

Financial Statements and Related Announcement::Half Yearly Results

Issuer & Securities

Issuer/ Manager	MANUFACTURING INTEGRATION TECHNOLOGY LTD.
Securities	MFG INTEGRATION TECHNOLOGY LTD - SG1H45875967 - M11
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Announcement Details

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Additional Details

For Financial Period Ended	30/06/2018
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Manufacturing Integration Technology Ltd

(Registration No. 199200075N)

HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2018

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

	Group		
	S\$' 000		%
	30/06/2018	30/06/2017	Increase/ -Decrease
Revenue	18,903	33,148	-43.0%
Cost of sales	(16,565)	(21,863)	-24.2%
Gross profit	2,338	11,285	-79.3%
Interest income	69	72	-4.2%
Other gains	999	717	39.3%
Marketing and distribution costs	(2,677)	(2,774)	-3.5%
Administrative expenses	(3,614)	(4,653)	-22.3%
Finance costs	(3)	(43)	-93.0%
Other losses	(521)	(1,082)	-51.8%
(Loss) Income before tax	(3,409)	3,522	NM
Income tax income (expense)	4	(702)	NM
(Loss) Income net of tax	(3,405)	2,820	NM
<u>Other comprehensive (loss) income:</u>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax	27	(141)	NM
Other comprehensive income (loss) for the period, net of tax	27	(141)	NM
Total comprehensive (loss) income for the period	(3,378)	2,679	NM

NM: Not meaningful

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

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

Group	
S\$'000	
30/6/2018	30/6/2017
1) Other Gains include, mainly:	
- Rental income	335
- Gain on disposal of development projects	76
- Foreign exchange adjustment gains	98
- Reversal on allowance for impairment on trade receivables	374
2) Other Losses include, mainly:	
- Allowance for impairment on trade receivables	-
- Provision for product warranty, net of reversal	(16)
- Inventories written down	-
- Amortisation of development projects	(494)
- Foreign exchange adjustment losses	-

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

There was an over-provision of tax in respect of prior years of S\$4k in current financial period.
(2017: NIL)

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

	Group		Company	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
	S\$'000	S\$'000	S\$'000	S\$'000
Assets				
<u>Non-current assets:</u>				
Plant and equipment	981	2,263	71	1,621
Investment properties	8,666	8,761	8,666	8,761
Intangible assets	3	48	3	48
Development projects	-	3,592	-	3,128
Investments in subsidiaries	-	-	8,091	5,990
Deferred tax assets	1,335	1,330	217	217
Non-current assets as held for sale*	14,828	-	-	-
Total non-current assets	25,813	15,994	17,048	19,765
<u>Current assets:</u>				
Inventories	7,675	16,457	-	1,674
Trade and other receivables	10,633	14,368	29,519	17,369
Other assets, current	798	816	425	313
Cash and cash equivalents	13,646	21,884	8,951	18,764
Total current assets	32,752	53,525	38,895	38,120
Total assets	58,565	69,519	55,943	57,885
Equity and liabilities				
<u>Equity:</u>				
Share capital	47,114	47,051	47,114	47,051
Other reserves	329	247	320	265
(Accumulated losses) retained earnings	(1,276)	3,832	853	3,060
Total equity	46,167	51,130	48,287	50,376
<u>Non-current liability:</u>				
Other finance liabilities, non-current	47	70	47	70
Total non-current liability	47	70	47	70
<u>Current liabilities:</u>				
Provisions	295	172	295	172
Income tax payable	1,586	1,830	1,300	1,550
Trade and other payables	10,423	16,270	5,967	5,670
Other financial liabilities, current	47	47	47	47
Total current liabilities	12,351	18,319	7,609	7,439
Total liabilities	12,398	18,389	7,656	7,509
Total equity and liabilities	58,565	69,519	55,943	57,885

*Reclassification as a result of the proposed disposal. See Section 8 on page 11 for details.

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

As at 30/06/18		As at 31/12/17	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
47	-	47	-

Amount repayable after one year

As at 30/06/18		As at 31/12/17	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
47	-	70	-

Details of any collateral

1. The Company's motor vehicle is financed under hire purchase arrangement.

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

	Group (S\$'000)	
	30/6/2018	30/6/2017
<u>Cash flows from operating activities</u>		
(Loss) Profit before tax	(3,409)	3,522
Adjustments for:		
Depreciation of property, plant and equipment	558	316
Depreciation of investment properties	95	95
Interest income	(69)	(72)
Interest expense	3	43
Gain on disposal of other assets	-	(2)
Gain on disposal of development projects	(76)	(246)
Amortisation of development projects	494	117
Amortisation of intangible assets	11	12
Net effect of exchange rate changes in consolidating foreign operations	10	(135)
Share based payment	77	101
Operating cash flow (used in) from changes in working capital	(2,306)	3,751
Trade and other receivables	2,765	(3,653)
Other assets	(255)	(224)
Inventories	(8,261)	(1,079)
Trade and other payables	2,551	6,596
Provisions	123	173
Net cash flow (used in) from operation	(5,383)	5,564
Income tax paid	(250)	-
Net cash flows (used in) from operating activities	(5,633)	5,564
<u>Cash flows from investing activities</u>		
Proceeds on disposal of other assets	-	45
Purchase of plant and equipment	(685)	(186)
Proceeds on disposal of development projects	319	848
Development projects incurred	(620)	(938)
Interest received	69	72
Net cash flows used in investing activities	(917)	(159)
<u>Cash flows from financing activities</u>		
Interest paid	(3)	(43)
Decrease in borrowings	-	(450)
Dividends paid	(1,725)	-
Re-issue of treasury shares	-	61
Decrease in finance leases	(23)	(23)
Issue of shares	63	139
Net cash used in financing activities	(1,688)	(316)
Net (decrease) increase in cash and cash equivalents	(8,238)	5,089
Cash and cash equivalents, beginning balance	21,884	17,892
Cash and cash equivalents, ending balance	13,646	22,981

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

<u>Group</u>	Total equity	Share capital	(Accumulated losses) / retained earnings	Translation reserves	Share option reserve
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Current year:					
Opening balance at 1 January 2018	51,130	47,051	3,832	(18)	265
<u>Changes in equity:</u>					
Total comprehensive loss for the period	(3,378)	-	(3,405)	27	-
Issuance of shares pursuant to employee share option scheme	63	63	-	-	-
Exercise of share options	-	-	18	-	(18)
Expiry of share options	-	-	4	-	(4)
Share based payment expenses	77	-	-	-	77
Dividends paid	(1,725)	-	(1,725)	-	-
Closing balance at 30 June 2018	46,167	47,114	(1,276)	9	320
Previous year:					
Opening balance at 1 January 2017	45,198	46,621	(1,720)	75	222
<u>Changes in equity:</u>					
Total comprehensive income for the period	2,679	-	2,820	(141)	-
Issuance of shares pursuant to employee share option scheme	139	139	-	-	-
Exercise of share options	-	-	57	-	(57)
Expiry of share options	-	-	7	-	(7)
Share based payment expenses	101	-	-	-	101
Treasury shares reissued pursuant to employees' share option scheme	61	61	-	-	-
Loss on reissuance of treasury shares to equity pursuant to employee share option scheme	(19)	-	(19)	-	-
Closing balance at 30 June 2017	48,159	46,821	1,145	(66)	259

<u>Company</u>	Total equity	Share capital	Retained earnings	Share option reserve
	S\$'000	S\$'000	S\$'000	S\$'000
Current year :				
Opening balance at 1 January 2018	50,376	47,051	3,060	265
Changes in equity:				
Total comprehensive loss for the period	(504)	-	(504)	-
Issuance of shares pursuant to employees share option scheme	63	63	-	-
Exercise share options	-	-	18	(18)
Expiry of share options	-	-	4	(4)
Share based payment expenses	77	-	-	77
Dividends paid	(1,725)	-	(1,725)	-
Closing balance at 30 June 2018	48,287	47,114	853	320
Previous year :				
Opening balance at 1 January 2017	47,239	46,621	396	222
Movements in equity:				
Total comprehensive income for the period	3,159	-	3,159	-
Issuance of shares pursuant to employees share option scheme	139	139	-	-
Exercise share options	-	-	57	(57)
Expiry of share options	-	-	7	(7)
Share based payment expenses	101	-	-	101
Treasury shares reissued pursuant to employees' share option scheme	61	61	-	-
Loss on reissuance of treasury shares to equity pursuant to employees' share option scheme	(19)	-	(19)	-
Closing balance at 30 June 2017	50,680	46,821	3,600	259

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

Share Capital

During the period, the Company issued and allotted 688,000 ordinary shares in the share capital of the Company upon exercise of options under the MIT Employees' Share Option Scheme 2009 ("the Scheme") and issued and allotted 150,000 ordinary shares in the share capital of the Company to the employee under the MIT Performance Share Plan ("PSP").

As at 30 June 2018, the number of ordinary shares issued was 230,125,470 (31 December 2017: 229,287,470 ordinary shares).

Share Options

As at 30 June 2018, the number of outstanding options under the Scheme was 10,600,000 (31 December 2017: 11,371,400). During the period January to June 2018, 688,000 options were exercised under the Scheme. 83,400 unexercised options had lapsed and were cancelled during the period.

Performance Shares

During the period, the Company has issued and allotted 150,000 ordinary shares in the share capital of the Company to the employee under the PSP. As at 30 June 2018, the number of outstanding performance shares held under the PSP was 400,000 (31 December 2017: 550,000)

Treasury Shares

As at 30 June 2018, no ordinary shares were held as Treasury Shares (31 December 2017: NIL). No shares were bought back by the Company during the period.

The Company does not have any subsidiary holdings.

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

	Group & Company	
	as at 30/06/18	as at 31/12/17
Total number of issued shares	229,287,470	225,012,870
Add : New issued shares	838,000	4,274,600
Less : Treasury shares	-	-
Total number of issued shares (excluding treasury shares)	230,125,470	229,287,470

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

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

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

Not applicable.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

The Group and Company have applied the same accounting policies and methods of computation in the financial statements for the current financial period, which are consistent with those described in the audited financial statements for the year ended 31 December 2017, except for the adoption of the new and revised Financial Reporting Standards ("FRS") which became effective for financial years beginning on or after 1 January 2018.

The adoption of the new and revised FRS does not have any material impact to the financial statements for the Group and Company for the period ended 30 June 2018.

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

Not applicable.

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

	Group	
	30/06/18	30/06/17
Earnings per ordinary share of the group, after deducting any provision for preference dividends (in cents):		
(a) Based on weighted average number of ordinary shares on issue; and	-1.48	1.26
(b) On a fully diluted basis	-1.46	1.24

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

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

	Company		Group	
	30/06/18	31/12/17	30/06/18	31/12/17
Net asset value per ordinary share based on issued share capital at the end of (in cents):	20.98	21.97	20.06	22.30

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Turnover

The Group recorded a lower revenue of S\$18.9m during 1H 2018 compare with S\$33.14m in 1H 2017. The decline of 43% was mainly due to a slowdown in the cyclical semiconductor industry after a banner year in 2017. The handset segment was particularly weaker after an industry leader completed its major product launch last year.

Earnings

The Group posted a lower Gross profit margin of 12% in 1H 2018 as compared with 34% in 1H 2017. This is largely attributable to the lower revenue base and the consequent large unabsorbed direct overheads during the period.

The other gains for this period was mainly from:

- Reversal on allowance for impairment on trade receivables, mainly from our past solar customer (S\$0.37m)
- Rental income from our industrial property (S\$0.33m)
- Foreign exchange adjustments gains (S\$0.10m)
- Gain on disposal of development projects (S\$0.07m)

Following the lower revenue base and business activities, marketing and distribution costs and administrative expenses were lower by 3% and 22% respectively.

Finance costs decreased due to repayment of our industrial property loan.

The other losses decreased by 52% mainly due to lower inventories written down and allowance for impairment on trade receivables for the period.

As a result, the Group recorded a Net loss after tax of S\$3.40m for the first half of FY 2018.

Assets and Liabilities

On 18 July 2018, the Company entered into a conditional Share Purchase Agreement with Ningbo MIT Semiconductor Co Ltd to dispose its semiconductor equipment business. As a result, the related assets and liabilities with a book value of S\$14.83m is classified as “Non-current assets as held for sale”. They comprise:

- Plant and equipment - S\$1.43m
- Intangible assets – S\$0.03m
- Development projects – S\$3.48m
- Inventories – S\$17.04m
- Trade and other receivables – S\$0.97m
- Other assets, current – S\$0.27m
- Trade and other payables – (S\$8.39m)

Before the reclassification, the significant changes were:

The increase in plant and equipment was mainly due to the investment in renovation, office equipment and IT resources for our new facility at 38 Ang Mo Kio Industrial Park 2.

After depreciation and amortization charged during the period, investment properties and development projects decreased accordingly at the end of the financial period.

Investments in subsidiaries increased in the Company mainly due to the investment in new wholly-owned subsidiary – MIT Semiconductor Pte. Ltd. during the financial period. However, there is no profit or loss impact at the MIT group level.

Inventories increased by S\$8.26m to S\$24.72m in anticipation of major semiconductor as well as contract equipment manufacturing deliveries in the coming months.

In line with the lower revenue, trade and other receivables decreased by 19% from S\$14.37m in YE2017 to S\$11.60m during this financial period.

Other assets increased due to higher deposits and prepayment when compared to last financial year end.

The decrease in other financial liabilities was mainly a result of repayment of bank loans during the period.

The higher amount in provisions and trade and other payables was in line with the higher inventory level maintained.

Cash Flow

The cash & cash equivalents of S\$13.65m represents a decline of S\$8.24m from 31 Dec 2017 after significant spending on inventories (S\$8.26m), dividend payments (S\$1.72m), investment in plant and equipment (S\$0.68m) and development projects (S\$0.62m).

Cash and cash equivalents per share stood at 5.93 cents, which accounts for about 30% of the net asset per share.

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

The Group announced a profit warning on 27 July 2018 after a preliminary review of its financial performance.

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

The net loss in 1H 2018 was due to lower semiconductor sales after a cyclical slowdown led by a weaker handset market. Contract equipment manufacturing (“CEM”) sales were higher but the growth could not make up for the slack in semiconductor sales.

The Company expects 2H 2018 revenues to be higher as more equipment are shipped and revenues recognised. Our new die sorters have managed to make inroads into a few new accounts and we are hopeful of securing more orders. Total outstanding order book as at 7 Aug 2018 stood at S\$25m.

Having signed a conditional Share Purchase Agreement on 18 July 2018 for the divestment of our semiconductor equipment business for S\$84.5m, we are aiming to close the transaction in 4Q 2018. Our financial position will be strengthened if this divestment is completed. It is envisaged that an initial return of net proceeds to shareholders amounting of S\$0.24 per share will take place before year end.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share	0.25 cent
Tax Rate	Tax Exempt (One-Tier)

(c) Date payable

No applicable.

(d) Books closure date

No applicable.

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

No dividend has been declared or recommended.

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

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

During the period ended 30 June 2018, the Group did not enter into any interested person transaction which aggregate value exceeds S\$100,000.

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

The Board of Directors of the Company hereby confirms to the best of their knowledge that nothing has come to their attention which may render the financial statements for the half year ended 30 June 2018 to be false or misleading.

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

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

ON BEHALF OF THE BOARD

Kwong Kim Mone
Chairman and Managing Director

7 August 2018
Singapore