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MANUFACTURING INTEGRATION TECHNOLOGY LTD.

Securities

MFG INTEGRATION TECHNOLOGY LTD - SG1H45875967 - M11

Stapled Security

No

Announcement Details**Announcement Title**

Annual Reports and Related Documents

Date & Time of Broadcast

15-Apr-2020 07:33:50

Status

New

Report Type

Annual Report

Announcement Reference

SG200415OTHR54KB

Submitted By (Co./ Ind. Name)

Lim Chin Tong

Designation

Director & Chief Executive Officer

Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)

THIS ANNUAL REPORT 2019 IS SENT TO SHAREHOLDERS WITHOUT THE NOTICE OF ANNUAL GENERAL MEETING AND PROXY FORM.

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Additional Details**Period Ended**

31/12/2019

Attachments

[MIT Annual Report 2019.pdf](#)

Total size = 12340K MB

A New **Beginning ...**



Automating the **Future**

Manufacturing Integration Technology Ltd

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ANNUAL REPORT
2019

Manufacturing Integration Technology Ltd.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE

LIM CHIN TONG
(Executive Director and
Chief Executive Officer)

NON-EXECUTIVE

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

LEE YONG GUAN
(Lead Independent Director)

POW TIEN TEE
(Independent Director)

KAM BOON CHEONG
(Independent Director)

LIM CHIN HONG
(Independent Director)

BOARD OF COMMITTEES

AUDIT COMMITTEE

LEE YONG GUAN
(Chairman)

POW TIEN TEE
KAM BOON CHEONG
LIM CHIN HONG

NOMINATING COMMITTEE

KAM BOON CHEONG
(Chairman)

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

REMUNERATION COMMITTEE

POW TIEN TEE
(Chairman)

LEE YONG GUAN
KAM BOON CHEONG
LIM CHIN HONG

INVESTMENT COMMITTEE

KWONG KIM MONE
(Chairman)

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

COMPANY SECRETARY

WONG YOEN HAR

REGISTERED OFFICE

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AUDITORS

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Public Accountants and Certified
Public Accountants
8 Wilkie Road, #03-08 Wilkie Edge
Singapore 228095

AUDIT PARTNER-IN-CHARGE

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

PRINCIPAL BANKER

United Overseas Bank Limited

COMPANY PROFILE

MIT was founded in 1992 by our Chairman, Mr Tony Kwong, to provide industrial automation services to the electronics industry in Singapore. In a span of over 28 years, we have evolved to become a capital goods supplier serving the semiconductor, solar, customised automation and contract equipment manufacturing ("CEM") industries. Our markets cover our home ground in Singapore, Asia, Europe and USA. MIT became a public listed company in 1999 with its shares traded on the Mainboard of the Singapore Exchange Ltd ("SGX").

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

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



MISSION

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



VISION

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

CHAIRMAN'S MESSAGE



“ With the corporate action behind us, management has initiated several actions to kick start our return to profitability in the short term and build the foundation for steady growth in the medium term. ”

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

Dear Shareholders,

I am pleased to present our FY 2019 Annual Report.

A year of contrasts

FY 2019 was a year of contrasts. With the divestment of MIT's semiconductor business completed, we achieved a record bottom line and a record pay-out to shareholders. In contrast, our surviving Contract Equipment Manufacturing ("CEM") and customized automation businesses saw another year of operating losses. Our "New Beginning..." in Automating the Future continues, as reflected in an unchanged cover of this year's Annual Report.

Group revenues from our core businesses declined 47% to S\$9.8m from S\$18.7m in FY 2018. The decline was mainly due to a difficult business environment and industry issues faced by our customers. In the reduced risk products category or e-cigarettes, regulatory and health related issues contributed to industry uncertainties, resulting in lower volume growth and a reduced need for automation systems. On the build-to-print segment, our LED customer experienced strong competition resulting in lower demand. Our solar equipment customer also experienced cashflow issues. The trade war between US and China did not help either, causing lower business confidence and sales of MIT Shanghai's main customer during 2H FY 2019.

On the earnings front, the Group reported a record profit after tax of S\$41.5m in FY 2019 from a loss net of tax of S\$6.1m in the previous financial year mainly due to gains from the disposal. On the core business front, we incurred an operating loss due to the lower sales that was below our breakeven point.

Return of divestment proceeds to shareholders

As committed previously, we have returned the entire net proceeds received so far from the divestment to shareholders via two dividend pay-outs (12 April 2019 and 23 July 2019) and a capital distribution (23 July 2019). In total, we have distributed S\$65.4m or 27.3 cents per share to shareholders during the year. Subject to adjustment on claims made by the purchaser the Company hopes to make a final distribution from the last tranche of funds which is currently deposited in an escrow account with ICBC Singapore.

Looking ahead

With the corporate action behind us, management has initiated several actions to kick start our return to profitability in the short term and build the foundation for steady growth in the medium term. However, the COVID-19 outbreak has cast some dark clouds over the business outlook for FY 2020.

CHAIRMAN'S MESSAGE



We will continue to market our customized automation and built-to-print services aggressively in order to build up a core of customers that will underpin future growth. In this regard, we have managed to secure a few projects in the medical and consumer product areas and are working on more, such as in the “heat not burn” segment of the e-cigarette industry. Through these projects, we will enhance our capabilities to offer state of the art automation solutions to customers. Our solutions will embrace the latest in smart manufacturing such as industrial robots, mobile robotics, Industry 4.0 and vision-aided precision assembly systems.

New businesses

However, we also recognise that it will take time to develop in-depth capabilities and grow our customized automation business to a critical mass. Backed by our strong balance sheet, we are scouting around for new or related businesses to partner with or acquire in order to speed up our growth.

Cost controls

Cost cuts and controls have also been instituted to improve our financial performance in the current year. There is a freeze on new staff hiring and replacements for resignees are not filled, unless really critical. Likewise, we have restructured our operations in MIT Shanghai to underpin its return to profitability.

Order book

As at 25 Feb 2020, our order book for delivery in 2020 has exceeded our FY 2019 revenues and we hope to improve on it over the rest of the financial year.

Closing

Despite these efforts, we have become more cautious as the COVID-19 virus outbreak is wreaking havoc globally. A near two-months closure of our Shanghai plant operations has impacted its short term performance. Outside China, the virus outbreak is getting worse and many countries have instituted full or partial lock-downs as I write this letter. The business conditions can only head further south if countries do not take this outbreak seriously.

In contrast, the previous trade tensions between US and China have been relegated to the background by COVID-19. But the tariffs are still in place, albeit at lower levels.

Despite these evolving challenges, I am confident that our current turnaround efforts plus our strong balance sheet will help us withstand the effects of COVID-19 pandemic.

In closing, I wish to thank my management and staff for their hard work and to the Board members for their support over the years.

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

BOARD OF DIRECTORS



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

MR KWONG KIM MONE was appointed as Director since 15 February 1992 and re-designated as Non-Executive and Non-Independent Chairman of the Company on 21 February 2019 following the divestment of the semiconductor business. He is the Founder and past Managing Director and Chairman of the Company. Under Mr Kwong's stewardship, the Company has been riding on a growth momentum that has seen the Company evolve as a major player in the capital goods market not just in semiconductor tools but also as a Contract Equipment Manufacturer. He was one of the recipients of the Rotary-ASME Entrepreneur of the Year Award in 1998 and had also led the Company to receive the "Enterprise 50 Awards" for the years 1996, 1997, 1998 and 1999 jointly organized by the Singapore Business Times and Anderson Consulting. Mr Kwong holds a Diploma in Mechanical Engineering from Singapore Polytechnic and a Diploma in Business Administration from the National Productivity Board. Mr. Kwong was last re-elected as Executive Chairman on 21 April 2017.



Mr Lim Chin Tong
Executive Director and
Chief Executive Officer

MR LIM CHIN TONG was re-designated as Executive Director and Chief Executive Officer of the Company on 21 February 2019 after serving as Executive Director since 15 February 2005. As CEO, Mr Lim oversees the formulation and execution of the Group's business and growth strategies. In his earlier career, Mr Lim held senior appointments in the Economic Development Board and was also Chief Executive Officer of Xpress Holdings Ltd. Mr Lim had previously served on the Boards of several listed companies in Singapore and Australia. Currently, he is the Chairman of NYP International Pte Ltd, a subsidiary of Nanyang Polytechnic. A mechanical engineer by training, Mr Lim obtained a B Sc (Hons) degree from the University of Leeds (UK) and a Diploma in Business Administration from NUS. In addition, he attended the Program for Management Development at the Harvard Business School. Mr Lim was last re-elected as Executive Director on 26 April 2018.



Mr Lee Yong Guan
Lead Independent Director

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

BOARD OF DIRECTORS



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 26 April 2019.



Mr Kam Boon Cheong
Independent Director

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



Mr Lim Chin Hong
Independent Director

MR LIM CHIN HONG joined the Board as Independent Director on 1 February 2016. He is currently the founding and managing partner at GreenMeadows Accelerator Pte Ltd (GMA) focused on incubating technology startups in the hardware arena. Prior to incorporating GMA, he was a partner at Small World Group Incubator to guide start-ups in technology commercialization. At the industry level, Mr Lim had spent the major part of his career serving in senior management positions as CTO/EVP/GM in companies such as Sunningdale Tech, Hewlett Packard and Agilent Technologies managing global operations across multiple product lines and business units. Mr Lim has also served as board member of several local start-ups, mentor, panelist and advisor for NRF GAP Funding, NUS LLP companies and ESG TECS Grant. He is appointed an Entrepreneur-in- Residence with Temasek Polytechnic. He obtained his BSc (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 26 April 2019.

KEY EXECUTIVES



Mr Boh Teck Keong

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



Mr Han Meng Kwang

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



Mr Dennis Foo Piau Yew

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



Mr Tommy Ng Fook Keong

MR TOMMY NG FOOK KEONG is our Financial Controller appointed on 21 February 2019 with responsibility for the entire financial management and accounting functions of the Group. He also overseeing the Group's Human resource management and Corporate affairs. Prior to joining the Company in September 2006, he had held finance and audit portfolios in several local private and public listed companies. Mr Ng graduated with a Bachelor of Commerce from the La Trobe University (Australia) in September 2000. He is a Chartered Accountant of Singapore, a member of the Institute of Singapore Chartered Accountants (ISCA).

OPERATING REVIEW



Upon closing the divestment transaction on 20 February 2019, our core businesses in CEM narrowed to build-to-print ("BTP") and customized automation.

As the name BTP suggests, customers provide us with their designs and engineering drawings. As their contract manufacturer, we will source for standard and fabricated components in accordance with their design specifications and provide assembly, integration and testing services to produce the finished products in exacting requirements, either at modular or turnkey level. BTP orders tend to be repetitive, stable and relatively long-term in nature.

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

Given that these businesses are at different stages of maturity, we were clear that our short term goals shall be (a) build up our technical manpower resources for customized automation projects, (b) secure new customers in all areas and (c) invest and build up our independent IT/infrastructure system for ERP, email, finance and administration. Other infrastructural needs such as factory space were already in place.

Breakdown by business segment

During the year, Group revenues from core businesses declined 47% to S\$9.8m from S\$18.7m in FY 2018. The BTP segment accounted for 87% or S\$8.5m of Group revenues of S\$9.8m while customized automation made up the remaining 13% or S\$1.3m. The mix was different in FY 2018 with BTP accounting for a lower 62% of higher total revenues of S\$18.7m.

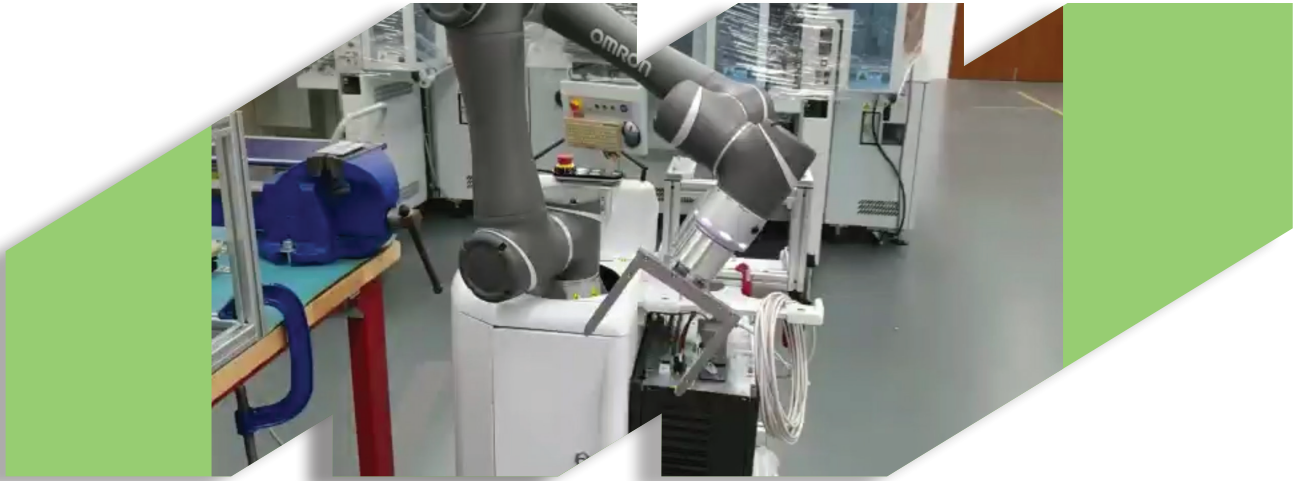
While the BTP segment has been a major contributor in the last two years, we expect the customised automation segment to grow at a faster clip in the future as our team stabilises and mature.

Customized automation

We started FY 2019 in a promising fashion. We had secured an automated assembly project in the e-cigarette (vaping) area with potential for much more. However, the US e-cigarette industry faced regulatory and health related issues, resulting in lower growth and a reduced need for automation systems. Nevertheless, we have not given up on the e-cigarette industry as there continues to be opportunities in the other "heat not burn" segment of the e-cigarette industry.

We have also secured a new order from the medical device industry for delivery in FY 2020. This involves the use of smart assembly, mobile robotics and precision assembly.

OPERATING REVIEW



Build-to-print

In the Build-to-print segment, our semiconductor module contributions remained steady. However, the trade war between US and China caused business confidence to decline and this resulted in slightly lower sales at MIT Shanghai, especially during 2H FY 2019. The biggest drop in sales occurred in the LED area as our main customer experienced heavy competition.

Solar

In the solar area, we successfully secured a new project from an existing customer in early FY 2019. But we did not follow through with the project owing to non-receipt of a down-payment amidst cashflow issues faced by the customer.

IT systems

As part of the divestment agreement, all IT systems and facilities became the assets to the Buyer. This resulted in MIT sourcing all necessary IT services from the Buyer, pending our own investment in a new IT infrastructure set-up.

During the year, we invested S\$0.4m in hardware and software and paid S\$0.1m to MIT Semiconductor Pte. Ltd. ("MSPL") for IT services during the transition period. We expect to complete this exercise and de-couple from MSPL's system by end-March 2020.

Going forward

Recognising the short-term challenges in our core businesses, management had implemented several measures to lower our costs, improve our competitiveness and perform better in FY 2020. These include a freeze on manpower recruitment, discretionary costs controls, right sizing of manpower in MIT Shanghai and pay cuts for all Singapore-based staff from 1 January 2020.

Overall, we are confident of the prospects of our BTP and customised automation segments, but we also recognise that it needs more time to grow and contribute to our top and bottom lines. Hence, we are exploring new opportunities to invest or acquire other businesses to complement the current CEM business.

FINANCIAL SUMMARY

Revenue and Earnings

Group revenue decreased 47% to S\$9.8m in FY 2019 from S\$18.7m in the previous financial year.

The Group recorded a profit after tax of S\$41.5m in FY 2019 from a loss net of tax of S\$6.1m in the previous corresponding financial year mainly due to gains from the disposal of our semiconductor equipment business during the year. The loss before tax from continuing operations of S\$10.0m in FY2019 which is inclusive one-time expenses of S\$2.9m for ex-gratia payment, restructuring costs of S\$0.2m for MIT Shanghai and other fees of S\$0.2m.

On the core business, we incurred an operating loss due to the lower sales that was below our breakeven point. There was also a gross loss of S\$1.2m in FY 2019 as compared to gross profit of S\$1.9m in FY 2018, largely attributable to unabsorbed fixed costs that resulted from our lower sales.

Other income and gains

The other income and gains were derived mainly from interest income (S\$0.4m), rental income from our industrial properties (S\$0.5m) and reversal on allowance for impairment on trade receivables (S\$0.2m).

Marketing and distribution costs

Following the lower revenue and business activities, marketing and distribution costs was lower by 37% from S\$0.9m to S\$0.5m.

Administrative expenses

Administrative expenses showed a 133% increase. However, this was due to one-time expenses of S\$2.9m for ex-gratia payment, restructuring costs of S\$0.2m for MIT Shanghai and other fees of S\$0.2m. Without these items, administrative expenses would have increased by 33% when compared with FY 2018. This is more reflective of the recurrent costs incurred, as it was previously shared with the much larger semiconductor equipment business that has since been divested.

Finance costs

The higher finance costs was due to increase of short-term loan in Q4 2018 to support Company's divestment plan and interest expenses on lease liabilities recognized as a result of the adoption of SFRS(I) 16 during the financial year.

Other losses

The other losses increased mainly due to inventories written down (S\$1.4m), loss on disposal of development projects (S\$0.1m) and allowance for impairment loss on trade receivables (S\$0.1m) during the year.

Assets and Liabilities

The increase in plant and equipment was mainly due to office renovation for our corporate headquarters, purchase of tooling for production and investments in new IT resources during the financial year.

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

Investments in subsidiaries decreased in the Company after the divestment of semiconductor business and allowance for impairment on investment in subsidiaries and quasi loans during the financial year.

Upon adoption of SFRS(I) 16, the Group recorded carrying amount of right-of-use assets of S\$2.3m and lease liabilities of S\$2.5m as at 31 December 2019.

Inventories increased by S\$0.1m to S\$3.1m in anticipation of major deliveries in the coming months.

In line with the lower revenue, trade and other receivables decreased by 49% from S\$4.6m in YE2018 to S\$2.4m in YE2019.

Other non-financial assets decreased due to lower deposits and prepayment when compared to same period of last year.

The lower amount in trade and other payables was consistent with lower revenue and business activities during the year.

The decrease in other financial liabilities was due to repayment of bank loan after the completion of the divestment during the year.

Cash Flows

Despite the dividend payments (S\$45.0m), capital distribution (S\$20.4m), net repayment of short-term loan (S\$6.6m), investment in plant and equipment (S\$0.6m) etc, we ended the year with cash and cash equivalents of S\$8.9m.

The Group continues to maintain a strong capital base with cash and cash equivalents per share stood at 3.7 cents, which accounts for about 42% of the net assets per share.

FIVE-YEAR FINANCIAL HIGHLIGHTS

(All amounts in S\$'000)

| Statement of Comprehensive Income | FY2015 | FY2016 | FY2017 | FY 2018 | FY 2019 |
|---|--------|--------|--------|---------|---------|
| Revenue | 90,351 | 35,527 | 65,929 | 18,708 | 9,823 |
| EBITDA | 20,495 | -3,345 | 7,831 | -405 | -8,760 |
| (Earnings before interest, tax, dep & amort) | | | | | |
| EBIT | 18,772 | -4,674 | 6,422 | -923 | -10,203 |
| (Earnings before interest & tax) | | | | | |
| Finance cost | 184 | 108 | 71 | 43 | 204 |
| Profit (Loss) before tax from continuing operations | 18,866 | -4,556 | 6,510 | -953 | -10,024 |
| Profit (Loss) net of tax | 15,426 | -5,496 | 6,006 | -6,119 | 41,466 |
| Statements of Financial Position | | | | | |
| Current assets | 58,377 | 44,681 | 53,525 | 56,197 | 14,623 |
| Current liabilities | 15,684 | 14,256 | 18,319 | 21,755 | 3,627 |
| Total assets | 71,331 | 59,570 | 69,519 | 65,762 | 26,474 |
| Total borrowings | 4,700 | 3,753 | 117 | 7,000 | 386 |
| Cash and cash equivalents | 20,434 | 17,892 | 21,884 | 19,554 | 8,920 |
| Shareholders' equity | 51,894 | 45,198 | 51,130 | 44,007 | 21,045 |
| Net tangible assets | 51,811 | 45,113 | 51,082 | 43,993 | 21,045 |
| Net asset value per share (cents) | 23.23 | 20.12 | 22.30 | 18.81 | 8.76 |
| Financial Ratios | | | | | |
| Profitability | | | | | |
| Return on equity (%) | 29.7% | -12.2% | 11.7% | -13.9% | 197.0% |
| Return on assets (%) | 21.6% | -9.2% | 8.6% | -9.3% | 156.6% |
| Liquidity | | | | | |
| Current ratio (times) | 3.7 | 3.1 | 2.9 | 2.6 | 4.0 |
| Cash as a percentage of NAV (%) | 39.4% | 39.6% | 42.8% | 44.4% | 42.4% |
| Leverage | | | | | |
| Gearing (%) | 9.1% | 8.3% | 0.2% | 15.9% | 1.8% |
| Interest cover (times) | 102.0 | N.A. | 90.5 | N.A. | N.A. |
| Investment | | | | | |
| Earnings per share (cents) | 6.79 | -2.45 | 2.61 | -2.60 | 17.39 |
| Gross dividend per share (cents) | 1.00 | N.A. | 1.00 | N.A. | 18.80 |
| Gross dividend yield (%) | 4.9% | N.A. | 3.9% | N.A. | 206.6% |
| Dividend payout ratios | 14.7% | N.A. | 38.3% | N.A. | 108.1% |
| Productivity | | | | | |
| Number of employees (Group) | 312 | 291 | 322 | 141 | 115 |
| Revenue/Employee (S\$'000) | 289.59 | 122.09 | 204.75 | 132.68 | 85.42 |

RISK MANAGEMENT

MIT has an Enterprise Risk Management Committee (ERMC) which is chaired by its CEO and four Senior Management staff to oversee the identification and implementation of risk mitigation measures in the financial, operational and compliance areas. We had re-constituted the ERMC in 2019 after the divestment was completed. The ERMC reports to the Audit Committee of the Board.

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

Some of the key risk areas and mitigators are identified and addressed in this Risk Management Report. The list is by no means exhaustive and is updated annually. As in life, there can be unexpected local or global events that happens suddenly, like the current COVID-19 outbreak. COVID-19 has tested our risk mitigation efforts and forced the ERMC to draw up new risk mitigation measures in conjunction with our national efforts.

More importantly, we need to apply these risks and mitigation measures in our everyday work by complying with established policies and protocols. Our mitigation factors have so far allowed us to address these risks, especially during poor business periods and even in high growth times.

Operating Risks

Lumpy nature of our revenues and dependency on a few key customers

Revenues of our customized automation business tend to be lumpy in nature as it is typically recognized at the end of each project. This may lead to wild swings in our financial results.

To address this, we have discussed with our external auditors and worked in accordance with the relevant accounting standards to allow partial recognition of

revenues based on different performance obligations that are stipulated in the contracts with customers. This will reduce the lumpiness in revenue recognition.

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

Disruptions in the supply chain for key components and fabricated parts

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

Besides China, the supply chain in Malaysia is being developed to support our growing business.

We may not have enough manufacturing capacity during peak periods

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

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

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

We are exposed to risks associated with overseas operations

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

RISK MANAGEMENT

Financial Risks

Exposure to foreign exchange risk

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

We will undertake low risk currency hedging if necessary, to hedge our risks against the US dollar and RMB. In the recent periods, we did not engage in any hedging as we had low sales in foreign currencies.

Financial instruments risk

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

We are subject to investment risk

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

We are subject to liquidity risk

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

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

Credit risk

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

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

Interest rate risk

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

Regulatory Risks

Intellectual property risk

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

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

SUSTAINABILITY REPORT



1. Board Statement

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

This is our third Sustainability Report (the "SR Report") which covers the Group's operations and performance from 1 January 2019 to 31 December 2019 (the "reporting period"). The disposal of our semiconductor business to MIT Semiconductor (Tian Jin) Co., Ltd was concluded on the 20 February 2019. This SR Report will cover the remaining core businesses.

The MIT Group now operates its core business as a Contract Equipment Manufacturing solutions provider. Its Build-To-Print ("BTP") and customized automation businesses are carried out in our Singapore facilities at Casem (Asia) Pte Ltd and Automated Manufacturing Solutions Pte Ltd respectively. It also operates another equipment assembly facility in Shanghai, China. The precision machining business has been restructured to focus on in-house needs.

At this current time, our Group's workforce in Singapore stands at 68 with another 40 based in China.

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

We have not sought external assurance for this reporting period.

SUSTAINABILITY REPORT

2. Stakeholder Engagement

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

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

3. Material Factors

3.1 Materiality Assessment

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

| Stakeholders | Stakeholders' Concerns | Engagement Channels/Platforms |
|---|---|--|
| Employees | <ol style="list-style-type: none"> 1. Safe and conducive workplace 2. Fair labor practices and compensation 3. Job Satisfaction & Career Development | <ul style="list-style-type: none"> √ Training and development opportunities √ Grievance handling/feedback channels √ Regular reviews and performance appraisals incorporating people development and career planning √ Progressive human resource management practices |
| Shareholders/ Investors/ Analysts | <ol style="list-style-type: none"> 4. Stable and sustainable growth 5. Reasonable returns to shareholders 6. Good corporate governance | <ul style="list-style-type: none"> √ Good financial discipline √ Strong corporate governance practices √ Sustainable business model |

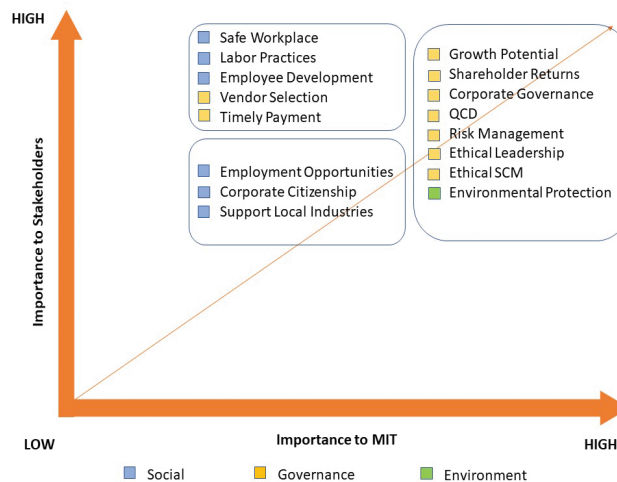
SUSTAINABILITY REPORT

3. Material Factors (cont'd)

3.1 Materiality Assessment (cont'd)

| Stakeholders | Stakeholders' Concerns | Engagement Channels/Platforms |
|----------------------------|---|--|
| Customers | 7. Quality, Cost & Delivery 8. Risk Management (Business Continuity) 9. Ethical leadership | <ul style="list-style-type: none"> ✓ Strengthen our quality management systems ✓ Reinforce our Enterprise Risk Management framework ✓ Maintain strong Internal controls ✓ Zero tolerance on corruption and fraud |
| Vendors/ Suppliers | 10. Fair Vendor Selection process 11. Timely payment 12. Ethical supply chain practices | <ul style="list-style-type: none"> ✓ Ensuring integrity in all purchasing decisions ✓ Adhering to purchasing agreement terms ✓ Internal Code of Conduct that also applies to supply chain partners |
| Community | 13. Employment Opportunities 14. Good corporate citizenship | <ul style="list-style-type: none"> ✓ Creating new jobs and building a Singapore core ✓ Re-employment of silver workforce ✓ Participating in community events |
| Government & Regulators | 15. Maintain high standards of corporate governance 16. Support development of local industries 17. Protection of environment | <ul style="list-style-type: none"> ✓ Comply with all applicable laws and regulations ✓ Added assurance from internal and external audits ✓ Maintain and improve our Integrated Management System (IMS) |

Materiality Assessment (External vs Internal)



SUSTAINABILITY REPORT

4. Environmental

4.1 Electricity and Water Conservation

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

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

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

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

Below are some statistics on our consumption for 2019:

| Year | Actual Consumption (KWh) | Turnover (S\$M) | (KWh/S\$) |
|------|--------------------------|-----------------|-----------|
| 2019 | 993,923 | 9.8 | 0.101 |

Figure 2: KWh Actual

| Year | Total direct CO2 or Carbon Equivalent Emissions (Metric Tons) | Total indirect CO2 or Carbon Equivalent Emissions (Metric Tons) | Turnover (S\$M) | Emissions Intensity (MT/S\$'000) |
|------|---|---|-----------------|----------------------------------|
| 2019 | N.A | 703 | 9.8 | 0.072 |

Figure 3: Emissions Intensity

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

4. Environmental (cont'd)

4.2 Work Place Air and Environment Certification

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

Our air-con systems are serviced every 2 months to ensure quality air, quality working environment and better energy utilisation.

4.3 Laws and Regulations

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

4.4 Supply Chain

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

5. Social

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

SUSTAINABILITY REPORT

5. Social (cont'd)

Our Employees

5.1 Fair Employment Practices

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

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

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

- Recruit, select, promote, reward and train employees on the basis of merit such as skills, experience and ability, regardless of race color, age, gender, sexual orientation, ethnicity, national origin, disability, pregnancy, religion, political affiliation, union membership or marital status
- Treat employees fairly and with respect and implement progressive human resource practices
- Embrace the diversity of all members within the MIT family
- Provide employees with equal opportunities for training and development based on their individual needs to help them achieve their fullest potential
- Promote and provide a harassment free environment
- Reward employees fairly based on their ability, performance, contributions and experience
- Respect for privacy and protect personal information Provide transparency in and accountability for the Group's performance and practices
- Abide by local regulations including Safety, Health and Environmental laws

5.2 Training and Education

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

| Year | Headcount | Training Hours | Avg no. of training hours | Avg No. of Training day (260 days/year) |
|------|-----------|----------------|---------------------------|---|
| 2019 | 115 | 2,765 | 24.04 | 10.63 |

Figure 4: Training Metrics

Note: Training data includes orientation, internal and external training conducted

5.3 Compensation and Rewards

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

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

SUSTAINABILITY REPORT

5. Social (cont'd)

5.3 Compensation and Rewards (cont'd)

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

5.4 Performance Management & Engagement

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

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

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

5.5 Safety, Health and overall well being, Employee Benefits

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

Apart from monthly meetings and inspections, the Committee for the reporting year had been very much involved in other activities such as promoting WSHE awareness, reviewing our safety risk management

framework, undergoing training in first aid (and AED), exercising vigilance over dengue and ZIKA outbreaks, and seeing to the conduct of emergency evacuation exercises. One of the many other recommendations that had been carried out was also to ensure that workplace safety policies and manufacturing work instructions are documented in at least two major languages for the benefit of our foreign workers.

On keeping to a balanced and healthy lifestyles, our employees have also been encouraged to join in the National Health Challenge (organized by HPB) that is into its 5th Season (both as individual participants and at the Corporate level). We are heartened to note that 62% of our workforce had taken up the Challenge.

There are no industrial accidents and related man-days lost reported in 2019.

5.6 Leadership development for succession planning

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

5.7 Work Force characteristics and Diversity

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

SUSTAINABILITY REPORT

5. Social (cont'd)

5.7 Work Force characteristics and Diversity (cont'd)

5.7.1 Work Force Strength

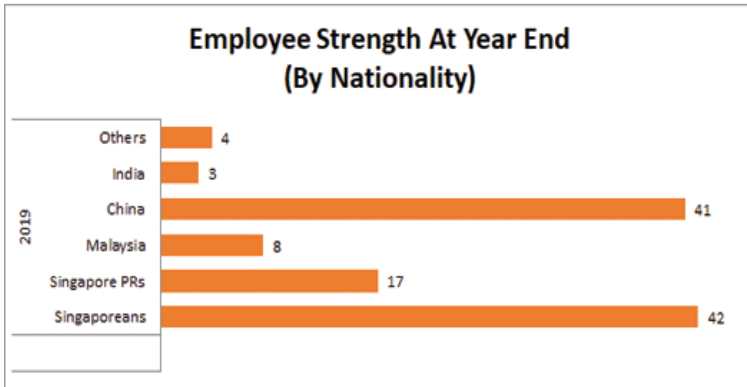


Figure 5: Employee Strength at year end

5.7.2 Gender Diversity

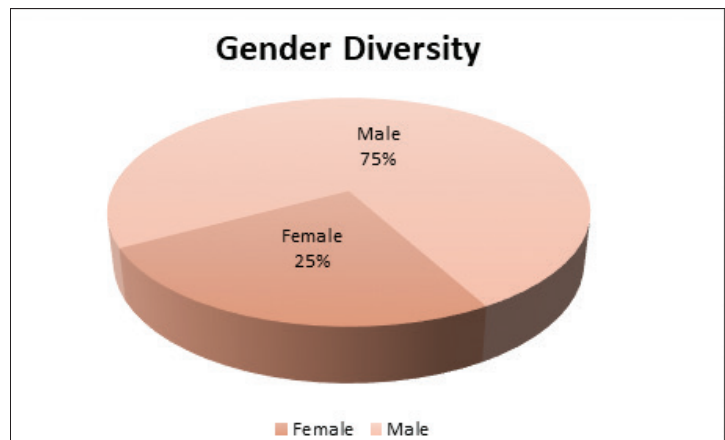


Figure 6: Gender Diversity

5.7.3 Number of Senior Positions held by Males/Females

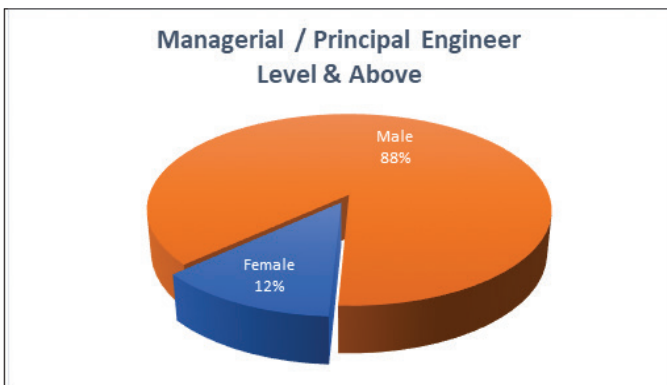


Figure 7: Senior positions held by Male/Female staff

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

5. Social (cont'd)

5.7 Work Force characteristics and Diversity (cont'd)

5.7.4 Age Distribution

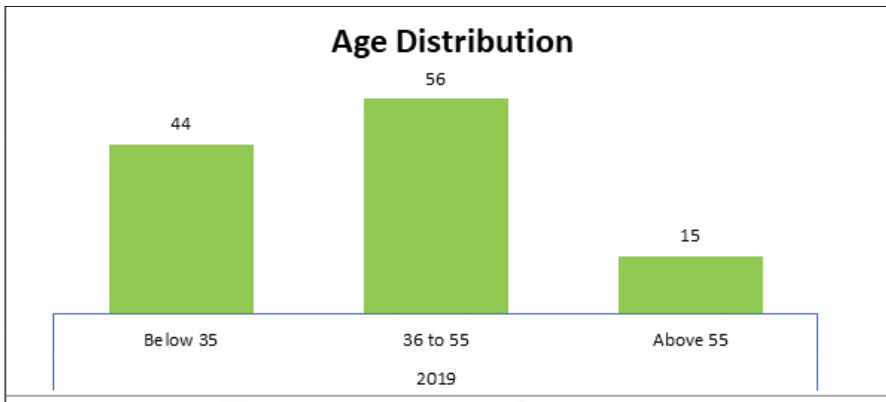


Figure 8: Age Distribution

5.7.5 Employee Qualifications

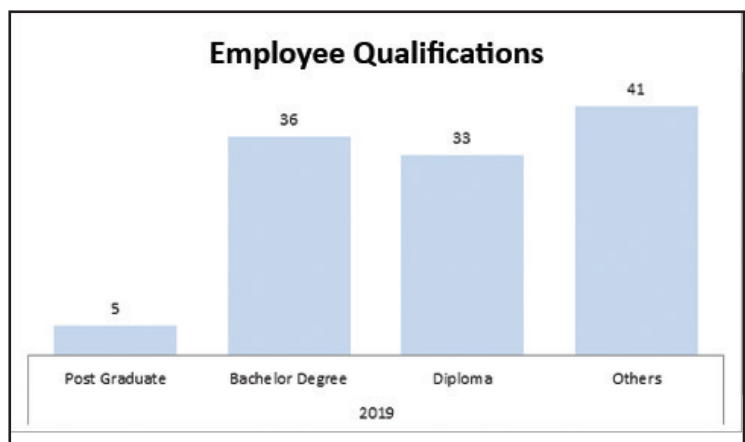


Figure 9: Employee Qualifications

5.7.6 Attrition

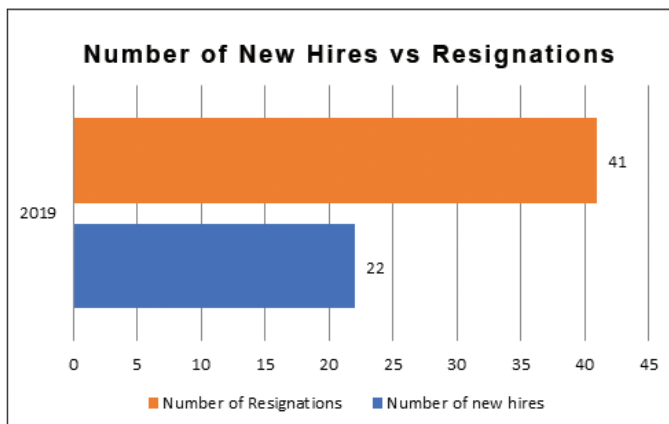


Figure 10: Number of new hires vs resignations

Footnotes: Higher number of resignations vs new hires is due to retrenchments in MIT Shanghai

SUSTAINABILITY REPORT

5. Social (cont'd)

5.7.7 Offering Re-Employment to the Silver Workforce

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

5.8 Community Engagement

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

5.8.1 Internship Collaboration with tertiary Institutions

- Nanyang Polytechnic, School of Engineering
12 weeks Internship Programme

5.8.2 Recruitment of graduating students

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

5.8.3 Industrial Visits

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

5.8.4 Membership of Associations

- Singapore Business Federation

5.8.5 Social and Economic Laws and Regulations

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

6. Governance

6.1 Corporate Governance

A high standard of corporate governance is integral in ensuring sustainability of the Group's business as well as safeguarding shareholders' interest and maximizing long term shareholder value creation. We continually strive to ensure that the value of good corporate governance is deeply embedded into our corporate DNA. Our GTI ⁽¹⁾ rankings are as follows :

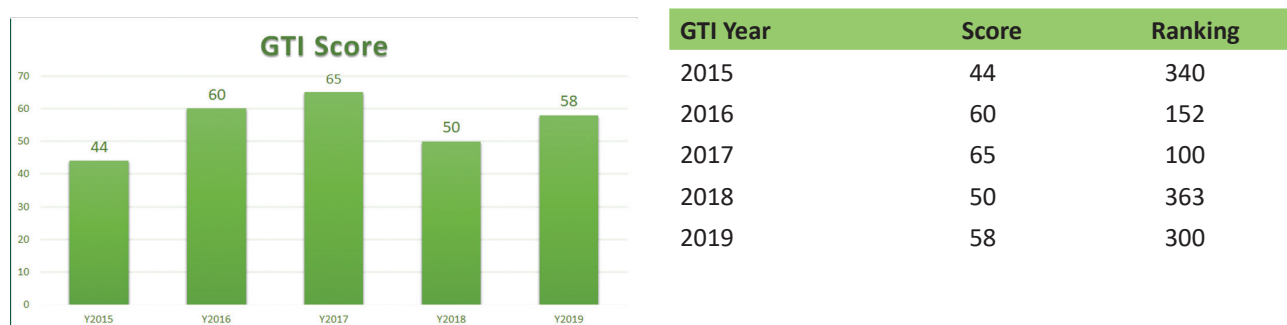


Figure 11: GTI Ranking and Scores

⁽¹⁾ The GTI or Singapore Governance and Transparency Index is published annually by CPA Australia, the National University of Singapore (NUS) Business School's Centre for Governance, Institutions and Organisation (CGIO) and the Singapore Institute of Directors. It assesses companies on their corporate governance disclosures and practices, as well as timeliness, accessibility and transparency of their financial results announcements

6.2 Ethics and Integrity

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

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

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

SUSTAINABILITY REPORT

6. Governance (cont'd)

6.2 Ethics and Integrity (cont'd)

- Purchasing Practices & Equal Business Opportunity
- Copyright and Licensing Compliance
- Confidential Information/Intellectual Property Protection

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

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

6.3 Whistle-Blowing Policy

Bribery or corruption or ethical violations in any form will not be tolerated in any circumstances and any incident report will be looked into very seriously. Our Board has established a direct whistle blowing

channel that goes right up to the attention of the Audit Committee members (comprising Independent Directors) who will deal with these matters or any other serious acts of business impropriety. Whistle-blowers are assured of anonymity, confidentiality and non-retaliation. We are glad to report that since 2008 when our whistle-blowing policy was first introduced, there has been no official complaint or case lodged with the Committee.

6.4 Investor Relations

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



Business Update at Lim & Tan Securities' Seminar
on 20 March 2019

The Board of Directors (the “Board”) and management of Manufacturing Integration Technology Ltd. (the “Company”) and its subsidiaries (the “Group”) are committed to maintaining high standards of corporate governance.

The Company has adopted the Code of Corporate Governance 2018 (“the Code”) for the financial year ended 31 December 2019 (“FY 2019”) and is working to adopt the other changes where appropriate.

The Company has adhered to the principles of the Code as well as the listing rules in the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), where appropriate. Where the Company’s practices vary from any provisions of the Code, the Company has explained the reasons for the deviations and explained how the practices the Company has adopted are consistent with the intent of the relevant principle.

This report describes the Group’s corporate governance practices and structures that were in place during the financial year ended 31 December 2019 (“FY 2019”), with specific reference to the principles and guidelines of the Code.

Board Matters

Principle 1: The Board Conduct of Affairs

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company

For FY 2019, the Board comprises six Directors, four of whom are Independent Directors with one Non-Executive and Non-Independent Director (re-designated from Executive Director on 21 February 2019 following the completion of the disposal of MIT Semiconductor Pte. Ltd.) and one Executive Director. 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 relevant industries.

The Company adopted a Code of Business Conduct and Ethics for the Board which establishes the fundamental principles of professional and ethical conduct expected of the Directors in the performance of their duties. It includes guidelines on matters relating to conflicts of interest. When an actual, potential and perceived conflict of interest arises, the concerned Director must recuse himself or herself from discussions and decisions involving the matter and abstain from voting on resolutions relating to the matter.

Role of the Board of Directors

All Directors are aware of their fiduciary duties and are committed to exercising due care and diligence in making their decisions and to objectively discharge their duties and responsibilities in the best interest of the Company.

Apart from its fiduciary duties under the Companies Act, Chapter 50 (“the Act”), and requirements pursuant to the SGX-ST Listing Manual and other relevant regulations, 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 Board Committees function within clearly defined terms of reference, which are reviewed on a regular basis. The terms of reference for the respective Board 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. Ad-hoc meetings are convened when circumstances require, such as discussions/brainstorming

CORPORATE GOVERNANCE

on Company direction and strategies. The Company's Constitution allows a Board meeting to be conducted by way of telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other.

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.

Training of Directors

All directors receive appropriate training to develop their knowledge of the Company's business, industry environment and competence necessary to be effective in their roles. The Company is responsible for arranging and funding training for Company's Directors from time to time. The Company and Company Secretary also provides ongoing regulatory updates and briefings, particularly on relevant new laws, regulations and changing commercial risks, from time to time to enable them to make well-informed decisions.

Newly appointed Directors would be briefed on the Company's industry, business, organisation structure, strategic plans and objectives. Directors will be provided a formal letter setting out their duties and obligations and appropriate trainings to ensure that they are fully aware of their responsibilities and obligations. Orientation for new Directors includes visits to the Group's key premises to familiarise with the operations. Currently, the Company does not have any newly appointed Directors who have not been on a listed company. However, should there be, they will be required to attend the Listed Entity Director programme by the Singapore Institute of Directors in accordance with Rule 210(5)(a) of the Listing Manual of SGX-ST.

The Company provides opportunities to fund training for the Company's Directors from time to time particularly on changes in the relevant new laws, regulations and changing commercial risks to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

During the year, the Board was briefed and/or updated on the changes to the Code, SGX Listing Rules and other regulations. The external auditors regularly update the AC and the Board on the developments in the Singapore Financial Reporting Standards (International) which are applicable to the Group. Changes to regulations and accounting standards are monitored closely by the Management. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Group during Board and Board Committee meetings. The Company encourages Directors to attend training and continuing education courses on new legislations and/or regulations.

The Management recognises that relevant, complete and accurate information needs to be provided to the Directors prior to meetings and on an on-going basis to enable the Directors to make informed decisions and discharge their duties and responsibilities effectively and efficiently. Prior to each Board meeting, the Board is supplied with relevant

information such as management reports, budgets, financial statements, material events and transactions complete with background and explanations by the Management pertaining to matters to be brought before the Board for decision as well as ongoing reports relating to operational and financial performance of the Group.

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. The Board is also provided with minutes of the previous Board meeting, and minutes of meetings of all Board Committees held. Senior management may attend the Board meetings to provide additional insights into matters to be discussed.

The Management will also inform the Board of all significant events as and when they occur and circulate Board papers and supporting information on major transactions to facilitate a robust discussion before the transactions are entered into.

In addition, the Board has separate and independent access to the Senior Management and the Company Secretary at all times. The appointment and removal of Company Secretary are subject to the Board's approval as a whole.

Should Directors, whether individually or as a group, need independent professional advice, the Board would appoint a professional advisor or individual and approved by the Chairman to render advice. The cost of such professional advice will be borne by the Company.

The Company Secretary attends most of the Board meetings and the AC meetings and is responsible to assist the Board to ensure that proper procedure and all other rules and regulations applicable to the Company are complied with.

Directors' Meetings held in FY 2019

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><u>Non-Executive and Non-Independent Director</u></i> | | |
| Mr Kwong Kim Mone (Chairman) ⁽¹⁾ | 3 | 3 |
| Mr Lim Chin Tong (Executive Director) ⁽²⁾ | 3 | 3 |
| <i><u>Independent Directors</u></i> | | |
| Mr Lee Yong Guan | 3 | 3 |
| Mr Pow Tien Tee | 3 | 2 |
| Mr Kam Boon Cheong | 3 | 3 |
| Mr Lim Chin Hong | 3 | 3 |

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

⁽²⁾ Appointed as Chief Executive Officer on 21 February 2019

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company

As at the date of this Report, the Board has four independent members, representing 67% of the Board, namely Mr Lee Yong Guan, Mr Pow Tien Tee, Mr Kam Boon Cheong and Mr Lim Chin Hong. The other two Executive Directors are Mr Kwong Kim Mone, and Mr Lim Chin Tong. Mr Kwong Kim Mone was re-designated as Non-Executive and Non-Independent Chairman on 21 February 2019. Mr Lim Chin Tong was appointed as Chief Executive Officer ("CEO") on

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21 Feb 2019 and remains as Executive Director. With four Independent Directors, the Board is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on issues.

The NC has adopted the Code's definition of what constitutes an Independent Director in its review. The Board considers an Independent Director as one who has no relationship with the Company, its related companies or its officers, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company. The Independent Directors are not employed by the Company or any of its related corporations for the current or any of the past three financial years. They also do not have any immediate family member who is employed by the Company or any of its related corporations for the past three financial years.

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 AC (in addition to his participation in the other Board 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 independence of each Independent Director is reviewed by the NC annually in accordance with the Code. Each Independent Director is required annually to complete a checklist to confirm his independence. The checklist is drawn up based on the guidelines provided in the Code and the Listing Rules. The NC adopts the Code's definition of what constitutes an "independent" Director in its review.

An Independent Director shall immediately disclose to the NC any relationships or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement in the best interests of the Company. The NC and the Board have reviewed and ascertained that all Independent Directors are independent according to the Code, its Practice Guidance and Listing Rules and noted that none of the Independent Directors has any relationship with the Company, its related corporations, substantial shareholders or officers, which could interfere or be perceived to interfere with the Director's independent judgement.

The NC conducts an annual review on the composition of the Board, so as to ensure that there is an appropriate balance of members from different backgrounds and whose core competencies in business, finance, accounting, investment, strategic planning and industry technology, qualifications, expertise, skills, experiences and industry knowledge, which the Group may tap for assistance in furthering its business objectives and shaping its business strategies. Having reviewed and considered the composition of the Board and its Board Committees, the NC has determined that the current Board size and structure are adequate for the existing business operations of the Company.

All appointments and re-elections of Directors are reviewed and recommended by the NC to the Board.

Board Diversity

The Company recognises and embraces Board diversity as an essential element in supporting the achievement of business objectives and sustainable development in the ever-changing business environment. In reviewing the composition of the Board, the NC considers the benefits of Board diversity from a number of aspects, including but not limited to gender, age, educational background, professional experience, skills and knowledge. The Board adopts a meritocratic approach to all appointments and candidates will be considered against a set of objective criteria, having due regard for the benefits of diversity on the Board.

The Company has a good balance of Directors with a wide range of skills, experiences and qualities in the fields of operations, the Management, financial and accounting. Each Director has been appointed on the strength of his calibre, experiences and stature and is expected to bring a valuable range of experiences and expertise to contribute to the development of the Group strategy and the performance of its business.

The Independent Directors will meet without the presence of the Management, if circumstances require. The Independent Directors also communicate with each other from time to time without the presence of the Management to discuss the performance of the Management and any matters of concern. Feedback arising from such meetings or discussions is provided to the Board or Non-Executive Chairman, as appropriate.

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Mr Kwong Kim Mone has been re-designated as Non-Executive and Non-Independent Chairman of the Company and Mr Lim Chin Tong was appointed as the Company's CEO on 21 February 2019. Mr Lee Yong Guan was appointed as the Lead Independent Director since 20 March 2007.

The roles of the Non-Executive Non-Independent Chairman and the CEO have been clearly separated, each having their own areas of responsibilities. This is to ensure that there is a clear division of responsibilities between the leadership of the Board and the Management.

The Chairman provides overall leadership to the Board. The Chairman, with the help of the Company Secretary, ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with fellow directors and other executives, and if warranted, with professional advisors.

The CEO is responsible for the overall management of the Group and charting the corporate strategies for future growth with the support of the Management.

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

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

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 Board Committees;
- identifies gaps in the mix of skill, gender, age, diversity, experience and other qualities required in an effective Board so as to nominate or recommend suitable candidates to fill the gaps;

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- 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 is responsible for identifying and nominating candidates to fill Board vacancies as they occur.

Specifically, the NC shall consider candidates from a wide range of backgrounds, consider candidates on their own merits and evaluate against objective criteria such as their experience, knowledge, gender, age and skills in relation to the needs of the Board; and whether the candidates will add diversity to the Board and whether they are likely to have adequate time to discharge their duties.

The NC will also consider the composition and progressive renewal of the Board or Committees including recommending the membership of the Board Committees to the Board.

Before recommending an appointee to the Board, the NC shall ask him to disclose any existing or expected future business interests that may lead to a conflict of interest. This disclosure is to be included in any recommendations to the Board. Following the Board's confirmation, the NC will send the newly-appointed Director a formal appointment letter which clearly sets out his roles and responsibilities, authority, and the Board's expectations in respect of his time commitment as a Director of the company.

The NC reviews the independent status of NEDs (in accordance with Listing Rule 210(5)(d)(i), (ii) and (iii) of the Listing Manual of SGX-ST and the Provision 2.1 of the Code) and that of the Alternate Director, if applicable, annually, or when necessary, along with issues of conflict of interest. If the NC considers that a Director who has one or more of the relationships mentioned under Listing Rule 210(5)(d)(i), (ii) and (iii) of the Listing Manual of SGX-ST and the Provision 2.1 of the Code, is nevertheless independent, the NC should provide its views to the Board for the Board's consideration. If the NC considers that a Director is not independent even if he does not fall within the circumstances mentioned under Listing Rule 210(5)(d)(i), (ii) and (iii) of the Listing Manual of SGX-ST and the Provision 2.1 of the Code, it shall also similarly provide its views to the Board for the Board's consideration.

The Company does not have any alternate Director.

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

In FY 2019, 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 ⁽¹⁾ | Non-Executive | 1 | 1 |
| Mr Lee Yong Guan | Independent | 1 | 1 |
| Mr Pow Tien Tee | Independent | 1 | 1 |
| Mr Lim Chin Hong | Independent | 1 | 1 |

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

The NC, in considering the re-election of a Director, evaluates such Director's contribution and performance, such as his attendance at meetings of the Board and/or Board Committees, participation, candour and any special contribution.

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 interested.

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

The NC has reviewed and recommended the re-election of Mr 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. The Board has accepted the recommendations of the NC to re-elect them following the retiring Director’s affirmation to be re-elected.

Mr Kwong Kim Mone will, upon re-election as a Director of the Company, remain as Non-Executive Non-Independent Chairman of the Board, Chairman of the IC and a member of the NC and will be considered non-independent.

Mr Lee Yong Guan will, upon re-election as a Director of the Company, remain as the Chairman of the AC and a member of the IC, RC and NC and will be considered independent.

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

| Name of retiring Director | Mr Kwong Kim Mone | Mr Lee Yong Guan |
|---|--|---|
| Date of appointment | 15 February 1992 | 11 March 2005 |
| Date of last re-appointment | 21 April 2017 | 21 April 2017 |
| Age | 64 | 63 |
| Country of principal residence | Singapore | Singapore |
| The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board, having considered the recommendation of the Nominating Committee and having assessed Mr Kwong’s requisite industry knowledge and experiences to assume the responsibilities as Non-Independent Director of the Company. | The Board, having considered the recommendation of the Nominating Committee and having assessed Mr Lee’s requisite knowledge and experiences to assume the responsibilities as Independent Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Non-Executive | Non-Executive |
| Job title (e.g. Lead ID, AC Chairman, AC Member etc.) | Non-Executive and Non-Independent Chairman, Chairman of Investment Committee and member of Nominating Committee | Independent Lead Director, Chairman of Audit Committee and member of Nominating Committee, Remuneration Committee and Investment Committee |
| Professional qualifications | Mr Kwong holds a Diploma in Mechanical Engineering from Singapore Polytechnic and Diploma in Business Administration from the National Productivity Board. | Mr Lee, an FCA Singapore and a Fellow member with Association of Chartered Certified Accountants. He was awarded the Lee Foundation Prize by Singapore’s Association of Chartered Certified Accountants (ACCA) in their professional examination. He has completed an Advanced Management Programme with the Harvard Business School in Boston and is a member of the Singapore Harvard Club. |

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| Name of retiring Director | Mr Kwong Kim Mone | Mr Lee Yong Guan |
|--|---|---|
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | None | None |
| Conflict of interest (including any competing business) | None | None |
| Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 720(1)) | Yes | Yes |
| Working experience and occupation(s) during the past 10 years | <p>Mr Kwong is the Founder and past Managing Director and Chairman of the Company. Under Mr Kwong's stewardship, the Company has been riding on a growth momentum that has seen the Company evolve as a major player in the capital goods market not just in semiconductor tools but also as a Contract Equipment Manufacturer. He was one of the recipients of the Rotary-ASME Entrepreneur of the Year Award in 1998 and had also led the Company to receive the "Enterprise 50 Awards" for the years 1996, 1997, 1998 and 1999 jointly organized by the Singapore Business Times and Anderson Consulting.</p> <p>Mr Kwong was re-designated as Non-Executive and Non-Independent Chairman of the Company on 21 February 2019 following the divestment of the semiconductor business, he is also the chairman of Investment Committee and member of Nominating Committee.</p> | <p>Mr Lee is currently a Board Member of MayBank Singapore Limited. Mr Lee is actively involved in Fintech and Start Up providing seed investment and advisory support. He spent more than five years in Shanghai as Special Advisor and Director of UnionPay International Co, a wholly owned subsidiary of China UnionPay Company. He was the past President of Visa Worldwide Pte Ltd overseeing the growth of Visa's business in the Asia Pacific region.</p> <p>Mr Lee joined the Board of Manufacturing Integration Technology Ltd. as Independent Director on 11 March 2005, he is also the Chairman of Audit Committee and member of the Remuneration Committee, Nominating Committee and Investment Committee.</p> |
| Shareholding interest in the listed issuer and its subsidiaries | Yes | Yes |
| Shareholding details | 6,734,118 ordinary shares (Direct Interest) 120,627,910 ordinary shares (Deemed Interest) | 486,000 ordinary shares |
| Other Principal Commitments Including Directorships | | |
| Past (for the last 5 years) | NIL | -UnionPay International Co Ltd |
| Present | - MIT Semiconductor Pte. Ltd. - Hosay Holdings Limited - MIT Semiconductor (Tian Jin) Co Ltd | -MayBank Singapore Limited |

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

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

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 Board his board representation(s). Based on the attendance and participation of the Directors for FY 2019, the Board 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.

Lead Independent Director

The Board concurs with the Code's recommendation and 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 CEO or the Financial Controller ("FC") through the normal channels or for where such contact is inappropriate;
- To lead the Independent and Non-executive Director in providing and facilitating a non-executive perspective and contributing a balance of viewpoints to the Board in particular, acting as principal liaison between the Independent and Non-executive Director and the Chairman on sensitive issues;
- To coordinate the activities and schedule meetings of Independent and Non-executive Directors and to chair such meetings without the presence of the Executive Director, if necessary;
- To promote high standards of corporate governance; and
- To undertake such further responsibilities as may be determined by the Board from time to time

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC has established a review process and proposed objective performance criteria set out in assessment checklists which are approved by the Board. The NC assesses the Board's effectiveness as a whole by completing the Board Assessment Checklist, which takes into consideration factors such as the Board's structure, conduct of meetings, risk management and internal control, and the Board's relationship with the Management.

The NC assesses the Board's performance based on a set of quantitative criteria and financial performance indicators as well as share price performance. The NC assesses the individual Directors' performance by completing an Individual Director Assessment Checklist, which takes into consideration factors such as commitment of time for meetings, level of participation and contribution at such meetings and the technical knowledge of the Directors.

The NC also undertakes a process to assess the effectiveness of the AC, RC and NC.

The NC, in considering the re-appointment of any Director, evaluates the performance of the Director. The NC and the Chairman of the Board implemented a collective assessment process that required each Director to assess the performance of the Board as a whole for FY 2019. The assessment process took into consideration, inter alia, Board structure, corporate strategy and planning, risk management and internal control, performance measurement and compensation, succession planning, financial reporting, conduct of meetings and communication with shareholders.

Although the Board's performance evaluation does not include a benchmark index of its industry peers, the Board assesses its effectiveness holistically through the completion of a questionnaire by each individual Director which includes questions covering the above-mentioned areas of assessment. The NC collates the results of these questionnaires and formally discusses the results collectively with other Board members to address any areas for improvement.

The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year. It is of the view that the performance of the Board as a whole has been satisfactory. The criteria include the level of participation in the Company such as his commitment of time to the Board and Board Committee meetings and his performance of tasks delegated to him. The NC has reviewed and is satisfied with the contribution by individual Directors to the effectiveness of the Board for FY 2019.

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In view of the composition of our Board, the Board, in conducting the collective assessment of its effectiveness, also takes into account the performance and effective functioning of each Board Committee. The NC has also reviewed the performance of the AC, RC and NC in terms of their roles and responsibilities and the conduct of their affairs as a whole for FY 2019. It is of the view that the performances of such Board Committees have been satisfactory.

The NC is of the view that the primary objective of the assessment exercise is to create a platform for the Board members to exchange feedback on the strengths and shortcomings of the Board with a view to strengthening its effectiveness. The assessment exercise also assists the Board to focus on their key responsibilities and helps the NC in determining whether to re-nominate Directors who are due for retirement at the next AGM including determining whether Directors with multiple Board representatives are able to and have adequately discharge their duties as Directors of the Company.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Remuneration Committee (“RC”)

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

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

The terms of reference for RC are as follow:

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

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

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

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

In FY 2019, 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 | 2 | 2 |
| Mr Lee Yong Guan | Independent | 2 | 2 |
| Mr Kam Boon Cheong | Independent | 2 | 2 |
| Mr Lim Chin Hong | Independent | 2 | 2 |

During FY 2019, the Company did not engage any remuneration consultant to seek advice on remuneration matters. Moving forward, the RC may consider the need to engage such external remuneration consultants and where applicable, it will review the independence of the external firm before engaging them.

Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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

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

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

The performance of the CEO and key executives are reviewed periodically by the RC to ensure that their remuneration commensurate with their scope of responsibilities, contributions and performance. Companies are encouraged to consider the use of contractual provisions to allow companies to reclaim incentive components of remuneration from executive directors and key management personnel, in exceptional circumstances of misstatement and misconduct resulting in financial loss to the Company. These provisions have been made in the service contract of our CEO. Independent Directors do not have service agreements with the Company. The Independent Directors receive Directors' fees and shares which are recommended by the Board for approval at the Company's AGM.

The Independent Directors are paid Directors' fees which take into consideration their contribution, effort, time spent and responsibilities. They are not overly remunerated to the extent that their independence may be compromised.

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Principle 8: Disclosure on Remuneration

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

In FY 2019, the remuneration of the Directors of the Company and Key Management Personnel of the Group are as follows:

| Directors of the Company | Total Remuneration (\$S'000) | Fee | Salary | AWS/ Ex-gratia | Allowances and Share Options | CPF | Total |
|----------------------------------|------------------------------|-----|--------|----------------|------------------------------|-----|-------|
| Mr Kwong Kim Mone ⁽¹⁾ | 83 | 47% | 40% | 6% | 6% | 1% | 100% |
| Mr Lim Chin Tong ⁽²⁾ | 430 | - | 52% | 37% | 9% | 2% | 100% |
| Mr Lee Yong Guan | 65 | 98% | - | - | 2% | - | 100% |
| Mr Pow Tien Tee | 44 | 97% | - | - | 3% | - | 100% |
| Mr Kam Boon Cheong | 44 | 97% | - | - | 3% | - | 100% |
| Mr Lim Chin Hong | 39 | 97% | - | - | 3% | - | 100% |

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

⁽²⁾ Appointed as Chief Executive Officer on 21 February 2019

| Key Executives of the Group | Fee | Salary | AWS/ Ex-gratia | Allowances and Share Options | CPF | Total |
|------------------------------------|-----|--------|----------------|------------------------------|-----|-------|
| <u>Below \$250,000</u> | | | | | | |
| Mr Tommy Ng Fook Keong | - | 60% | 27% | 4% | 9% | 100% |
| <u>Between \$250,000-\$499,999</u> | | | | | | |
| Mr Han Meng Kwang | - | 62% | 22% | 10% | 6% | 100% |
| Mr Dennis Foo Piau Yew | - | 51% | 31% | 12% | 6% | 100% |
| Mr Boh Teck Keong | - | 53% | 34% | 10% | 3% | 100% |

The Company has only four Key Management Personnel.

The total annual aggregate remuneration of the top four key management personnel (who are not directors or the CEO) in FY 2019 is S\$1,099,220. The RC and the Board are of the view that the remuneration of the Directors and key management personnel 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\$100,000 during FY 2019.

There is no employee who is a substantial shareholder of the Company whose remuneration exceeds S\$100,000 for FY 2019. There are no termination, retirement and post-employment benefits granted to Directors, the Chairman and Managing Director or the top four key management personnel in FY 2019.

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

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

The Company had adopted the MIT Employee Share Option Scheme (“ESOS”) in 2019 and information on ESOS is set out in the Statement by Directors on Page 49 and 50.

The MIT Performance Share Plan (“PSP”) has been renewed for a further period of 10 years from 27 April 2017 to 26 April 2027 at the general meeting held on 21 April 2017. Information on PSP is set out in the Statement by Directors on Page 50.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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

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

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

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

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

The Board has received assurance from the CEO and Financial Controller 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 2019 give a true and fair view of the Group’s operations and finances; and
- (b) the Company has received assurance from other key management personnel of the Group confirming that the Company’s and the Group’s risk management and internal control systems including financial, operational, compliance and information technology controls adequate and effective as at 31 December 2019.

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 2019 to address financial, operational, information technology and compliance risks, which the Group considers relevant and material to its operations.

Internal Audits

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.

CORPORATE GOVERNANCE

Principle 10: Audit Committee

The Board has an Audit Committee ("AC") which discharges its duties objectively.

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

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

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

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

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

The terms of reference for AC are as follow:

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

The AC also meets with the internal auditors and external auditors, without the presence of management, once in FY 2019. With the full co-operation of Management given to external auditors and internal auditors during their course of audit reviews, there was no significant issue which warranted to AC's attention.

In FY 2019, the number of AC meetings held and attended by each member of the Committee is as follows:

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

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

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

The amount of audit and non-audit fees for FY 2019 paid to the external auditors, RSM Chio Lim LLP, were S\$68,860 and S\$19,800 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 53 and 54 of the Annual Report, AC's view and responses are as follows:

| Key audit matters | AC's view and responses |
|----------------------------------|--|
| Gain on disposal of subsidiaries | <p>The gain on disposal of subsidiaries amounted to S\$52,510,475. This gain excludes the contingent receivable of S\$8,450,000, being the last 10% of the purchase consideration.</p> <p>Based on the Share Purchase Agreement, the remaining 10% of the purchase consideration is subject to adjustment on claim made by purchaser prior to the expiry of Escrow Claim Period of 19 August 2020.</p> <p>To ascertain the position on the treatment of this contingent receivable, management has seek legal advice on the Group's entitlement and was advised not to take any position that the Group's entitlement of the entire or any part of the remaining consideration for the disposal prior to the expiry date of the Escrow Claim Period is certain. The Group's entitlement can only be estimated after the purchaser has submitted their claim and such claim is settled. Accordingly, S\$8,450,000 has been excluded from the purchase consideration.</p> <p>The above procedures provided the AC with the assurance to concur with the management's conclusion on the measurement and estimation made as well as the appropriateness of the related disclosures made.</p> |

CORPORATE GOVERNANCE

Key audit matters

AC's view and responses

Impairment of trade receivables

The carrying amount of trade receivables, net of allowance for expected credit loss ("ECL") of S\$1.2 million, amounted to S\$2.0 million, which represents approximately 8% of the group's total assets as at the reporting year end.

The AC considered the management's assessment and justification used to estimate for allowance taking into consideration of past good business relationship with the customers. 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.

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.

Adequacy of inventory impairment allowance

The carrying amount of inventories amounted to S\$3.1 million, which accounted for approximately 12% of the group's total assets as at the reporting year end.

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.

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.

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 2019.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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

CORPORATE GOVERNANCE

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

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

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

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

A shareholder who is unable to attend the general meetings is entitled to appoint up to two proxies, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Act). 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 Committees' Chairpersons and Members of the Board were taken. Minutes of general meetings would be available to shareholders upon written requests.

The Company's Constitution does not allow for absentia voting at general meetings of shareholders as authentication of shareholder identity information and other related security issues remains a concern. However, the Constitution does allow a shareholder to vote either in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. A shareholder of a company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), the Company allows a shareholder who is a relevant intermediary to appoint more than 2 proxies to attend and vote in his stead at the forthcoming AGM.

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.

The Company will review its Constitution from time to time and make amendments to the Constitution to be in line with the applicable requirements or rules and regulations governing the continuing obligations.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and the Management. These are available to shareholders upon their request.

The Company does not publish minutes of general meetings of shareholders on its corporate website as contemplated by Provision 11.5 of the Code. There are potential adverse implications for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting), including risk of litigation if defamatory statements are made during the meeting. The Company is of the view that its position is consistent with

CORPORATE GOVERNANCE

the intent of Principle 11 as shareholders have a right to attend general meetings either in person or by proxy, where they may exercise their right to speak and vote and have the opportunity to communicate their views on various matters affecting the Company. Further, shareholders, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of minutes of general meetings in accordance with Section 189 of the Act. The Company is therefore of the view that, consistent with the intent of Principle 11, as between themselves, shareholders are treated fairly and equitably by the Company.

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

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

Principle 12: Engagement with Shareholders

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company uses various platforms to effectively engage the shareholders and the investment community, with an emphasis on timely, accurate, fair and transparent disclosure of information. In addition to general meetings and where the opportunities arise, the senior Management of the Company will also meet with investors, analysts and the media, as well as participate in investor relations activities to solicit and understand the views of the investment community.

The Company strives for timeliness and consistency in its disclosures to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcements via SGXNet. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable. Shareholders are provided with an update on the Group's performance, position and prospects through the Company's annual report.

The Company's half-year and full year results announcements, corporate presentations, announcements and press releases are issued via SGXNet. Shareholders have access to information on the Group via the Company's website. The Company discloses all material information on a timely basis to all shareholders. Where there is inadvertent disclosure made to a select group, the Company will endeavour to make the same disclosure publicly to all others promptly.

Shareholders are given the opportunity to pose questions to the Board or the Management at the general meetings. The members of the Board Committees will be present at the AGM to answer questions relating to matters overseen by the respective Board Committees.

MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company takes pride in meeting and exceeding the expectations of our stakeholders. Our engagement with material stakeholder groups, including key areas of focus and engagement channels are disclosed in the "Sustainability Report" section of the Annual Report.

The Group takes opportunities to engage our stakeholders and welcomes feedback on our sustainability report. For more information on the Company's stakeholder engagement, please refer to the Company's Sustainability Report.

Investment Committee (“IC”)

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

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

The duties of the IC include:

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

In FY 2019, 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 ⁽¹⁾ | Executive | 2 | 2 |
| Mr Lim Chin Tong ⁽²⁾ | Executive | 2 | 2 |
| Mr Lee Yong Guan | Independent | 2 | 2 |
| Mr Pow Tien Tee | Independent | 2 | 1 |
| Mr Kam Boon Cheong | Independent | 2 | 2 |
| Mr Lim Chin Hong | Independent | 2 | 2 |

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

⁽²⁾ Appointed as Chief Executive Officer on 21 February 2019

Material Contracts

Pursuant to a conditional share purchase agreement dated 18 July 2018 as amended, varied and modified by a substitution agreement dated 8 October 2018 and a supplemental agreement dated 4 January 2019, the Company had, on 20 February 2019, disposed its entire shareholding interest in its then wholly-owned subsidiary, MIT Semiconductor Pte. Ltd. and its subsidiaries to MIT Semiconductor (Tian Jin) Company Limited (砺铸智能设备(天津)有限公司) (the “Purchaser”) at a cash consideration of S\$84.5 million (the “Disposal”).

At the time of the Disposal, none of the Directors or Controlling Shareholders holds any interest, direct or indirect, in the Purchaser although it was envisaged that Mr. Kwong Kim Mone, the current Non-Executive and Non-Independent Chairman as well as a Controlling Shareholder of the Company, and his management team will acquire or subscribe for up to 10% of the equity interest of the Purchaser after completion of the Disposal has taken place. In view of Mr. Kwong Kim Mone’s anticipated participation in the equity interest of the Purchaser, the Directors, being conscious of the need to comply with the spirit of the Listing Manual (the “Listing Manual”) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and in order to demonstrate the exercise of proper corporate governance and to provide greater transparency, had deemed the Disposal as an “interested person transaction” within the meaning defined in Chapter 9 of the Listing Manual and had complied with the requirements of Chapter 9 of the Listing Manual when independent shareholders’ approval was being sought by the Company for the Disposal. Further information relating to the Disposal

CORPORATE GOVERNANCE

are contained in the Company's circular to shareholders dated 2 January 2019, a copy of which is available at the SGX-ST's website at www.sgx.com.

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

Interested Person Transactions

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

The Group has not obtained a general mandate from shareholders for Interested Person Transactions. All Interested Person Transactions are subject to review by the Board and the AC.

During FY2019, save for the Disposal as described in the preceding section titled "Material Contracts" which was deemed by the Directors to be an "interested person transaction", the aggregate value of all interested person transactions during FY2019 was as follows:-

| Name of Interested Person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (S\$'000) | Description of the transaction entered into with the interested person during the financial year under review | Aggregate value of all interested person transactions conducted during the financial year under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) |
|---------------------------|--|---|--|
| MIT Semiconductor Pte Ltd | 155 58 135 | Sales Shared Service Income Shared IT Services Expenses | N.A. |

Nature of Relationship:

Mr Kwong Kim Mone is a director of MIT Semiconductor Pte Ltd and also a Non-executive and non-independent Director and Chairman of the Company.

Securities Transactions

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

The Group issues circulars to its directors and officers informing them that they must not trade in the listed securities of the Company one month before the announcement of the Group's half-yearly and full year results and ending on the date of the announcement of such results. In compliance with Rule 1207(19)(b) of the Listing Manual of SGX-ST, 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.

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STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2019.

1. Opinion of the directors

In the opinion of the directors,

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

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

2. Directors

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

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

3. Directors' interests in shares and debentures

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

| Name of directors and companies 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 |
| The company: <u>Manufacturing Integration Technology Ltd.</u> | <u>Number of ordinary shares of no par value</u> | | | |
| Kwong Kim Mone | 4,984,118 | 6,734,118 | 120,627,910 | 120,627,910 |
| Lim Chin Tong | 1,804,000 | 2,096,000 | – | – |
| Lee Yong Guan | 461,000 | 486,000 | – | – |
| Pow Tien Tee | 150,000 | 175,000 | 9,000 | 9,000 |
| Kam Boon Cheong | 1,270,000 | 1,295,000 | – | – |
| Lim Chin Hong | – | 25,000 | – | – |

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:

MIT Technologies Pte Ltd

Number of ordinary shares of no par value

| | | | | |
|----------------|---------|---------|---|---|
| Kwong Kim Mone | 260,000 | 260,000 | – | – |
|----------------|---------|---------|---|---|

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

The directors' interests as at 21 January 2020 were the same as those at the end of the reporting year.

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

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

5. Shares options

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

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

At the end of the reporting year, there were 559,000 (2018: 6,654,500) 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 1.1.2019 | Granted | Lapsed | Exercised | Balance as at 31.12.2019 | Exercise Price | Expiry Date | |
|---|---------------------------|----------|---------------|------------------|-----------------------------|-------------------|-------------|---|
| <u>Options to subscribe number of unissued ordinary shares of no par value:</u> | | | | | | \$ | | |
| 14 May 2012 | 100,000 | – | – | 100,000 | – | 0.1000* | 13 May 2022 | # |
| 14 May 2012 | 150,000 | – | – | 150,000 | – | 0.0800** | 13 May 2022 | # |
| 9 June 2014 | 400,000 | – | – | 400,000 | – | 0.0650* | 8 June 2024 | # |
| 9 June 2014 | 450,000 | – | – | 450,000 | – | 0.0520** | 8 June 2024 | # |
| 20 May 2016 | 2,166,000 | – | 50,000 | 2,077,000 | 39,000 | 0.1940* | 19 May 2026 | # |
| 20 May 2016 | 2,788,500 | – | – | 2,768,500 | 20,000 | 0.1550** | 19 May 2026 | # |
| 5 June 2017 | 300,000 | – | – | 100,000 | 200,000 | 0.2450* | 4 June 2022 | # |
| 5 June 2017 | 300,000 | – | – | – | 300,000 | 0.1960** | 4 June 2022 | # |
| | <u>6,654,500</u> | <u>–</u> | <u>50,000</u> | <u>6,045,500</u> | <u>559,000</u> | | | |

STATEMENT BY DIRECTORS

5. Shares options (cont'd)

During the current reporting year, certain employees exercised a total of 6,045,500 share options under ESOS.

* Market price

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

Includes options granted to directors

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

| Name of directors | Options granted during the reporting year | Aggregate options granted since commencement of scheme to end of the reporting year | Aggregate options exercised since commencement of scheme to end of the reporting year | Aggregate options cancelled since commencement of scheme to end of the reporting year | Aggregate options outstanding as end of the reporting year | Exercise price |
|-------------------|---|---|---|---|--|-------------------|
| Kwong Kim Mone | – | 1,750,000 | (1,750,000) | – | – | \$0.052 – \$0.194 |
| Lim Chin Tong | – | 292,000 | (292,000) | – | – | \$0.155 – \$0.194 |
| Lee Yong Guan | – | 150,000 | (25,000) | – | 125,000 | \$0.196 – \$0.245 |
| Pow Tien Tee | – | 150,000 | (25,000) | – | 125,000 | \$0.196 – \$0.245 |
| Kam Boon Cheong | – | 150,000 | (25,000) | – | 125,000 | \$0.196 – \$0.245 |
| Lim Chin Hong | – | 150,000 | (25,000) | – | 125,000 | \$0.196 – \$0.245 |

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

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

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

6. Performance Share Plan

During the year, the company has issued and allotted 150,000 ordinary shares in the share capital of the company to the employee under Performance Share Plans ("PSP"). As at 31 December 2019, there were no outstanding performance shares held under PSP (2018: 150,000).

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

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

7. Independent Auditor

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

STATEMENT BY DIRECTORS

8. Report of audit committee

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

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

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

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

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

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

STATEMENT BY DIRECTORS

9. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2019.

10. Subsequent developments

There are no other significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 25 February 2020, 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

27 March 2020

.....
Lim Chin Tong
Director

INDEPENDENT AUDITOR'S REPORT

To the Members of
MANUFACTURING INTEGRATION TECHNOLOGY LTD.

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Manufacturing Integration Technology Ltd. (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS (I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

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

Key audit matters

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

Gain on disposal of subsidiaries

Refer to Note 2 for the relevant accounting policies, explanatory information and critical judgements, assumptions and estimation uncertainties; Note 11 on gains on disposal of subsidiaries. Also refer to the audit committee report in the annual report.

The gain on disposal of subsidiaries amounted to \$52,510,475, this gain excludes the contingent receivable of \$8,450,000, being the last 10% of the purchase consideration of \$84,500,000.

Based on the Share Purchase Agreement, the remaining 10% of the purchase consideration is subject to adjustment on claims made by the purchaser prior to the expiry of Escrow Claim Period of 19 August 2020.

To ascertain the group's position on the treatment of this contingent receivable, management has seek legal advice on the group's entitlement of the entire or any part of the remaining consideration for the disposal prior to the expiry date of the Escrow Claim Period is certain. The group's entitlement can only be stimulated after the purchaser has submitted their claim and such claim is settled. Accordingly, \$8,450,000 has been excluded from the estimated purchase consideration.

We have reviewed the Share Purchase Agreement and the reasons stated in the legal advice. We have discussed with management to understand their basis of this key judgement and the assumption made.

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

INDEPENDENT AUDITOR'S REPORT

To the Members of
MANUFACTURING INTEGRATION TECHNOLOGY LTD.

Key audit matters (cont'd)

Impairment of trade receivables

Refer to Note 2A for the relevant accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; Notes 20 and 37D for the breakdown in trade receivables and credit risk of the group respectively. Also refer to the audit committee report in the annual report.

The carrying amount of trade receivables, net of allowance for expected credit loss ("ECL") of \$1.2 million, amounted to \$2.0 million, which represents approximately 8% of the group's total assets as at the reporting year end.

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

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

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

Adequacy of inventory impairment allowance

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

The carrying amount of inventories amounted to \$3.1 million, which accounted for approximately 12% of the group's total assets as at the reporting year end.

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of
MANUFACTURING INTEGRATION TECHNOLOGY LTD.

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

27 March 2020

Engagement partner - effective from year ended 31 December 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

and Other Comprehensive Income

Year Ended 31 December 2019

| | | Group | |
|---|-------|----------------|----------------|
| | Notes | 2019 \$'000 | 2018 \$'000 |
| Revenue | 4 | 9,823 | 18,708 |
| Cost of sales | | (11,054) | (16,818) |
| Gross profit (loss) profit | | (1,231) | 1,890 |
| Other income and gains | 5 | 1,200 | 1,379 |
| Marketing and distribution costs | | (543) | (865) |
| Administrative expenses | 6 | (7,714) | (3,314) |
| Finance costs | 7 | (204) | (43) |
| Other losses | 5 | (1,532) | – |
| Loss before tax from continuing operations | | (10,024) | (953) |
| Income tax income (expenses) | 10 | 88 | (1,075) |
| Loss from continuing operations, net of tax | | (9,936) | (2,028) |
| Profit (loss) from discontinued operations, net of tax | 11 | 51,402 | (4,091) |
| Profit (loss) net of tax | | 41,466 | (6,119) |
| Other comprehensive income (loss): | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations, net of tax | | (40) | (124) |
| Other comprehensive loss for the year, net of tax | | (40) | (124) |
| Total comprehensive income (loss) for the year | | 41,426 | (6,243) |
| Earnings (loss) per share | | | |
| Earnings (loss) per share currency unit | | Cents | Cents |
| Basic | 12 | | |
| Continuing operations | | (4.17) | (0.88) |
| Discontinued operations | | 21.56 | (1.77) |
| Total | | 17.39 | (2.65) |
| Diluted | 12 | | |
| Continuing operations | | (4.17) | (0.86) |
| Discontinued operations | | 21.56 | (1.74) |
| Total | | 17.39 | (2.60) |

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

| | Notes | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Assets | | | | | |
| <u>Non-current assets</u> | | | | | |
| Plant and equipment | 13 | 1,124 | 993 | 444 | 134 |
| Right-of-use assets | 14 | 2,344 | – | 101 | – |
| Investment properties | 15 | 8,383 | 8,572 | 8,383 | 8,572 |
| Intangible assets | 16 | – | – | – | – |
| Development projects | 17 | – | – | – | – |
| Investments in subsidiaries | 18 | – | – | 851 | 30,440 |
| Total non-current assets | | 11,851 | 9,565 | 9,779 | 39,146 |
| <u>Current assets</u> | | | | | |
| Inventories | 19 | 3,088 | 3,026 | – | – |
| Trade and other receivables | 20 | 2,360 | 4,641 | 8,392 | 6,145 |
| Other non-financial assets | 21 | 255 | 414 | 40 | 116 |
| Cash and cash equivalents | 22 | 8,920 | 11,554 | 8,077 | 9,088 |
| | | 14,623 | 19,635 | 16,509 | 15,349 |
| Assets of a disposal group held for sale | 23 | – | 36,562 | – | – |
| Total current assets | | 14,623 | 56,197 | 16,509 | 15,349 |
| Total assets | | 26,474 | 65,762 | 26,288 | 54,495 |
| <u>Equity and liabilities</u> | | | | | |
| <u>Equity</u> | | | | | |
| Share capital | 24 | 28,294 | 47,742 | 28,294 | 47,742 |
| Other reserves | 27 | (151) | 91 | 31 | 233 |
| Accumulated losses | | (7,098) | (3,826) | (2,675) | (3,242) |
| Total equity | | 21,045 | 44,007 | 25,650 | 44,733 |
| <u>Non-current liability</u> | | | | | |
| Financial liabilities - lease liabilities | 28 | 1,802 | – | – | – |
| Total non-current liability | | 1,802 | – | – | – |
| <u>Current liabilities</u> | | | | | |
| Provisions | 29 | – | – | – | – |
| Income tax payable | | – | 74 | – | – |
| Other non-financial liabilities | 30 | 511 | – | – | – |
| Financial liabilities – lease liabilities | 28 | 645 | – | 97 | – |
| Trade and other payables | 31 | 2,085 | 4,033 | 541 | 2,762 |
| Other financial liabilities | 32 | 386 | 7,000 | – | 7,000 |
| | | 3,627 | 11,107 | 638 | 9,762 |
| Liabilities of a disposal group held for sale | 23 | – | 10,648 | – | – |
| Total current liabilities | | 3,627 | 21,755 | 638 | 9,762 |
| Total liabilities | | 5,429 | 21,755 | 638 | 9,762 |
| Total equity and liabilities | | 26,474 | 65,762 | 26,288 | 54,495 |

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2019

| Group | Total equity | Share capital | (Accumulated losses)/ Retained earnings | Translation reserves | Share option reserve |
|---|---------------|---------------|--|----------------------|----------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Current year: | | | | | |
| Opening balance at 1 January 2019 | 44,007 | 47,742 | (3,826) | (142) | 233 |
| Changes in equity: | | | | | |
| Total comprehensive income for the year | 41,426 | – | 41,466 | (40) | – |
| Exercise of share options (Note 27B) | – | – | 255 | – | (255) |
| Expiry of share options (Note 27B) | – | – | 2 | – | (2) |
| Issuance of shares pursuant to employee share option scheme | 961 | 961 | – | – | – |
| Share based payment expenses (Note 27B) | 55 | – | – | – | 55 |
| Dividends paid (Note 26) | (44,995) | – | (44,995) | – | – |
| Capital reduction (Note 24) | (20,409) | (20,409) | – | – | – |
| Closing balance at 31 December 2019 | 21,045 | 28,294 | (7,098) | (182) | 31 |
| Group | | | | | |
| Current year: | | | | | |
| Opening balance at 1 January 2018 | 51,130 | 47,051 | 3,832 | (18) | 265 |
| Changes in equity: | | | | | |
| Total comprehensive loss for the year | (6,243) | – | (6,119) | (124) | – |
| Exercise of share options (Note 27B) | – | – | 169 | – | (169) |
| Expiry of share options (Note 27B) | – | – | 17 | – | (17) |
| Issuance of shares pursuant to employee share option scheme | 691 | 691 | – | – | – |
| Share based payment expenses (Note 27B) | 154 | – | – | – | 154 |
| Dividends paid (Note 26) | (1,725) | – | (1,725) | – | – |
| Closing balance at 31 December 2018 | 44,007 | 47,742 | (3,826) | (142) | 233 |

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2019

| Company | Total equity | Share capital | (Accumulated losses)/ Retained earnings | Share option reserve |
|---|---------------|---------------|--|----------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current year: | | | | |
| Opening balance at 1 January 2019 | 44,733 | 47,742 | (3,242) | 233 |
| Changes in equity: | | | | |
| Total comprehensive income for the year | 45,305 | – | 45,305 | – |
| Exercise of share options (Note 27B) | – | – | 255 | (255) |
| Expiry of share options (Note 27B) | – | – | 2 | (2) |
| Issuance of shares pursuant to employee share option scheme | 961 | 961 | – | – |
| Share based payment expenses (Note 27B) | 55 | – | – | 55 |
| Dividends paid (Note 26) | (44,995) | – | (44,995) | – |
| Capital reduction (Note 24) | (20,409) | (20,409) | – | – |
| Closing balance at 31 December 2019 | 25,650 | 28,294 | (2,675) | 31 |
| Previous year: | | | | |
| Opening balance at 1 January 2018 | 50,376 | 47,051 | 3,060 | 265 |
| Changes in equity: | | | | |
| Total comprehensive loss for the year | (4,763) | – | (4,763) | – |
| Exercise of share options (Note 27B) | – | – | 169 | (169) |
| Expiry of share options (Note 27B) | – | – | 17 | (17) |
| Issuance of shares pursuant to employee share option scheme | 691 | 691 | – | – |
| Share based payment expenses (Note 27B) | 154 | – | – | 154 |
| Dividends paid (Note 26) | (1,725) | – | (1,725) | – |
| Closing balance at 31 December 2018 | 44,733 | 47,742 | (3,242) | 233 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2019

| | Group | |
|---|----------|---------|
| | 2019 | 2018 |
| Cash flows from operating activities | \$'000 | \$'000 |
| Loss before tax from continuing operations | (953) | (953) |
| Profit (loss) before tax from discontinued operations | 51,402 | (4,795) |
| | 41,378 | (5,748) |
| Adjustments for : | | |
| Depreciation of property, plant and equipment | 514 | 1,202 |
| Depreciation of investment properties | 189 | 189 |
| Depreciation of right-of-use assets | 749 | – |
| Interest income | (383) | (96) |
| Interest expense | 61 | 53 |
| Lease interest | 143 | – |
| Gains on disposal of other assets, non-current | – | (10) |
| Gains on disposal (Note 11) | (52,510) | – |
| Amortisation of development projects | – | 988 |
| Amortisation of intangible assets | – | 34 |
| Share based payment | 55 | 154 |
| Loss (gains) on disposal of development projects | 83 | (87) |
| Net effect of exchange rate changes in consolidating foreign operations | (113) | (54) |
| Operating cash flows before changes in working capital | (9,834) | (3,375) |
| Trade and other receivables | 2,281 | (150) |
| Other non-financial assets | 159 | 36 |
| Inventories | (145) | 1,087 |
| Other non-financial liabilities | 511 | – |
| Trade and other payables | (310) | (1,636) |
| Provisions | – | (125) |
| Net cash flows used in operation | (7,338) | (4,163) |
| Income tax refund (paid) | 14 | (862) |
| Net cash flows used in operating activities | (7,324) | (5,025) |
| Cash flows from investing activities | | |
| Proceeds on disposal of subsidiaries | 68,817 | – |
| Proceeds on disposal of development projects | – | 656 |
| Proceeds on disposal of plant and equipment | – | 1 |
| Proceeds on disposal of other assets, non-current | – | 10 |
| Purchase of plant and equipment | (605) | (1,151) |
| Development projects incurred | – | (2,713) |
| Interest received | 383 | 96 |
| Net cash flows from (used in) investing activities | 68,595 | (3,101) |
| Cash flows from financing activities | | |
| (Decrease) Increase in borrowings | (6,614) | 7,000 |
| Interest paid | (61) | (53) |
| Dividend paid | (44,995) | (1,725) |
| Capital reduction | (20,409) | – |
| Decrease in finance leases | – | (117) |
| Lease payments – principal portion paid | (787) | – |
| Issue of shares | 961 | 691 |
| Net cash flows (used in) from financing activities | (71,905) | 5,796 |
| Net decrease in cash and cash equivalents | (10,634) | (2,330) |
| Cash and cash equivalents, beginning balance | 19,554 | 21,884 |
| Cash and cash equivalents, ending balance (Note 22B) | 8,920 | 19,554 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

1. General

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

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors. The directors have the power to amend and reissue the financial statements.

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

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

The principal activities of the subsidiaries are described in Note 18 to the financial statements.

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

Statement of compliance with financial reporting standards

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

Accounting convention

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

Basis of preparation of the financial statements

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

Basis of presentation

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

NOTES TO THE FINANCIAL STATEMENTS

1. General (cont'd)

Basis of presentation (cont'd)

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

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

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

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

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

Other income

Rental income is recognised from operating leases as income on either a straight-line basis. Another systematic basis is used if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. Interest income is recognised using the effective interest method.

Employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS

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

2A. Significant accounting policies (cont'd)

Employee benefits (cont'd)

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

Share-based compensation

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

Borrowing costs

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

Foreign currency transactions

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

Translation of financial statements of other entities

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

NOTES TO THE FINANCIAL STATEMENTS

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

2A. Significant accounting policies (cont'd)

Income tax

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

A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

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

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

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

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

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

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. See Note 31 on provisions in which relates to dismantling and removing the items and to restore the site.

NOTES TO THE FINANCIAL STATEMENTS

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

2A. Significant accounting policies (cont'd)

Right-of-use assets

The right-of-use assets are accounted and presented as if they were owned such as property, plant and equipment.

Investment properties

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee as a right-of-use asset under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) 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 fair value model is used to measure the investment property at fair value as of the end of the reporting year. A gain or loss arising from a change in the fair value of investment property is included in profit or loss for the reporting year in which it arises. The fair values are measured periodically on a systematic basis at least once in three years by external independent professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of property being valued.

The annual rates of depreciation are as follows:

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

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-to-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense on the recognised lease liability (included in finance costs). Short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard whereby the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term. For these leases, a right-of-use asset is recognised.

Lessor

As a lessor the reporting entity classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Lease payments from operating leases are recognised as income on either a straight-line basis or another systematic basis over the term of the lease.

Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS

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

2A. Significant accounting policies (cont'd)

Intangible assets (cont'd)

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

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

Subsidiaries

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

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

Business combinations

There were no business combinations during the reporting year.

Inventories

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

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

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

2A. Significant accounting policies (cont'd)

Financial instruments

Recognition and derecognition of financial instruments:

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

Classification and measurement of financial assets:

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

Classification and measurement of financial liabilities:

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

NOTES TO THE FINANCIAL STATEMENTS

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

2A. Significant accounting policies (cont'd)

Cash and cash equivalents

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

Derivatives financial instruments

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

Fair value measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2B. Other explanatory information

Provisions

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

Treasury shares

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

Segment reporting

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

Assets classified as held for sale

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2C. Critical judgements, assumptions and estimation uncertainties

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

Allowance for trade receivables:

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

Net realisable value of inventories:

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

Income tax amounts:

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Assessment of impairment of right-of-use asset:

Significant judgment is applied by management when determining impairment of the right-of-use asset. Impairment is assessed for leased buildings used in operation. The impairment is sensitive to changes in estimated future expected sub-lease income and sub-lease period. Judgement is also involved when determining whether sub-lease contracts are financial or operational, as well as when determining lease term for contracts that has extension or termination options. The amount at the end of the reporting year for the group and the company were \$2,344,000 and \$100,000 respectively.

Measurement of impairment of subsidiaries:

Where a subsidiary is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset. The carrying amount of the specific asset (or class of assets) at the end of the reporting year affected by the assumption is approximately \$850,000 (2018: \$30,440,000).

Contingent receivables in relation to the disposal of subsidiaries:

A contingent receivable for the remaining 10% of the purchase consideration amounted to \$8,450,000 is subject to adjustment on claims made by the purchaser prior to the expiry of the Escrow Claim Period. Management has seek legal advice on the group's entitlement as was advised not to take any position that the group's entitlement of the entire or any part of the remaining consideration for the disposal prior to the expiry date of the Escrow Claim Period is certain. The group's entitlement can only be estimated after the purchaser has submitted their claim and such claim is settled. Accordingly, \$8,450,000 is excluded from the purchase consideration.

3. Related party relationships and transactions

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

The ultimate controlling party is Mr. Kwong Kim Mone.

3A. Members of a group:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

3B. Key management compensation:

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

In addition to transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

Significant related party transactions:

| | <u>Group</u> | |
|----------------------------|--------------|-------------|
| | <u>2019</u> | <u>2018</u> |
| | \$'000 | \$'000 |
| Sales | (155) | – |
| Shared service income | (58) | – |
| Shared IT service expenses | 135 | – |
| | <u>135</u> | <u>–</u> |

3C. Key management compensation:

| | <u>Group</u> | |
|---|--------------|-------------|
| | <u>2019</u> | <u>2018</u> |
| | \$'000 | \$'000 |
| Salaries and other short-term employee benefits | 1,718 | 2,970 |
| Post-employment benefits | 71 | 160 |
| Share-based payments | 16 | 63 |
| | <u>16</u> | <u>63</u> |

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

| | <u>Group</u> | |
|--|--------------|-------------|
| | <u>2019</u> | <u>2018</u> |
| | \$'000 | \$'000 |
| Remuneration of directors of the company | 468 | 783 |
| Remuneration of a director of a subsidiary | 327 | 247 |
| Fees to directors of the company | 226 | 134 |
| Share-based payments | 13 | 25 |
| | <u>13</u> | <u>25</u> |

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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:

| <u>Company</u> | <u>Subsidiaries</u> | |
|---|---------------------|---------------|
| | <u>2019</u> | <u>2018</u> |
| <u>Other receivables/(other payables):</u> | <u>\$'000</u> | <u>\$'000</u> |
| At beginning of the year – net debit | 2,453 | 4,876 |
| Amounts paid in and payment made on behalf of company | 10,714 | 21,463 |
| Amounts paid out and payment made on behalf of the subsidiaries | (6,661) | (23,971) |
| Reversal of allowance | – | 85 |
| Reclassified to related party | 1,638 | – |
| At end of the year – net debit | <u>8,144</u> | <u>2,453</u> |

Presented in the statement of financial position as follows:

| | | |
|--------------------------------|--------------|--------------|
| Other receivables (Note 20) | 8,144 | 4,091 |
| Other payables (Note 31) | – | (1,638) |
| At end of the year – net debit | <u>8,144</u> | <u>2,453</u> |

| <u>Related party</u> | <u>Group</u> | | <u>Company</u> | |
|---|---------------|---------------|----------------|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| <u>Other receivables/(other payables):</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| At beginning of the year | – | – | – | – |
| Reclassified from subsidiary | (1,638) | – | (1,638) | – |
| Amounts paid out and payment made on behalf of the subsidiaries | (2,827) | – | (2,759) | – |
| Amounts paid in and payment made on behalf of company | 4,658 | – | 4,389 | – |
| At end of the year – net debit (credit) | <u>193</u> | <u>–</u> | <u>(8)</u> | <u>–</u> |

Presented in the statement of financial position as follows:

| | | | | |
|---|------------|----------|------------|----------|
| Other receivables (Note 20) | 209 | – | 8 | – |
| Other payables (Note 31) | (16) | – | (16) | – |
| At end of the year – net debit (credit) | <u>193</u> | <u>–</u> | <u>(8)</u> | <u>–</u> |

NOTES TO THE FINANCIAL STATEMENTS

4. Revenue

Revenue from contracts with customers

| <u>Group</u> | <u>Continuing operations</u> | | <u>Discontinued operations</u> | | <u>Total</u> | |
|---------------|------------------------------|-----------------------|---|--|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>1.1.2019</u> to <u>20.2.2019</u> \$'000 | <u>1.1.2018</u> to <u>31.12.2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| | | | | | | |
| Sale of goods | 9,823 | 18,708 | 2,364 | 36,372 | 12,187 | 55,080 |

The revenue from sale of goods is recognised based on point in time. Also see Note 36F on the distribution of revenue by geographical region.

5. Other income and gains and (other losses)

| <u>Group</u> | <u>Continuing operations</u> | | <u>Discontinued operations</u> | | <u>Total</u> | |
|--|------------------------------|-----------------------|---|--|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>1.1.2019</u> to <u>20.2.2019</u> \$'000 | <u>1.1.2018</u> to <u>31.12.2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| | | | | | | |
| Amortisation of development projects | – | – | (104) | (988) | (104) | (988) |
| Foreign exchange adjustment gains (losses) – net | 23 | 36 | (17) | 88 | 6 | 124 |
| Gains on disposal of development projects | (83) | – | – | 87 | (83) | 87 |
| Gains on disposal of other assets, non-current | – | – | – | 10 | – | 10 |
| Interest income from financial institutions | 383 | 13 | – | 83 | 383 | 96 |
| Inventories written down | (1,384) | – | – | (444) | (1,384) | (444) |
| Allowance for impairment loss on trade receivables | (65) | – | – | – | (65) | – |
| Amortisation of intangible assets | – | – | – | (31) | – | (31) |
| Provision of product warranty, net of reversal | – | – | – | 54 | – | 54 |
| Reversal on allowance for impairment loss on inventories | – | – | – | 11 | – | 11 |
| Reversal on impairment loss on trade receivables | 243 | 669 | – | 103 | 243 | 772 |
| Shared service income (Note 3) | 58 | – | – | – | 58 | – |
| Rental income | 451 | 615 | – | – | 451 | 615 |
| Grant income | 12 | – | – | 40 | 12 | 40 |
| Other income | 30 | 46 | 15 | 54 | 45 | 100 |
| Net | <u>(332)</u> | <u>1,379</u> | <u>(106)</u> | <u>(933)</u> | <u>(438)</u> | <u>446</u> |
| Presented in profit or loss as: | | | | | | |
| Other income and other gains | 1,200 | 1,379 | 15 | 530 | 1,198 | 1,909 |
| Other losses | (1,532) | – | (121) | (1,463) | (1,636) | (1,463) |
| Net | <u>(332)</u> | <u>1,379</u> | <u>(106)</u> | <u>(933)</u> | <u>(438)</u> | <u>446</u> |

NOTES TO THE FINANCIAL STATEMENTS

6. Administrative expenses

The major components and other selected components include the following:

| <u>Group</u> | <u>Continuing operations</u> | | <u>Discontinued operations</u> | | <u>Total</u> | |
|---|------------------------------|-----------------------|--------------------------------|------------------------------|-----------------------|-----------------------|
| | | | 1.1.2019 to 20.2.2019 | 1.1.2018 to 31.12.2018 | | |
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>20.2.2019</u> \$'000 | <u>31.12.2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Employee benefits expense (Note 8) | 5,071 | 1,964 | 248 | 1,987 | 5,319 | 3,951 |
| Depreciation expense (Notes 13, 14 and 15) | 1,334 | 518 | 118 | 873 | 1,452 | 1,391 |
| Professional fees | 400 | 191 | 10 | 545 | 410 | 736 |

7. Finance costs

| <u>Group</u> | <u>Continuing operations</u> | | <u>Discontinued operations</u> | | <u>Total</u> | |
|-------------------------------|------------------------------|-----------------------|--------------------------------|------------------------------|-----------------------|-----------------------|
| | | | 1.1.2019 to 20.2.2019 | 1.1.2018 to 31.12.2018 | | |
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>20.2.2019</u> \$'000 | <u>31.12.2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Interest on lease liabilities | 143 | – | – | 10 | 143 | 10 |
| Interest expense | 61 | 43 | – | – | 61 | 43 |
| Total finance costs | 204 | 43 | – | 10 | 204 | 53 |

8. Employee benefits expense

| <u>Group</u> | <u>Continuing operations</u> | | <u>Discontinued operations</u> | | <u>Total</u> | |
|--|------------------------------|-----------------------|--------------------------------|------------------------------|-----------------------|-----------------------|
| | | | 1.1.2019 to 20.2.2019 | 1.1.2018 to 31.12.2018 | | |
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>20.2.2019</u> \$'000 | <u>31.12.2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Short term employee benefits expense | 4,462 | 5,180 | 1,443 | 10,567 | 5,905 | 15,747 |
| Contributions to defined contribution plans | 1,211 | 1,030 | 159 | 1,216 | 1,370 | 2,246 |
| Share-based payments: equity settled (Note 27B) | 55 | – | – | 154 | 55 | 154 |
| Other benefits | 3,032 | 124 | 25 | 223 | 3,057 | 347 |
| Total employee benefits expense | 8,760 | 6,334 | 1,627 | 12,160 | 10,387 | 18,494 |

NOTES TO THE FINANCIAL STATEMENTS

8. Employee benefits expense (cont'd)

The employee benefits expense is charged as follows:

| <u>Group</u> | <u>Continuing operations</u> | | <u>Discontinued operations</u> | | <u>Total</u> | |
|----------------------------------|------------------------------|-----------------------|--------------------------------|-----------------------------|-----------------------|-----------------------|
| | | | 1.1.2019 to | 1.1.2018 to | | |
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>20.2.2019</u> \$'000 | <u>31.12.2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Cost of sales | 3,321 | 3,742 | 1,021 | 7,531 | 4,342 | 11,273 |
| Marketing and distribution costs | 368 | 628 | 358 | 2,642 | 726 | 3,270 |
| Administrative expenses | 5,071 | 1,964 | 248 | 1,987 | 5,319 | 3,951 |
| Total | 8,760 | 6,334 | 1,627 | 12,160 | 10,387 | 18,494 |

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>2019</u> \$'000 | <u>2018</u> \$'000 |
| Audit fees to the independent auditor of the company | 55 | 120 |
| Audit fees to the other independent auditor | 14 | 26 |
| Other fees to the independent auditor of the company | 20 | 55 |

10. Income tax expense

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

| <u>Group</u> | <u>Continuing operations</u> | | <u>Discontinued operations</u> | | <u>Total</u> | |
|---|------------------------------|-----------------------|--------------------------------|-----------------------------|-----------------------|-----------------------|
| | | | 1.1.2019 to | 1.1.2018 to | | |
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>20.2.2019</u> \$'000 | <u>31.12.2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| <u>Current tax expense (income):</u> | | | | | | |
| Over adjustment in respect of prior periods | (88) | – | – | (921) | (88) | (921) |
| Subtotal | (88) | – | – | (921) | (88) | (921) |
| <u>Deferred tax expense:</u> | | | | | | |
| Deferred tax expense | – | 1,075 | – | 217 | – | 1,292 |
| Subtotal | – | 1,075 | – | 217 | – | 1,292 |
| Total income tax (income) expense | (88) | 1,075 | – | (704) | (88) | 371 |

NOTES TO THE FINANCIAL STATEMENTS

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% (2018: 17.0%) to profit or loss before income tax as a result of the following differences:

| | <u>Group</u> | |
|--|---------------|----------------|
| | <u>2019</u> | <u>2018</u> |
| | \$'000 | \$'000 |
| Loss before income tax from continuing operations | (10,024) | (953) |
| Profit (loss) before income tax from discontinued operations | 51,402 | (4,795) |
| Profit (loss) before income tax | <u>41,378</u> | <u>(5,748)</u> |
| Income tax expense (income) at the above rate | 7,034 | (977) |
| Expenses not deductible for tax purposes | 839 | 801 |
| Income not subject to tax | (8,829) | (346) |
| Reversal of deferred tax assets | – | 1,292 |
| Over adjustment in respect of prior periods | (88) | (921) |
| Stepped income exemption | – | (36) |
| Effect of different tax rates in different country | (111) | (53) |
| Deferred tax assets not recognised | 982 | 690 |
| Others | 85 | (79) |
| Total income tax (income) expense | <u>(88)</u> | <u>371</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

10. Income tax expense (cont'd)

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

| | <u>Group</u> | |
|--|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Excess of net book value of plant and equipment over tax values | – | (33) |
| Excess of tax values over net book value of plant and equipment | – | 68 |
| Wear and tear allowance carryforwards | – | 112 |
| Provision | – | 1,111 |
| Exchange difference | – | 34 |
| Total deferred tax expense recognised in profit or loss | – | 1,292 |

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

| | <u>Group</u> | | <u>Company</u> | |
|--|-----------------------|---|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| <u>Deferred tax assets:</u> | | | | |
| Excess of tax values over net book value of plant and equipment | 136 | 136 | 40 | 6 |
| Tax loss carryforwards | 6,016 | 5,013 | 649 | 232 |
| Wear & tear allowance carryforwards | 84 | 16 | 70 | 2 |
| Unrecognised deferred tax assets | (6,258) | (5,276) | (762) | (255) |
| Provisions | 22 | 111 | 3 | 15 |
| Net balance | – | – | – | – |
| <u>Unrecognised deferred tax assets:</u> | | | | |
| <u>Group</u> | | <u>Unrecognised deferred tax assets</u> | | |
| | <u>Tax losses</u> | | <u>assets</u> | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Unused tax losses available | 6,016 | 5,013 | 242 | 263 |
| Unrecognised deferred tax assets | 6,016 | 5,013 | 242 | 263 |
| <u>Company</u> | | <u>Unrecognised deferred tax assets</u> | | |
| | <u>Tax losses</u> | | <u>assets</u> | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Unused tax losses available | 649 | 232 | 114 | 23 |
| Unrecognised deferred tax assets | 649 | 232 | 114 | 23 |

NOTES TO THE FINANCIAL STATEMENTS

10. Income tax expense (cont'd)

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

The above deferred tax assets of the group have not been recognised as the future profit streams are not probable against which the deductible temporary difference can be utilised. For the Singapore companies, the realisation of the future income tax benefits from tax loss carryforwards and temporary differences is available for an unlimited future period subject to agreement by tax authority and conditions imposed by law including the retention of majority shareholders as defined. The estimated unrecognised deferred tax assets on accumulated tax losses carryforwards for the group is approximately \$242,000 (2018: \$263,000) subsisting as at the end of the reporting year.

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

11. Discontinued operations

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

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

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

On 20 February 2019, the sale of the Target Companies had been completed. From this date, control of Target Companies was passed to the acquirer. As a result of the disposal, the entire semiconductor business is presented as discontinued operations.

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

| | Group | |
|--|--|---|
| | 1.1.2019 to <u>20.2.2019</u> \$'000 | 1.1.2018 to <u>31.12.2018</u> \$'000 |
| Revenue | 2,364 | 36,372 |
| Cost of sales | <u>(2,377)</u> | <u>(31,095)</u> |
| Gross (loss) profit | (13) | 5,277 |
| Other income and gains | 15 | 530 |
| Marketing and distribution costs | (463) | (4,655) |
| Administrative expenses | (526) | (4,474) |
| Other losses | (121) | (1,463) |
| Finance costs | – | (10) |
| Loss before tax | <u>(1,108)</u> | <u>(4,795)</u> |
| Income tax income | – | 704 |
| Loss after tax before disposal gain for the year | <u>(1,108)</u> | <u>(4,091)</u> |
| Gain on disposal | <u>52,510</u> | <u>–</u> |
| Total profit (loss) on discontinued operations | <u>51,402</u> | <u>(4,091)</u> |

NOTES TO THE FINANCIAL STATEMENTS

11. Discontinued operations (cont'd)

The gain arose on the disposal of subsidiaries, being the consideration received on disposal less the carrying amount of the subsidiaries' net assets and other adjustments. No tax charge or credit arose from the transaction.

The following table is a summary of the carrying value assets and liabilities of the subsidiaries that were sold on 20 February 2019.

| | Disposal group <u>20.2.2019</u> \$'000 |
|------------------------------|--|
| Plant and equipment | 1,133 |
| Intangible assets | 14 |
| Development projects | 4,862 |
| Inventories | 12,537 |
| Trade and other receivables | 7,959 |
| Other non-financial assets | 319 |
| Cash and cash equivalents | 4,789 |
| Provisions | (58) |
| Trade and other payables | (5,111) |
| Net assets of disposal group | 26,444 |
| Gain on disposal | 52,510 |
| Directly attributed expenses | 3,855 |
| Other adjustments | (95) |
| Total consideration | 82,714 |

The remaining 10% of the purchase consideration amounted to \$8,450,000 is subject to adjustment on claims made by the purchaser prior to the expiry of the Escrow Claim Period on 19 August 2020. Management has seek legal advice on their entitlement of this amount and was advised not to take any position on the entitlement of the entire or any part of remaining consideration for disposal prior to the expiry date of the Escrow Claim period is certain. Accordingly, \$8,450,000 is excluded from the purchase consideration.

| | Group <u>2019</u> \$'000 |
|--|--------------------------------|
| Net cash inflow on disposal: | |
| Cash consideration | 82,714 |
| Settlement of advances required by purchaser injected as share capital in disposal group | (8,000) |
| Cash balance disposed of | (4,789) |
| Net loss of disposal group as at disposal date | (1,108) |
| Net cash inflow | 68,817 |

NOTES TO THE FINANCIAL STATEMENTS

11. Discontinued operations (cont'd)

The cash flows of subsidiaries, MIT Semiconductor Pte. Ltd. and its subsidiaries for the previous year and for the period from the beginning of the reporting year to 20 February 2019, which have been included in the consolidated financial statements, were as follows:

| | <u>Group</u> | |
|----------------------|---|--|
| | Period ended <u>20.2.2019</u> \$'000 | Year ended <u>31.12.2018</u> \$'000 |
| Operating cash flows | (4,592) | 8,506 |
| Investing activities | (257) | (2,470) |
| Financing activities | – | (3,396) |
| Total cash flows | <u>(4,849)</u> | <u>2,640</u> |

12. Earnings per share

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

| | <u>Group</u> | |
|---|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| A. Numerators: earnings (loss) attributable to equity: | | |
| Continuing operations: attributable to equity holders | (9,936) | (2,028) |
| Discontinued operations: earnings (loss) for the year | <u>51,402</u> | <u>(4,091)</u> |
| | No: '000 | No: '000 |
| B. Denominators: weighted average number of equity shares | | |
| Basic | 238,483 | 231,368 |
| Dilutive share options effect | <u>3</u> | <u>3,347</u> |
| C. Diluted | <u>238,486</u> | <u>234,715</u> |

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

13. Property, plant and equipment

| <u>Group</u> | <u>Renovations</u> \$'000 | <u>Plant and equipment</u> \$'000 | <u>Total</u> \$'000 |
|---|------------------------------|--------------------------------------|------------------------|
| <u>Cost:</u> | | | |
| At 1 January 2018 | 1,725 | 11,312 | 13,037 |
| Foreign exchange adjustments | (27) | (222) | (249) |
| Additions | 313 | 838 | 1,151 |
| Disposal | – | (400) | (400) |
| Transfer to assets held for sale | (733) | (5,134) | (5,867) |
| At 31 December 2018 | 1,278 | 6,394 | 7,672 |
| Foreign exchange adjustments | (19) | (141) | (160) |
| Additions | 46 | 559 | 605 |
| Disposal | – | (133) | (133) |
| At 31 December 2019 | 1,305 | 6,679 | 7,984 |
| <u>Accumulated depreciation and impairment:</u> | | | |
| At 1 January 2018 | 1,581 | 9,193 | 10,774 |
| Foreign exchange adjustments | (26) | (218) | (244) |
| Depreciation for the year | 128 | 1,074 | 1,202 |
| Disposal | – | (399) | (399) |
| Transfer to assets held for sale | (729) | (3,925) | (4,654) |
| At 31 December 2018 | 954 | 5,725 | 6,679 |
| Foreign exchange adjustments | (19) | (189) | (208) |
| Depreciation for the year | 148 | 366 | 514 |
| Disposal | – | (125) | (125) |
| At 31 December 2019 | 1,083 | 5,777 | 6,860 |
| <u>Carrying value:</u> | | | |
| At 1 January 2018 | 144 | 2,119 | 2,263 |
| At 31 December 2018 | 324 | 669 | 993 |
| At 31 December 2019 | 222 | 902 | 1,124 |

Allocation of the depreciation expense:

| | <u>Group</u> | |
|-------------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Cost of sales | 15 | 33 |
| Administrative expenses | 499 | 1,169 |
| Total | 514 | 1,202 |

NOTES TO THE FINANCIAL STATEMENTS

13. 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 2018 | 775 | 4,759 | 5,534 |
| Additions | – | 239 | 239 |
| Written off | – | (137) | (137) |
| Transfer to assets held for sale | (702) | (4,525) | (5,227) |
| At 31 December 2018 | 73 | 336 | 409 |
| Additions | 28 | 377 | 405 |
| At 31 December 2019 | 101 | 713 | 814 |
| <u>Accumulated depreciation:</u> | | | |
| At 1 January 2018 | 744 | 3,169 | 3,913 |
| Depreciation for the year | 10 | 264 | 274 |
| Written off | – | (137) | (137) |
| Transfer to assets held for sale | (681) | (3,094) | (3,775) |
| At 31 December 2018 | 73 | 202 | 275 |
| Depreciation for the year | 7 | 88 | 95 |
| At 31 December 2019 | 80 | 290 | 370 |
| <u>Carrying value:</u> | | | |
| At 1 January 2018 | 31 | 1,590 | 1,621 |
| At 31 December 2018 | – | 134 | 134 |
| At 31 December 2019 | 21 | 423 | 444 |

The depreciation expense is recorded under administrative expenses.

14. Right-of-use assets

The right-of-use assets in the statement of financial position. The details are as follows:

| <u>Group</u> | <u>Buildings</u> \$'000 | <u>Total</u> \$'000 |
|------------------------------------|----------------------------|------------------------|
| <u>Cost:</u> | | |
| At 1 January 2019 | – | – |
| Impact of adoption of SFRS(I) - 16 | 3,137 | 3,137 |
| Foreign exchange adjustments | (44) | (44) |
| At 31 December 2019 | 3,093 | 3,093 |
| <u>Accumulated depreciation:</u> | | |
| At 1 January 2019 | – | – |
| Depreciation for the year | 749 | 749 |
| At 31 December 2019 | 749 | 749 |

NOTES TO THE FINANCIAL STATEMENTS

14. Right-of-use assets (cont'd)

| <u>Group</u> | <u>Buildings</u> \$'000 | <u>Total</u> \$'000 |
|------------------------|----------------------------|------------------------|
| <u>Carrying value:</u> | | |
| At 1 January 2019 | – | – |
| At 31 December 2019 | 2,344 | 2,344 |

Allocation of the depreciation expense:

| <u>Group:</u> | <u>2019</u> \$'000 |
|-------------------------|-----------------------|
| Cost of sales | 491 |
| Administrative expenses | 258 |
| Total | 749 |

| <u>Company</u> | <u>Buildings</u> \$'000 | <u>Total</u> \$'000 |
|------------------------------------|----------------------------|------------------------|
| <u>Cost:</u> | | |
| At 1 January 2019 | – | – |
| Impact of adoption of SFRS(I) - 16 | 229 | 229 |
| At 31 December 2019 | 229 | 229 |

| | | |
|----------------------------------|-----|-----|
| <u>Accumulated depreciation:</u> | | |
| At 1 January 2019 | – | – |
| Depreciation for the year | 128 | 128 |
| At 31 December 2019 | 128 | 128 |

| | | |
|------------------------|-----|-----|
| <u>Carrying value:</u> | | |
| At 1 January 2019 | – | – |
| At 31 December 2019 | 101 | 101 |

The depreciation expense is recorded under administrative expenses.

Other information about the leasing activities relating to the right-to-use assets are summarised as follows:

| | <u>Group</u> <u>2019</u> | <u>Company</u> <u>2019</u> |
|---|-----------------------------|-------------------------------|
| Number of right-to-use assets | 4 | 1 |
| Remaining term – range | 0.67 years to 3.50 years | 0.83 years |
| Remaining term – average | 1.46 years | 0.83 years |
| Number of leases with extension options | 2 | 1 |
| Number of leases with termination options | 4 | 1 |

The building leases are for rentals payable for the factories and offices. The lease rental terms are negotiated for an average term of three years and rentals are subject to an escalation clause.

Management has elected to measure right-of-use assets at the amount of the lease liability on adoption.

NOTES TO THE FINANCIAL STATEMENTS

15. Investment properties

| | <u>Group and company</u> | |
|---|--|--|
| | <u>2019</u> | <u>2018</u> |
| | \$'000 | \$'000 |
| <u>At cost:</u> | | |
| At beginning of the year and at end of the year | 9,471 | 9,471 |
| <u>Accumulated depreciation:</u> | | |
| At beginning of the year | 899 | 710 |
| Depreciation for the year | 189 | 189 |
| At end of the year | 1,088 | 899 |
| <u>Carrying value:</u> | | |
| At end of the year | 8,383 | 8,572 |
| Fair value for disclosure purposes only: | | |
| Fair value at end of the year | 12,210 | 12,210 |
| Rental income from investment properties (Note 5) | 451 | 615 |
| Details of leasehold properties: | | |
| <u>Description/Location</u> | <u>Tenure of Land/ (Gross floor area)</u> | <u>Last valuation date</u> |
| Singapore: | | |
| (A) 7 Yishun Industrial Street 1, #07-38, Singapore 768162 | Property: 60 years from 2011 (1,062 square metres) | Commercial property. Revalued in October 2018. |
| (B) 7 Yishun Industrial Street 1, #06-38/39, Singapore 768162 | Property: 60 years from 2011 (2,290 square metres) | Commercial property. Revalued in October 2018. |

All the investment properties were mortgaged or pledged as security for the bank facilities subsisting as at 31 December 2019 (see Note 32).

The investment properties are leased out under operating leases. Also see Note 34 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 as at end of the reporting year is based on a valuation made by CKS Property Consultants Pte Ltd, a firm of independent professional valuers on 24 October 2018 adjusted with fluctuation of Industrial Property price index published by Singapore Government. The valuation method was based on market comparison method, a comparison with recent transactions of similar properties, preferably in vicinity, and adjusted to take into account certain factors and circumstances.

NOTES TO THE FINANCIAL STATEMENTS

15. 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:

| | |
|--|--|
| Assets: | (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) \$4,230,000 (2018: \$4,230,000), Level 3 (2018: Level 3); (B) \$7,989,000 (2018: \$7,980,000), Level 3 (2018: Level 3). |
| Valuation technique for recurring fair value measurements: | Comparison with market evidence of recent offer to sell prices for similar properties. |
| Significant unobservable (2019 and 2018: observable) inputs and range: | Price per square meters. (A) \$3,983 (2018 : \$3,983) (B) \$3,485 (2018: \$3,485) |
| Relationship of unobservable inputs to fair value: | 2019: Favourable (adverse) change in the latest selling price in the market will increase (decrease) fair value 2018: Favourable (adverse) change in the latest selling price in the market will increase (decrease) fair value |
| Sensitivity on management's estimates – 10% variation from estimate | 2019 Impact (A) – lower by \$424,000; higher by \$424,000 (B) – lower by \$799,000; higher by \$799,000 |

16. Intangible assets

| | <u>Patents</u> | |
|---|------------------------|--------------------------|
| | <u>Group</u> \$'000 | <u>Company</u> \$'000 |
| <u>Cost:</u> | | |
| At 1 January 2018 | 606 | 606 |
| Transfer to assets held for sale | (520) | (520) |
| At 31 December 2018 and 31 December 2019 | 86 | 86 |
| <u>Accumulated amortisation and impairment:</u> | | |
| At 1 January 2018 | 558 | 441 |
| Amortisation for the year | 34 | 11 |
| Transfer to assets held for sale | (506) | (366) |
| At 31 December 2018 and 31 December 2019 | 86 | 86 |
| <u>Carrying value:</u> | | |
| At 1 January 2018 | 48 | 48 |
| At 31 December 2018 | – | – |
| At 31 December 2019 | – | – |

NOTES TO THE FINANCIAL STATEMENTS

17. Development projects

| | <u>Group</u> \$'000 | <u>Company</u> \$'000 |
|--|------------------------|--------------------------|
| <u>Cost:</u> | | |
| At 1 January 2018 | 8,601 | 7,500 |
| Additions | 2,713 | 620 |
| Disposals | (569) | (243) |
| Transfer to assets held for sale | <u>(10,745)</u> | <u>(7,877)</u> |
| At 31 December 2018 and 31 December 2019 | <u>–</u> | <u>–</u> |
| <u>Accumulated amortisation:</u> | | |
| At 1 January 2018 | 5,009 | 4,372 |
| Amortisation for the year | 988 | 329 |
| Transfer to assets held for sale | <u>(5,997)</u> | <u>(4,701)</u> |
| At 31 December 2018 and 31 December 2019 | <u>–</u> | <u>–</u> |
| <u>Carrying value:</u> | | |
| At 1 January 2018 | <u>3,592</u> | <u>3,128</u> |
| At 31 December 2018 and 31 December 2019 | <u>–</u> | <u>–</u> |

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

In previous financial year, the group has specific programmes for the commercialisation of these products.

18. Investments in subsidiaries

| | <u>Company</u> | |
|--|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Movements during the year. At cost: | | |
| At beginning of the year | 30,440 | 5,990 |
| Additions | – | 30,784 |
| Disposals of subsidiaries | (26,984) | – |
| Transfer to subsidiary as a result of restructuring | – | (12,704) |
| Reduction of quasi-equity loans | (316) | (2,122) |
| (Allowance) reversal for impairment | <u>(2,289)</u> | <u>8,492</u> |
| Cost at the end of the year | <u>851</u> | <u>30,440</u> |
| Carrying value in the books of the company comprising: | | |
| Unquoted equity shares at cost | 2,424 | 29,408 |
| Quasi-equity loans (Note A) | 20,008 | 20,324 |
| Allowance for impairment on unquoted equity shares | (2,424) | (2,423) |
| Allowance for impairment on quasi-equity loans | <u>(19,157)</u> | <u>(16,869)</u> |
| Total at cost | <u>851</u> | <u>30,440</u> |
| Movements in allowance for impairment: | | |
| Balance at beginning of the year | 19,292 | 27,784 |
| Impairment loss reversed on investments charged to profit or loss | – | (7,095) |
| Impairment loss on quasi-equity loans charged/(reversed) charged to profit or loss | <u>2,289</u> | <u>(1,397)</u> |
| Balance at end of the year | <u>21,581</u> | <u>19,292</u> |

NOTES TO THE FINANCIAL STATEMENTS

18. Investments in subsidiaries (cont'd)

Note A:

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

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

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

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

The subsidiaries held by the company are listed below:

| Name of subsidiaries, country of incorporation, place of operations and principal activities and independent auditor | Cost | | Effective percentage of equity held | |
|--|--------|--------|---|------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | % | % |
| <u>Held by the company:</u> | | | | |
| 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 |
| Automated Manufacturing Solutions Pte. Ltd. (a) Singapore Manufacturing and repair of lifting and handling equipment | 824 | 824 | 100 | 100 |
| MIT Semiconductor Pte. Ltd. (disposed on 20 February 2019) (a)(c) Singapore Design and manufacturing of semiconductor equipment | – | 26,984 | – | 100 |
| | 2,424 | 29,408 | | |
| <u>Held by Semiconductor Precision Technology Pte Ltd:</u> | | | | |
| MIT (Shanghai) Co., Ltd (b) People's Republic of China Design, manufacture and distribution of automated equipment and components for electronic and semiconductor industries | | | 100 | 100 |
| <u>Held by MIT Semiconductor Pte. Ltd.</u> | | | | |
| Generic Power Pte Ltd (disposed on 20 February 2019) (a)(c) Singapore Design and manufacturing of vision inspection system | | | – | 100 |
| i.PAC Manufacturing Pte. Ltd. (disposed on 20 February 2019) (a)(c) Singapore Contract equipment manufacturing | | | – | 100 |

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

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

(c) These subsidiaries were disposed during the reporting year at the date shown.

NOTES TO THE FINANCIAL STATEMENTS

19. Inventories

| | <u>Group</u> | | <u>Company</u> | |
|------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Raw materials | 165 | 1,164 | – | – |
| Work-in-progress | 2,506 | 1,042 | – | – |
| Finished goods | 417 | 820 | – | – |
| | <u>3,088</u> | <u>3,026</u> | <u>–</u> | <u>–</u> |

Inventories are stated after allowance. Movement in allowance:

| | <u>Group</u> | | <u>Company</u> | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| At beginning of the year | 2,020 | 3,774 | 768 | 1,885 |
| Reversed to profit or loss in other income and other gains | – | (11) | – | – |
| Charged to profit or loss in other losses | 1,384 | 444 | – | 436 |
| Inventories previously impaired now written off | (926) | – | (768) | – |
| Foreign exchange adjustments | (40) | (117) | – | – |
| Transfer to assets held for sale – net | – | (2,070) | – | (1,553) |
| At end of the year | <u>2,438</u> | <u>2,020</u> | <u>–</u> | <u>768</u> |
| Increase (Decrease) in inventories of finished goods and work-in-progress | <u>1,061</u> | <u>(10,588)</u> | <u>–</u> | <u>(1,304)</u> |
| Raw materials and consumables used | <u>8,516</u> | <u>16,741</u> | <u>1,834</u> | <u>11,422</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.

20. Trade and other receivables

| | <u>Group</u> | | <u>Company</u> | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| <u>Trade receivables:</u> | | | | |
| Outside parties | 3,276 | 5,904 | 242 | 1,897 |
| Subsidiaries | – | – | – | 77 |
| Less: allowance for impairment | <u>(1,228)</u> | <u>(1,430)</u> | <u>(102)</u> | <u>(69)</u> |
| Net trade receivables – subtotal | <u>2,048</u> | <u>4,474</u> | <u>140</u> | <u>1,905</u> |
| <u>Other receivables:</u> | | | | |
| Advances to employees | – | 17 | – | – |
| Subsidiaries (Note 3) | – | – | 11,074 | 7,021 |
| Less: allowance for impairment on other receivables from subsidiaries | – | – | (2,930) | (2,930) |
| Related party (Note 3) | 209 | – | 8 | – |
| Forward currency contracts (Note 35) | – | 28 | – | 28 |
| Other receivables | <u>103</u> | <u>122</u> | <u>100</u> | <u>121</u> |
| Net other receivables – subtotal | <u>312</u> | <u>167</u> | <u>8,252</u> | <u>4,240</u> |
| Total trade and other receivables | <u>2,360</u> | <u>4,641</u> | <u>8,392</u> | <u>6,145</u> |

NOTES TO THE FINANCIAL STATEMENTS

20. Trade and other receivables (cont'd)

| | <u>Group</u> | | <u>Company</u> | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Movements in above allowance: | | | | |
| At beginning of the year | 1,430 | 2,257 | 2,999 | 3,185 |
| Foreign exchange adjustments | (24) | (55) | – | – |
| (Reversal) charge for trade receivables to profit or loss included in other (gains) losses | (178) | (772) | 33 | (101) |
| Reversal for other receivables from subsidiaries to profit or loss included in other gains | – | – | – | (85) |
| At end of the year | <u>1,228</u> | <u>1,430</u> | <u>3,032</u> | <u>2,999</u> |

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

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

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

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

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 90 days (2018: 30 to 90 days). But some customers take a longer period to settle the amounts.

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

| | <u>Group</u> | | <u>Company</u> | |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Trade receivables: | | | | |
| 61 to 90 days | 20 | 244 | – | 199 |
| 91 to 180 days | 24 | 619 | – | 184 |
| Over 180 days | 57 | 1,871 | – | 503 |
| Total | <u>101</u> | <u>2,734</u> | <u>–</u> | <u>886</u> |

NOTES TO THE FINANCIAL STATEMENTS

20. Trade and other receivables (cont'd)

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

| | Group | | Company | |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Trade receivables: | | | | |
| Over 180 days | <u>1,228</u> | <u>1,430</u> | <u>102</u> | <u>69</u> |
| Total | <u>1,228</u> | <u>1,430</u> | <u>102</u> | <u>69</u> |

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

| | Group | | Company | |
|-----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Top 1 customer | 1,030 | 3,074 | 107 | 231 |
| Top 2 customers | 1,808 | 4,727 | 116 | 450 |
| Top 3 customers | <u>2,255</u> | <u>5,887</u> | <u>116</u> | <u>571</u> |

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

21. Other non-financial assets

| | Group | | Company | |
|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Deposits to secure services | 93 | 184 | 3 | 54 |
| Prepayments | <u>162</u> | <u>230</u> | <u>37</u> | <u>62</u> |
| | <u>255</u> | <u>414</u> | <u>40</u> | <u>116</u> |

22. Cash and cash equivalents

| | Group | | Company | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Not restricted in use | <u>8,920</u> | <u>11,554</u> | <u>8,077</u> | <u>9,088</u> |
| Interest earning balances maturing within 1 to 2 months | <u>7,193</u> | <u>–</u> | <u>7,000</u> | <u>–</u> |

During the year, the rate of interest for the cash on interest earning accounts is between 0.30% and 1.77% (2018: 0.30% and 1.80%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

22. Cash and cash equivalents (cont'd)

22A. Reconciliation of liabilities arising from financing activities:

| <u>Group</u> | <u>2018</u> \$'000 | Adoption of <u>SFRS(I)-16</u> \$'000 | <u>Cash flows</u> \$'000 | <u>Non-cash</u> <u>changes</u> \$'000 | <u>2019</u> \$'000 |
|---|-----------------------|--|-----------------------------|---|-----------------------|
| Other financial liabilities | 7,000 | – | (6,614) | – | 386 |
| Lease liabilities | – | 3,091 | (787) | 143 | 2,447 |
| Total liabilities from financing activities | <u>7,000</u> | <u>3,091</u> | <u>(7,401)</u> | <u>143</u> | <u>2,833</u> |

| <u>Group</u> | <u>2017</u> \$'000 | <u>Cash flows</u> \$'000 | <u>Non-cash</u> <u>changes</u> \$'000 | <u>2018</u> \$'000 |
|---|-----------------------|-----------------------------|---|-----------------------|
| Other financial liabilities | – | 7,000 | – | 7,000 |
| Finance lease liabilities | 117 | (117) | – | – |
| Total liabilities from financing activities | <u>117</u> | <u>(6,883)</u> | <u>–</u> | <u>7,000</u> |

22B. Reconciliation of consolidated statement of cash flows:

| <u>Group</u> | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
|---|-----------------------|-----------------------|
| Cash and cash equivalents in the statements of financial position | 8,920 | 11,554 |
| Cash and cash equivalents included in a disposal group held for sale | – | 8,000 |
| Cash and cash equivalents in the consolidated statement of cash flows | <u>8,920</u> | <u>19,554</u> |

23. Assets held for sale

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

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

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

| <u>Assets:</u> | <u>2018</u> \$'000 |
|---------------------------------|-----------------------|
| Plant and equipment | 1,213 |
| Intangible assets | 14 |
| Development projects | 4,748 |
| Inventories | 12,344 |
| Trade and other receivables | 9,877 |
| Other assets, current | 366 |
| Cash and cash equivalents | 8,000 |
| Total assets at end of the year | <u>36,562</u> |

NOTES TO THE FINANCIAL STATEMENTS

23. Assets held for sale (cont'd)

| | 2018 \$'000 |
|--|----------------|
| <u>Liabilities:</u> | |
| Provisions | 47 |
| Trade and other payables | 10,601 |
| Total liabilities at end of the year | <u>10,648</u> |
| Net carrying amount at end of the year | <u>25,914</u> |

The sale of the disposal group was completed on 20 February 2019.

24. Share capital

| <u>Group and Company</u> | Number of ordinary shares issued '000 | Share capital \$'000 | Total \$'000 |
|---|--|-------------------------|-----------------|
| <u>Ordinary shares of no par value:</u> | | | |
| At beginning of the year 1 January 2017 | 229,287 | 47,051 | 47,051 |
| Exercise of share options (Note 25) | 4,230 | 613 | 613 |
| Issuance of shares under performance share plan (Note 25) | 400 | 78 | 78 |
| Balance at end of the year 31 December 2018 | <u>233,917</u> | <u>47,742</u> | <u>47,742</u> |
| Exercise of share options (Note 25) | 6,045 | 928 | 928 |
| Issuance of shares under performance share plan (Note 25) | 150 | 33 | 33 |
| Capital reduction | – | (20,409) | (20,409) |
| Balance at end of the year 31 December 2018 | <u>240,112</u> | <u>28,294</u> | <u>28,294</u> |

During the financial year, the company returned \$0.085 in cash for each ordinary shares, amounting to \$20,409,560 (2018: Nil) pursuant to a capital reduction under Section 78G of the Companies Act.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

24. Share capital (cont'd)

| | Group | | Company | |
|---|----------------|-----------------|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Net debt: | | | | |
| All current and non-current borrowings including leases | 2,833 | 7,000 | 97 | 7,000 |
| Less: Cash and cash equivalents | <u>(8,920)</u> | <u>(11,554)</u> | <u>(8,077)</u> | <u>(9,088)</u> |
| Net debt | <u>(6,087)</u> | <u>(4,554)</u> | <u>(7,980)</u> | <u>(2,088)</u> |
| Adjusted capital: | | | | |
| Total equity | <u>21,045</u> | <u>44,007</u> | <u>25,650</u> | <u>44,733</u> |
| Adjusted capital | <u>21,045</u> | <u>44,007</u> | <u>25,650</u> | <u>44,733</u> |
| Debt-to-adjusted capital ratio | <u>N/M</u> | <u>N/M</u> | <u>N/M</u> | <u>N/M</u> |

N/M – Not meaningful

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

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

25. Share-based payments

Employees' Share Option Scheme ("ESOS")

As at the end of the reporting year, share options granted to selected full-time employees and full-time executive directors under the Manufacturing Integration Technology Ltd. Employees' Share Option Scheme to take up 559,000 (2018: 6,654,500) unissued ordinary shares in the company as at the end of the reporting year were outstanding as follows:-

| Date of grant | Balance as at 1.1.2019 | New | Lapsed | Exercised | Balance as at 31.12.2019 | Exercise Price | Expiry date |
|---|------------------------------|----------|---------------|------------------|--------------------------------|-------------------|-------------|
| | | | | | | \$ | |
| <u>Options to subscribe number of unissued ordinary shares of no par value:</u> | | | | | | | |
| 14 May 2012 | 100,000 | – | – | 100,000 | – | 0.1000* | 13 May 2022 |
| 14 May 2012 | 150,000 | – | – | 150,000 | – | 0.0800** | 13 May 2022 |
| 9 June 2014 | 400,000 | – | – | 400,000 | – | 0.0650* | 8 June 2024 |
| 9 June 2014 | 450,000 | – | – | 450,000 | – | 0.0520** | 8 June 2024 |
| 20 May 2016 | 2,166,000 | – | 50,000 | 2,077,000 | 39,000 | 0.1940* | 19 May 2026 |
| 20 May 2016 | 2,788,500 | – | – | 2,768,500 | 20,000 | 0.1550** | 19 May 2026 |
| 5 June 2017 | 300,000 | – | – | 100,000 | 200,000 | 0.2450* | 4 June 2022 |
| 5 June 2017 | 300,000 | – | – | – | 300,000 | 0.1960** | 4 June 2022 |
| | <u>6,654,500</u> | <u>–</u> | <u>50,000</u> | <u>6,045,500</u> | <u>559,000</u> | | |

* Market price

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

NOTES TO THE FINANCIAL STATEMENTS

25. Share-based payments (cont'd)

During the current reporting year, certain employees have exercised 6,045,500 share options under ESOS.

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

| | <u>Year</u> <u>2019</u> | <u>WAEP (\$)</u> <u>2019</u> | <u>Year</u> <u>2018</u> | <u>WAEP (\$)</u> <u>2018</u> |
|----------------------------------|----------------------------|---------------------------------|----------------------------|---------------------------------|
| Outstanding at beginning of year | 6,654,500 | 0.13 | 11,371,400 | 0.11 |
| Exercised during the year | (6,045,500) | 0.15 | (4,229,500) | 0.11 |
| Expired during the year | <u>(50,000)</u> | 0.15 | <u>(487,400)</u> | 0.12 |
| | <u>559,000</u> | 0.15 | <u>6,654,500</u> | 0.13 |
| Exercisable at end of year | <u>559,000</u> | 0.15 | <u>6,654,500</u> | 0.13 |

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

During the current reporting year, the fair value of share options amounting to \$31,000 (2018: \$233,000) 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 \$55,000 (2018: \$154,000) (Note 8). The inputs to the model used for share options granted in current reporting year are shown below:

| | <u>2019</u> |
|--|---------------------|
| Dividend yield (%) | 206.6% |
| Expected and historical volatility (%) | 39.23 |
| Risk-free interest rate (%) | 1.75 |
| Expected life of option (years) | 1 to 10 |
| Weighted average share price (\$) | <u>0.08 to 0.37</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.

Performance Share Plan ("PSP")

During the year, the company has issued and allotted 150,000 (2018: 400,000) ordinary shares in the share capital of the company to the employee under PSP. As at 31 December 2019, the number of outstanding performance shares held under PSP is NIL (2018: 150,000).

26. Dividends on equity shares

| | <u>Group and Company</u> | | | |
|---|-------------------------------|-------------|-----------------------|-----------------------|
| | <u>Rate per share - cents</u> | | | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Final tax exempt (1-tier) dividend paid | 18.8 | 0.75 | <u>44,995</u> | <u>1,725</u> |
| Total dividend paid in the year | | | <u>44,995</u> | <u>1,725</u> |

NOTES TO THE FINANCIAL STATEMENTS

27. Other reserves

| | <u>Group</u> | | <u>Company</u> | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Foreign currency translation reserve (Note 27A) | (182) | (142) | – | – |
| Share option reserve (Note 27B) | 31 | 233 | 31 | 233 |
| At end of the year | <u>(151)</u> | <u>91</u> | <u>31</u> | <u>233</u> |

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

27A. Foreign currency translation reserve

| | <u>Group</u> | |
|--|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| At beginning of the year | (142) | (18) |
| Exchange differences on translating foreign operations | (40) | (124) |
| At end of the year | <u>(182)</u> | <u>(142)</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.

27B. Share option reserve

| | <u>Group and Company</u> | |
|------------------------------|--------------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| At beginning of the year | 233 | 265 |
| Exercise of share options | (255) | (169) |
| Expiry of share options | (2) | (17) |
| Share based payment expenses | 55 | 154 |
| At end of the year | <u>31</u> | <u>233</u> |

28. Financial liabilities – lease liabilities

Lease liabilities are presented in the statements of financial position as follows:

| | <u>Group</u> | | <u>Company</u> | |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Lease liabilities, current | 645 | – | 97 | – |
| Lease liabilities, non-current | 1,802 | – | – | – |
| | <u>2,447</u> | <u>–</u> | <u>97</u> | <u>–</u> |

Movements of lease liabilities for the reporting year are as follows:

| | <u>Group</u> | <u>Company</u> |
|--|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Total lease liabilities recognised at 1 January 2019 | 3,123 | 215 |
| Accretion of interest | 354 | 7 |
| Lease payments – principal portion paid | (787) | (119) |
| Interest paid | (143) | (6) |
| Foreign exchange adjustments | (100) | – |
| Total lease liabilities at end of reporting year | <u>2,447</u> | <u>97</u> |

NOTES TO THE FINANCIAL STATEMENTS

28. Financial liabilities – lease liabilities (cont'd)

The lease liability above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-to-use assets. The right-to-use assets are disclosed in Note 14.

Only variable lease payments that depend on an index or a rate; payments that vary to reflect changes in market rental rates are included in the measurement of the lease liability. Such variable amounts that are unpaid at the commencement date are included in the measurement of lease liability. Variable lease payments would also include extension options and termination options; residual value guarantees; and leases not yet commenced to which the lessee is committed. The variable lease payments that based on revenue are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

On transition to the new standard on leases, the weighted average incremental borrowing rate applied to lease liabilities recognised were 3.80% and 6.37%. The finance leases, the right-of-use asset and lease liability before the date of initial application are measured at the same amounts as under the new standard.

Reconciliation of lease commitments and lease liability at the date of initial application:

| | <u>Group</u> | <u>Company</u> |
|---|---------------------|-------------------|
| | <u>2019</u> | <u>2019</u> |
| | \$'000 | \$'000 |
| Operating lease commitments as at 31 December 2018 | 2,541 | 222 |
| Other minor adjustment | 26 | – |
| Subtotal - Operating lease liabilities before discounting | <u>2,567</u> | <u>222</u> |
| Discounted using incremental borrowing rate | <u>(239)</u> | <u>(7)</u> |
| Operating lease liabilities, net | 2,328 | 215 |
| Reasonably certain extension options | 795 | – |
| Total lease liabilities recognised at 1 January 2019 | <u><u>3,123</u></u> | <u><u>215</u></u> |

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows:

Group

| <u>2019</u> | <u>Minimum payments</u> | <u>Finance charges</u> | <u>Present value</u> |
|---------------------------------|-------------------------|------------------------|----------------------|
| | \$'000 | \$'000 | \$'000 |
| Minimum lease payments payable: | | | |
| Not later than one year | 755 | (110) | 645 |
| Between 1 and 3 years | 1,927 | (125) | 1,802 |
| Total | <u><u>2,682</u></u> | <u><u>(235)</u></u> | <u><u>2,447</u></u> |

Company

| <u>2019</u> | <u>Minimum payments</u> | <u>Finance charges</u> | <u>Present value</u> |
|---------------------------------|-------------------------|------------------------|----------------------|
| | \$'000 | \$'000 | \$'000 |
| Minimum lease payments payable: | | | |
| Not later than one year | 98 | (1) | 97 |
| Total | <u><u>98</u></u> | <u><u>(1)</u></u> | <u><u>97</u></u> |

NOTES TO THE FINANCIAL STATEMENTS

29. Provisions

| | <u>Group</u> | | <u>Company</u> | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| <u>Provision for installation expenses:</u> | | | | |
| Balance at beginning of the year | – | 107 | – | 107 |
| Provision charged to profit or loss included in selling and distribution ex-penses | – | 118 | – | 118 |
| Provision reversed to profit or loss included in selling and distribution expenses | – | (168) | – | (168) |
| Used | – | (57) | – | (57) |
| Balance at end of the year | – | – | – | – |
| <u>Provision for product warranty:</u> | | | | |
| Balance at beginning of the year | – | 65 | – | 65 |
| Provision charged to profit or loss | – | 68 | – | 18 |
| Provision reversed to profit or loss | – | (46) | – | (46) |
| Used | – | (40) | – | (37) |
| Transfer to liabilities held for sale | – | (47) | – | – |
| Balance at end of the year | – | – | – | – |
| Total at end of the year | – | – | – | – |

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

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

30. Other non-financial liabilities

| | <u>Group</u> | |
|----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Contract liabilities | 511 | – |

The contract liabilities represents consideration receivable during the reporting year that are unsatisfied as of the end of the reporting year. The contract liabilities are expected to be recognised within one year.

31. Trade and other payables, current

| | <u>Group</u> | | <u>Company</u> | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| <u>Trade payables:</u> | | | | |
| Outside parties and accrued liabilities | 1,711 | 3,652 | 332 | 890 |
| Trade payables – subtotal | 1,711 | 3,652 | 332 | 890 |
| <u>Other payables:</u> | | | | |
| Subsidiary (Note 3) | – | – | – | 1,638 |
| Related party | 16 | – | 16 | – |
| Advance received from customers | – | 24 | – | – |
| Other payables * | 358 | 357 | 193 | 234 |
| Other payables – subtotal | 374 | 381 | 209 | 1,872 |
| Total trade and other payables | 2,085 | 4,033 | 541 | 2,762 |

* Provision for restoration amounted to \$14,000 (2018: \$14,000) is included as part of other payable.

NOTES TO THE FINANCIAL STATEMENTS

32. Other financial liabilities

| | <u>Group</u> | | <u>Company</u> | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| <u>Financial instruments with fixed interest rates:</u> | | | | |
| Bank loan A (secured) (Note 32A) | – | 7,000 | – | 7,000 |
| Short-term bank loan B (Note 32B) | 386 | – | – | – |
| | <u>386</u> | <u>7,000</u> | <u>–</u> | <u>7,000</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 15).
2. Assignment of all insurance taken on the investment properties.
3. Assignment and charge of proceeds in respect of the properties.
4. Corporate guarantee from the company.

32A. Bank loan A (secured)

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

32B. Short-term bank loan B

In 2019, the total outstanding for Short-term Bank Loan B was \$386,000 (RMB2,000,000) at a fixed rate of 5.44% per annum. The short-term bank loan is repayable on 3 January 2020 and 23 September 2020. The fair value was a reasonable approximation of the carrying amount. The fair value of the bank loan was estimated by discounting the future cash flows payable under the terms of the loan using the year-end market interest rate applicable to loans of similar credit risk, terms and conditions (Level 2).

33. Capital commitments

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

| | <u>Group</u> | |
|--|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Contractual obligations for maintenance of equipment | <u>–</u> | <u>147</u> |

NOTES TO THE FINANCIAL STATEMENTS

34. 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>2019</u> | <u>2018</u> |
|---|-------------|-------------|
| | \$'000 | \$'000 |
| <u>Group and company</u> | | |
| Not later than one year | 319 | 451 |
| Later than one year and not later than five years | – | 319 |
| Rental income for the year (Note 5) | 451 | 615 |

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

35. 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>Group and company</u> | |
|--|--------------------------|-------------|
| | <u>2019</u> | <u>2018</u> |
| | \$'000 | \$'000 |
| <u>Assets (Liabilities) – Contracts with negative fair values:</u> | | |
| Forward foreign exchange | – | 28 |
| Total at end of the year | – | 28 |

35A. Forward currency exchange contracts

| | <u>Notional amount</u> | <u>Contract dates</u> | <u>Value dates</u> | <u>Favourable / (Unfavourable) (Notes 20 and 31)</u> |
|-------------------------|----------------------------|------------------------------|-------------------------------|--|
| <u>2018</u> | US\$'000 | | | \$'000 |
| <u>US Dollar (US\$)</u> | | | | |
| Sell for SGD | 2,500 | 9 Oct 2018 to 14 Dec 2018 | 11 Jan 2018 to 24 Jan 2018 | 28 |

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.

NOTES TO THE FINANCIAL STATEMENTS

36. Financial information by operating segment

36A. Information about reportable segment profit or loss, assets and liabilities

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

In 2018, the group is organised into the following major strategic operating segments that offer different products and services: (1) semiconductor and (2) non-semiconductor business. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting systems. This forms the basis on management reports and the primary segment information that is available and evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance.

During the year, management has disposed of the semiconductor segment and further defined their internal reporting system and organised their business into the following major strategic operating segments that offer different products and services: (1) built-to-print, (2) customised automation within the non-semiconductor business. As a result, starting from January 2019, management has changed their internal reporting system to reflect the new strategic operating segments.

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

The built-to-print segment is mainly engaged in contract equipment manufacturing activities.

The customised automation segment is mainly engaged in designing, developing, and manufacturing of automated equipment.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

36B. Profit or loss from continuing operations and reconciliations

Segment information about these businesses is presented below:-

| | <u>Built-to-print</u> \$'000 | <u>Customised automation</u> \$'000 | <u>Unallocated</u> \$'000 | <u>Group</u> \$'000 |
|---|---------------------------------|--|------------------------------|------------------------|
| Continuing operations 2019 | | | | |
| Revenue by segment | | | | |
| Total revenue by segment | 9,522 | 2,235 | – | 11,757 |
| Inter-segment sales | (977) | (957) | – | (1,934) |
| Total revenue | 8,545 | 1,278 | – | 9,823 |
| Recurring EBITDA | | | | |
| Recurring EBITDA | (2,763) | (3,524) | (2,473) | (8,760) |
| Interest Income | 194 | 189 | – | 383 |
| Finance costs | (119) | (43) | (42) | (204) |
| Depreciation | (455) | (798) | (190) | (1,443) |
| (Loss) profit before tax from continuing operations | (3,143) | (4,176) | (2,705) | (10,024) |
| Income tax income | | | | 88 |
| Loss from continuing operations | | | | (9,936) |

| | <u>Built-to-print</u> \$'000 | <u>Customised automation</u> \$'000 | <u>Unallocated</u> \$'000 | <u>Group</u> \$'000 |
|---|---------------------------------|--|------------------------------|------------------------|
| Continuing operations 2018 | | | | |
| Revenue by segment | | | | |
| Total revenue by segment | 14,815 | 8,231 | – | 23,046 |
| Inter-segment sales | (3,193) | (1,145) | – | (4,338) |
| Total revenue | 11,622 | 7,086 | – | 18,708 |
| Recurring EBITDA | | | | |
| Recurring EBITDA | 2,865 | 1,938 | 522 | (405) |
| Interest Income | 13 | – | – | 13 |
| Finance costs | (22) | (21) | – | (43) |
| Depreciation | (116) | (213) | (189) | (518) |
| (Loss) profit before tax from continuing operations | (2,990) | 1,704 | 333 | (953) |
| Income tax expense | | | | (1,075) |
| Loss from continuing operations | | | | (2,028) |

NOTES TO THE FINANCIAL STATEMENTS

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

36C. Assets and reconciliations

| | <u>Built-to-print</u> \$'000 | <u>Customised automation</u> \$'000 | <u>Unallocated</u> \$'000 | <u>Group</u> \$'000 |
|--------------------------------------|---------------------------------|--|------------------------------|------------------------|
| <u>2019</u> | | | | |
| Total assets for reportable segments | 9,318 | 8,774 | 8,382 | 26,474 |
| Total group assets | 9,318 | 8,774 | 8,382 | 26,474 |
| <u>2018</u> | | | | |
| Total assets for reportable segments | 13,030 | 7,598 | 8,572 | 29,200 |
| Total group assets | 13,030 | 7,598 | 8,572 | 29,200 |

36D. Liabilities and reconciliations

| | <u>Built-to-print</u> \$'000 | <u>Customised automation</u> \$'000 | <u>Unallocated</u> \$'000 | <u>Group</u> \$'000 |
|---|---------------------------------|--|------------------------------|------------------------|
| <u>2019</u> | | | | |
| Total liabilities for reportable segments | 3,324 | 2,105 | – | 5,429 |
| Total group liabilities | 3,324 | 2,105 | – | 5,429 |
| <u>2018</u> | | | | |
| Total liabilities for reportable segments | 6,842 | 4,625 | – | 11,107 |
| Total group liabilities | 6,842 | 4,625 | – | 11,107 |

36E. Other material items and reconciliations

| | <u>Built-to-print</u> \$'000 | <u>Customised automation</u> \$'000 | <u>Unallocated</u> \$'000 | <u>Group</u> \$'000 |
|---------------------|---------------------------------|--|------------------------------|------------------------|
| Capital expenditure | | | | |
| 2019 | 336 | 269 | – | 605 |
| 2018 | 312 | 828 | – | 1,140 |

36F. Geographical information

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

36F. Geographical information (cont'd)

| | <u>Revenue</u> | | <u>Non-current assets</u> | |
|------------------------------------|-----------------------|-----------------------|---------------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| China | 5,635 | 6,049 | 1,383 | 68 |
| Singapore | 338 | 8,347 | 10,468 | 9,497 |
| Europe and USA | 3,791 | 2,403 | – | – |
| Asia excluding China and Singapore | 59 | 1,909 | – | – |
| Total continuing operations | <u>9,823</u> | <u>18,708</u> | <u>11,851</u> | <u>9,565</u> |
| | | | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| <u>Capital Expenditure:</u> | | | | |
| China | | | 14 | 18 |
| Singapore | | | <u>591</u> | <u>1,122</u> |
| | | | <u>605</u> | <u>1,140</u> |

36G. Information about major customers

| | <u>2019</u> \$'000 |
|---|-----------------------|
| Top 1 customer in built-to-print segment | 5,137 |
| Top 2 customers in built-to-print segment | <u>7,168</u> |
| Top 1 customer in customised automation segment | <u>956*</u> |
| | <u>2018</u> \$'000 |
| Top 1 customer in built-to-print segment | <u>5,641</u> |
| Top 1 customer in customised automation segment | <u>7,086*</u> |

* There are no customers in this segment with revenue transactions of over 10% of the group revenue.

NOTES TO THE FINANCIAL STATEMENTS

37. Financial instruments: information on financial risks

37A. Categories of financial assets and liabilities

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| <u>Financial assets:</u> | | | | |
| Financial assets at amortised costs | 11,280 | 16,167 | 16,471 | 15,205 |
| Financial assets at fair value through profit or loss (FVTPL) | – | 28 | – | 28 |
| At end of the year | <u>11,280</u> | <u>16,195</u> | <u>16,471</u> | <u>15,233</u> |
| <u>Financial liabilities:</u> | | | | |
| Financial liabilities at amortised cost | <u>4,918</u> | <u>11,009</u> | <u>638</u> | <u>9,762</u> |
| At end of the year | <u>4,918</u> | <u>11,009</u> | <u>638</u> | <u>9,762</u> |

Further quantitative disclosures are included throughout these financial statements.

37B. Financial risk management

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

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

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

37C. Fair value of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

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

37D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses ("ECL") on financial assets, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process. For purpose of impairment assessment, the deferred consideration and other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

37E. 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 1 year</u> | <u>1 -3 years</u> | <u>3 -5 years</u> | <u>Total</u> |
|---------------------------------------|-----------------------------|-----------------------|-----------------------|---------------|
| Non-derivative financial liabilities: | \$'000 | \$'000 | \$'000 | \$'000 |
| <u>2019:</u> | | | | |
| Gross lease liabilities | 755 | 1,927 | – | 2,682 |
| Gross borrowings commitments | 394 | – | – | 394 |
| Trade and other payables | 2,085 | – | – | 2,085 |
| At end of the year | <u>3,234</u> | <u>1,927</u> | <u>–</u> | <u>5,161</u> |
| <u>2018:</u> | | | | |
| Gross borrowings commitments | 7,063 | – | – | 7,063 |
| Trade and other payables | 4,009 | – | – | 4,009 |
| At end of the year | <u>11,072</u> | <u>–</u> | <u>–</u> | <u>11,072</u> |

NOTES TO THE FINANCIAL STATEMENTS

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

37E. Liquidity risk – financial liabilities maturity analysis (cont'd)

| <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>2019:</u> | | | | |
| Gross lease liabilities | 98 | – | – | 98 |
| Gross borrowings commitments | – | – | – | – |
| Trade and other payables | 541 | – | – | 541 |
| At end of the year | <u>639</u> | <u>–</u> | <u>–</u> | <u>639</u> |
| <u>2018:</u> | | | | |
| Gross finance lease obligations | 7,063 | – | – | 7,063 |
| Trade and other payables | 2,762 | – | – | 2,762 |
| At end of the year | <u>9,825</u> | <u>–</u> | <u>–</u> | <u>9,825</u> |

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

| <u>Group and company</u> | Less than <u>1 year</u> | 1 -3 <u>years</u> | <u>Total</u> |
|--|----------------------------|----------------------|--------------|
| Derivative financial assets (liabilities): | \$'000 | \$'000 | \$'000 |
| <u>2018:</u> | | | |
| Foreign currency forward contracts | <u>28</u> | <u>–</u> | <u>28</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 statements of financial position. When the counter-party has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

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

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 60 days (2018: 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>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Undrawn borrowing facilities | <u>2,818</u> | <u>4,647</u> | <u>1,949</u> | <u>1,860</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 operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

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

37F. Interest rate risk

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

| | <u>Group</u> | | <u>Company</u> | |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2019</u> \$'000 | <u>2018</u> \$'000 | <u>2019</u> \$'000 | <u>2018</u> \$'000 |
| Financial liabilities with interest: | | | | |
| Fixed rate | 2,833 | 7,000 | 97 | 7,000 |
| At end of the year | <u>2,833</u> | <u>7,000</u> | <u>97</u> | <u>7,000</u> |
| Financial assets with interest: | | | | |
| Fixed rate | 7,193 | – | 7,000 | – |
| At end of the year | <u>7,193</u> | <u>–</u> | <u>7,000</u> | <u>–</u> |

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

37G. Foreign currency risks

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

Analysis of amounts denominated in major non-functional currencies.

| <u>Group</u> | <u>US dollar</u> | <u>Euro</u> | <u>Singapore dollar</u> | <u>Total</u> |
|---|------------------|---------------|-------------------------|---------------|
| <u>2019:</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| <u>Financial assets:</u> | | | | |
| Cash and cash equivalents | 704 | 1 | – | 705 |
| Trade and other receivables | 428 | – | 67 | 495 |
| Total financial assets | <u>1,132</u> | <u>1</u> | <u>67</u> | <u>1,200</u> |
| <u>Financial liabilities:</u> | | | | |
| Trade and other payables | – | 102 | – | – |
| Total financial liabilities | <u>–</u> | <u>102</u> | <u>–</u> | <u>–</u> |
| Net financial assets (liabilities) at end of the year | <u>1,132</u> | <u>(101)</u> | <u>67</u> | <u>1,200</u> |
| <u>2018:</u> | | | | |
| <u>Financial assets:</u> | | | | |
| Cash and cash equivalents | 7,517 | 16 | 15 | 7,548 |
| Trade and other receivables | 9,411 | – | 23 | 9,434 |
| Total financial assets | <u>16,928</u> | <u>16</u> | <u>38</u> | <u>16,982</u> |
| <u>Financial liabilities:</u> | | | | |
| Trade and other payables | 1,972 | 179 | – | 2,151 |
| Total financial liabilities | <u>1,972</u> | <u>179</u> | <u>–</u> | <u>2,151</u> |
| Net financial assets (liabilities) at end of the year | <u>14,956</u> | <u>(163)</u> | <u>38</u> | <u>14,831</u> |

NOTES TO THE FINANCIAL STATEMENTS

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

37G. Foreign currency risks (cont'd)

| <u>Company</u> | <u>US dollar</u> | <u>Euro</u> | <u>Total</u> |
|---|------------------|---------------|---------------|
| <u>2019:</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| <u>Financial assets:</u> | | | |
| Cash and cash equivalents | 630 | 1 | 631 |
| Trade and other receivables | <u>116</u> | <u>–</u> | <u>116</u> |
| Total financial assets | <u>746</u> | <u>1</u> | <u>747</u> |
| <u>Financial liabilities:</u> | | | |
| Trade and other payables | <u>–</u> | <u>102</u> | <u>102</u> |
| Total financial liabilities | <u>–</u> | <u>102</u> | <u>102</u> |
| Net financial assets (liabilities) at end of the year | <u>746</u> | <u>(101)</u> | <u>645</u> |
| <u>2018:</u> | | | |
| <u>Financial assets:</u> | | | |
| Cash and cash equivalents | 4,006 | 4 | 4,010 |
| Trade and other receivables | <u>1,151</u> | <u>–</u> | <u>1,151</u> |
| Total financial assets | <u>5,157</u> | <u>4</u> | <u>5,161</u> |
| <u>Financial liabilities:</u> | | | |
| Trade and other payables | <u>50</u> | <u>106</u> | <u>156</u> |
| Total financial liabilities | <u>50</u> | <u>106</u> | <u>156</u> |
| Net financial assets (liabilities) at end of the year | <u>5,107</u> | <u>(102)</u> | <u>5,005</u> |

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 35 illustrates the foreign currency contracts that are in place at end of the year.

| | <u>Group</u> | | <u>Company</u> | |
|--|---------------|----------------|----------------|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the US\$ with all other variables held constant would have an unfavourable effect on pre-tax profit of | <u>(113)</u> | <u>(1,496)</u> | <u>(75)</u> | <u>(511)</u> |

The effect of Euro and Singapore dollar is not significant.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

38. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Adoption of the applicable new or revised standards has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement as disclosed in Notes 14 and 28.

| <u>SFRS (I) No.</u> | <u>Title</u> |
|---------------------|---|
| SFRS(I) 16 | Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards) |

Leases:

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessee almost all leases are brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Thus, the entity has recognised a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. The amount by which each financial statement line item is impacted (debits / (credits) in the current reporting year 2019 by the application of the new standard on leases are disclosed in the relevant Notes 14 and 28 to the financial statements. The reporting entity elected to apply the modified retrospective approach for this standard new standard on leases. Therefore no comparative amounts for the year ended 31 December 2018 are presented.

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

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

| <u>SFRS(I) No.</u> | <u>Title</u> | <u>Effective date for periods beginning on or after</u> |
|----------------------|--|---|
| SFRS (I) 1-1 and 1-8 | Definition of Material – Amendments | 1 Jan 2020 |
| | The Conceptual Framework for Financial Reporting | 1 Jan 2020 |

SHAREHOLDERS'

INFORMATION

As at 18 March 2020

| | | |
|---|------------------------------------|----------------------|
| I | Class of shares | : Ordinary share |
| | Number of ordinary shares in issue | : 240,112,470 |
| | Voting rights | : One vote per share |

STATISTICS OF SHAREHOLDINGS

| Size of Shareholdings | Number of Shareholders | % | Number of Shares | % |
|-----------------------|------------------------|---------------|--------------------|---------------|
| 1 - 99 | 3 | 0.09 | 204 | 0.00 |
| 100 - 1,000 | 905 | 26.19 | 889,445 | 0.37 |
| 1,001 - 10,000 | 1,828 | 52.91 | 8,398,477 | 3.50 |
| 10,001 - 1,000,000 | 701 | 20.29 | 52,745,734 | 21.97 |
| 1,000,001 and above | 18 | 0.52 | 178,078,610 | 74.16 |
| TOTAL | <u>3,455</u> | <u>100.00</u> | <u>240,112,470</u> | <u>100.00</u> |

II Treasury Shares and Subsidiary Holdings - NIL

TWENTY LARGEST SHAREHOLDERS

| No. | Name | No. of Shares | % |
|-----|---|--------------------|--------------|
| 1 | MIT TECHNOLOGIES PTE LTD | 120,627,910 | 50.24 |
| 2 | RAFFLES NOMINEES (PTE.) LIMITED | 18,811,200 | 7.83 |
| 3 | KWONG KIM MONE | 6,734,118 | 2.80 |
| 4 | DBS NOMINEES (PRIVATE) LIMITED | 6,188,800 | 2.58 |
| 5 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 4,101,862 | 1.71 |
| 6 | CHAN KOK TUNG TOM | 3,039,726 | 1.27 |
| 7 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 2,587,800 | 1.08 |
| 8 | LIM CHIN TONG | 2,096,000 | 0.87 |
| 9 | PHILLIP SECURITIES PTE LTD | 2,055,700 | 0.86 |
| 10 | LIM & TAN SECURITIES PTE LTD | 1,804,200 | 0.75 |
| 11 | KWONG KAM SENG | 1,379,147 | 0.57 |
| 12 | CHUA SOK KHIM | 1,350,000 | 0.56 |
| 13 | TAN LAY YEN | 1,306,400 | 0.54 |
| 14 | LOW BOON YONG | 1,287,400 | 0.54 |
| 15 | CITIBANK NOMINEES SINGAPORE PTE LTD | 1,282,100 | 0.53 |
| 16 | OCBC NOMINEES SINGAPORE PRIVATE LIMITED | 1,216,900 | 0.51 |
| 17 | ESTATE OF KONG KIM YIT, DECEASED | 1,139,147 | 0.47 |
| 18 | OCBC SECURITIES PRIVATE LIMITED | 1,070,200 | 0.45 |
| 19 | YEE LAT SHING | 1,000,000 | 0.42 |
| 20 | BOH TECK KEONG | 933,200 | 0.39 |
| | TOTAL | <u>180,011,810</u> | <u>74.97</u> |

SHAREHOLDERS' INFORMATION

As at 18 March 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

| | Direct Interest | % | Deemed Interest | % |
|-----------------------------|-----------------|-------|-----------------|-------|
| Kwong Kim Mone ¹ | 6,734,118 | 2.80 | 120,627,910 | 50.24 |
| Kwong Kim Ho ² | - | - | 120,627,910 | 50.24 |
| MIT Technologies Pte Ltd | 120,627,910 | 50.24 | - | - |

Notes:

- 1 Kwong Kim Mone holds a total of 127,362,028 shares, of which 6,734,118 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 MITT by virtue of section 7 of the Companies Act, Cap. 50.

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

42.40% 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.

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MANUFACTURING INTEGRATION TECHNOLOGY LTD.

(Company Registration No. 199200075N)
(Incorporated in Singapore with limited liability)

**THIS ANNUAL REPORT 2019 IS SENT TO SHAREHOLDERS WITHOUT THE NOTICE OF ANNUAL
GENERAL MEETING AND PROXY FORM.**

**THE NOTICE OF ANNUAL GENERAL MEETING AND PROXY FORM WILL BE DESPATCHED AT A LATER
DATE AFTER THE DATE OF THE ANNUAL GENERAL MEETING IS CONFIRMED.**

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