507	175	130	1,812
Net financial assets (liabilities) at end of the year	10,977	(174)	142	10,945
<u>Group</u>	US dollar	Euro	Singapore dollar	Total
<u>2015:</u>	\$'000	\$'000	\$'000	\$'000
<u>Financial assets:</u>				
Cash	3,343	7	50	3,400
Trade and other receivables	20,539	40	185	20,764
Total financial assets	23,882	47	235	24,164
<u>Financial liabilities:</u>				
Trade and other payables	862	152	1,924	2,938
Total financial liabilities	862	152	1,924	2,938
Net financial assets (liabilities) at end of the year	23,020	(105)	(1,689)	21,226
<u>Company</u>	US dollar	Euro	Total	
<u>2016:</u>	\$'000	\$'000	\$'000	\$'000
<u>Financial assets:</u>				
Cash	519	1	520	
Trade and other receivables	11,459	–	11,459	
Total financial assets	11,978	1	11,979	
<u>Financial liabilities:</u>				
Trade and other payables	1,419	104	1,523	
Total financial liabilities	1,419	104	1,523	
Net financial assets (liabilities) at end of the year	10,559	(103)	10,456	

Manufacturing Integration Technology Ltd
**NOTES TO THE
 FINANCIAL STATEMENTS**

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

33G. Foreign currency risks (cont'd)

<u>Company</u>	<u>US dollar</u>	<u>Euro</u>	<u>Total</u>
<u>2015:</u>	\$'000	\$'000	\$'000
<u>Financial assets:</u>			
Cash	3,149	7	3,156
Trade and other receivables	20,301	-	20,301
Total financial assets	<u>23,450</u>	<u>7</u>	<u>23,457</u>
<u>Financial liabilities:</u>			
Trade and other payables	717	84	801
Total financial liabilities	<u>717</u>	<u>84</u>	<u>801</u>
Net financial assets (liabilities) at end of the year	<u>22,733</u>	<u>(77)</u>	<u>22,656</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 31 illustrates the foreign currency contracts that are in place at end of the year.

	<u>Group</u>		<u>Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000
Sensitivity analysis:				
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the US\$ with all other variables held constant would have an adverse effect on post-tax profit of	(1,098)	(2,302)	(1,056)	(2,273)
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the Euro with all other variables held constant would have a favourable effect on post-tax profit of	17	11	10	8
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the Singapore dollar with all other variables held constant would have a favourable effect on post-tax profit of	<u>(14)</u>	<u>169</u>	<u>-</u>	<u>-</u>

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.

34. Changes and adoptions of accounting standards

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS (“INT FRS”) were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

<u>FRS No.</u>	<u>Title</u>
FRS 1	Amendments to FRS 1: Disclosure Initiative

35. New or amended standards in issue but not yet effective

The new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS (“INT FRS”) 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 material adjustments to the financial position, results of operations, or cash flows for the following year.

<u>FRS No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 Jan 2017
FRS 109	Financial Instruments	1 Jan 2018
FRS 115	Revenue from Contracts with Customers	1 Jan 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 Jan 2018
FRS 116	Leases	1 Jan 2019

FRS 109 Financial Instruments will replace FRS 39 effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

FRS 109 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. For financial liabilities, the most significant effect of FRS 109 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, FRS 109 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised. For hedge accounting, FRS 109 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. The derecognition provisions are carried over almost unchanged from FRS 39.

The management anticipate that FRS 109 will be adopted in the financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

FRS 115 Revenue from Contracts with Customers effective for annual periods beginning on or after 1 January 2018 replaces FRS 11, FRS 18 and their interpretations (INT FRS 31, 113, 115 and 118). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The management anticipate that FRS 115 will be adopted in the financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the revenue. Management considered it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

FRS 116 Leases effective for annual periods beginning on or after 1 January 2019 replaces FRS 17 and its interpretations. Almost all leases will be brought onto lessees' statements of financial position under a single model (except leases of less than 12 months and leases of low value assets). Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The management anticipates that FRS 116 will be adopted in the financial statements when it becomes mandatory and that the application of the new standard will have a significant effect on amounts reported in respect of the leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Singapore-incorporated companies listed on the Singapore Exchange will be required to comply with new financial reporting standards (to be issued by the Singapore Accounting Standards Council) as identical to the International Financial Reporting Standards for reporting year beginning on after 1 January 2018. Comparative figures are required. The management anticipate that new financial reporting standards will be adopted in the financial statements when they become mandatory. The application of IFRS 1 First-time adoption of IFRS might have a significant effect on amounts reported in the financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Manufacturing Integration Technology Ltd
**SHAREHOLDERS’
 INFORMATION**

As at 15 March 2017

I	Class of shares	: Ordinary share
	Number of ordinary shares in issue (excluding treasury shares)	: 224,605,870
	Voting rights	: One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	4	0.10	214	0.00
100 - 1,000	963	25.13	958,679	0.43
1,001 - 10,000	2,064	53.86	9,302,555	4.14
10,001 - 1,000,000	782	20.41	47,394,893	21.10
1,000,001 and above	19	0.50	166,949,529	74.33
TOTAL	3,832	100.00	224,605,870	100.00

II	Ordinary shares held in treasury (“Treasury Shares”) Sole shareholder of 407,000 Treasury Shares: Manufacturing Integration Technology Ltd Voting rights: None Percentage of this holding against total number of issued shares excluding Treasury Shares: 0.18%
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TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	MIT TECHNOLOGIES PTE LTD	120,627,910	53.71
2	RAFFLES NOMINEES (PTE) LIMITED	5,323,000	2.37
3	KWONG KIM MONE	4,984,118	2.22
4	CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,958,881	2.21
5	PHILLIP SECURITIES PTE LTD	3,781,700	1.68
6	OCBC SECURITIES PRIVATE LIMITED	3,410,300	1.52
7	UOB KAY HIAN PRIVATE LIMITED	3,407,800	1.52
8	CHAN KOK TUNG TOM	3,039,726	1.35
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,530,200	1.13
10	DBS NOMINEES (PRIVATE) LIMITED	2,492,400	1.11
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,120,900	0.94
12	HONG LEONG FINANCE NOMINEES PTE LTD	1,786,000	0.80
13	KWONG KAM SENG	1,379,147	0.61
14	LIM CHIN TONG	1,354,000	0.60
15	LOW BOON YONG	1,275,000	0.57
16	NG KOK WAH	1,161,500	0.52
17	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,152,800	0.51
18	ESTATE OF KONG KIM YIT, DECEASED	1,139,147	0.51
19	TAY HOCK TIAM	1,025,000	0.46
20	TEO EE NAM (ZHANG DAILAN)	843,000	0.38
	TOTAL	167,792,529	74.72

Manufacturing Integration Technology Ltd
**SHAREHOLDERS'
INFORMATION**

As at 15 March 2017

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Kwong Kim Mone ¹	4,984,118	2.22	120,627,910	53.71
Kwong Kim Ho ²	-	-	120,627,910	53.71
MIT Technologies Pte Ltd	120,627,910	53.71	-	-

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 interested in the shares of MITT by virtue of section 7 of the Companies Act, Cap. 50.
- 2 Kwong Kim Ho is deemed interested in the shares of MIT by virtue of section 7 of the Companies Act, Cap. 50.

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

39.28% 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.

Manufacturing Integration Technology Ltd
**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, 21 April 2017 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 year ended 31 December 2016 together with the Independent Auditors' 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 Kwong Kim Mone

(Resolution 2)

Mr Lee Yong Guan

(Resolution 3)

Mr Kwong Kim Mone will, upon re-election as a Director of the Company, remain as Chairman and Managing Director of the Company, Chairman of the Investment Committee and a member of the Nominating Committee and will be considered non-independent.

Mr Lee Yong Guan will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee, Remuneration Committee and Investment Committee and will be considered independent.

3. To approve the payment of Directors' Fees up to S\$150,000 for the year ending 31 December 2017, to be paid yearly in arrears (FY2016: up to S\$150,000).

(Resolution 4)

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

(Resolution 5)

5. 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:

6. **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
- (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

Manufacturing Integration Technology Ltd
**NOTICE OF ANNUAL
GENERAL MEETING**

- (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) 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) 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) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from 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 (i)]

(Resolution 6)

7. Authority to issue shares under the MIT Employee Share Option Scheme 2009

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to offer and grant options under the prevailing MIT Employee Share Option Scheme 2009 (the "Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme and MIT Performance Share Plan collectively shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company 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 (ii)]

(Resolution 7)

Manufacturing Integration Technology Ltd
**NOTICE OF ANNUAL
GENERAL MEETING**

8. The Proposed Renewal of the Share Buy Back Mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company (“Shares”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) 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) on-market share purchases (each an “On-Market Share Purchase”) transacted on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) through the SGX-ST’s ready market trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market share purchases (each an “Off-Market Share Purchase”) (if 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 the conditions prescribed by the Companies Act and the Listing Manual of the SGX-ST,

and otherwise in accordance with all other provisions of the Companies Act and the Listing Manual of the SGX-ST as may for the time being be applicable (the “Share Buy Back Mandate”);

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(c) 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 at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting (the “AGM”) of the Company is held or is required by law to be held;

(ii) the date on which the share buy backs are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked;

(d) for purposes of this Resolution:

“Prescribed Limit” means ten per centum (10%) of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

“Relevant Period” means the period commencing from the date on which the last Annual General Meeting was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

Manufacturing Integration Technology Ltd
**NOTICE OF ANNUAL
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“Maximum Price” in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

- (i) in the case of an On-Market Share Purchase: 105% of the Average Closing Price; and
- (i) in the case of an Off-Market Share Purchase: 120% of the Average Closing Price, where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) Market Days, on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the On-Market Share Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Share Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five (5) day period; and

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

“Market Day” means a day on which the SGX-ST is open for trading in securities; and

- (e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (iii)]

(Resolution 8)

9. The Proposed Renewal of the MIT Performance Share Plan

That:

- (a) the rules and details of which has been set out in the Circular to Shareholders dated 6 April 2017 pursuant to the renewal of the MIT Performance Share Plan (“MIT PSP”), for a further period of 10 years from 27 April 2017 to 26 April 2027 be and is hereby approved and adopted; and
- (b) the Directors of the Company be and are hereby authorised:
 - (i) to administer the MIT PSP;
 - (ii) to modify and/or amend the MIT PSP from time to time provided that such modifications and/or amendments are effected in accordance with the rules of the MIT PSP 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 MIT PSP;
 - (iii) to grant Awards in accordance with the rules of the MIT PSP and to allot and issue or deliver from time to time such number of new shares required pursuant to the vesting of the Awards under the MIT PSP; and

Manufacturing Integration Technology Ltd
**NOTICE OF ANNUAL
GENERAL MEETING**

- (iv) to complete and do all acts and things (including executing such documents as may be required) as they may consider necessary, desirable or expedient for the purposes of or to give effect to this resolution as they think fit and in the interests of the Company.

[See Explanatory Note (iv)]

(Resolution 9)

By Order of the Board

Wong Yoen Har
Company Secretary
Singapore, 6 April 2017

Manufacturing Integration Technology Ltd
**NOTICE OF ANNUAL
GENERAL MEETING**

Explanatory Notes:

- (i) The Ordinary Resolution 6 in item 6 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 (excluding treasury shares) in the capital of the Company, 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) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company 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.

- (ii) 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 in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (iii) The Ordinary Resolution 8 proposed in item 8 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, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in the Circular to Shareholders dated 6 April 2017. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy Back Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 are set out in greater detail in the Circular to Shareholders dated 6 April 2017.
- (iv) The Ordinary Resolution 9 proposed in item 9 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 MIT PSP, provided always that the aggregate number of shares to be issued in respect of the MIT PSP and Scheme collectively shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Manufacturing Integration Technology Ltd
**NOTICE OF ANNUAL
GENERAL MEETING**

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, #03-12, 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.

MANUFACTURING INTEGRATION TECHNOLOGY LTD**Company Registration No. 199200075N**

(Incorporated in the Republic of Singapore)

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 monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

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 Sapphire III, Orchid Country Club, 1 Orchid Club Road, Singapore 769162 on Friday, 21 April 2017 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 ⁽¹⁾	Number of Votes Against ⁽¹⁾
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2016		
2	Re-election of Mr Kwong Kim Mone as a Director		
3	Re-election of Mr Lee Yong Guan as a Director		
4	Approval of Directors' Fees up to S\$150,000 for the year ending 31 December 2017		
5	Re-appointment of Messrs RSM Chio Lim LLP as Independent Auditors		
6	Authority to issue shares		
7	Authority to issue shares under the MIT Employee Share Option Scheme 2009		
8	Proposed Renewal of the Share Buy Back Mandate		
9	Proposed Renewal of the MIT Performance Share Plan		

⁽¹⁾ 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 2017

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 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 the meeting and vote 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, #03-12, TECHplace II, Singapore 569872 not less than forty-eighty (48) hours before the time appointed for the Meeting.
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 6 April 2017.

----- (1) Fold along this line -----



Manufacturing Integration Technology Ltd

Blk 5004
Ang Mo Kio Ave 5 #03-12
TECHplace II
Singapore 569872

----- (2) Fold along this line -----

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE

KWONG KIM MONE
(Chairman and Managing Director)

LIM CHIN TONG
(Executive VP and Executive Director)

NON-EXECUTIVE

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

Blk 5004 Ang Mo Kio Ave 5
#03-12, TECHplace II,
Singapore 569872
Tel: 65-6481 0511
Fax: 65-6481 8955
Website: www.mit.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 Ltd



Manufacturing Integration Technology Ltd

BLK 5004, ANG MO KIO AVE 5 #03-12 TECHPLACE II,
SINGAPORE 569872

TEL +65 6481 0511 FAX +65 6481 8955

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