

CIRCULAR DATED 2 JANUARY 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Manufacturing Integration Technology Ltd. (the “**Company**”), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the Proxy Form enclosed herewith immediately to the purchaser or the transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to such purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular.



MANUFACTURING INTEGRATION TECHNOLOGY LTD.

(Company Registration Number 199200075N)

(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to

**THE PROPOSED DISPOSAL BY THE COMPANY OF THE
ENTIRE ISSUED AND PAID-UP SHARE CAPITAL
OF MIT SEMICONDUCTOR PTE. LTD.**

Independent Financial Adviser to the Independent Directors (as defined herein)
in relation to the Proposed Disposal (as defined herein)



ZICO CAPITAL PTE. LTD.

(Company Registration Number 201613589E)

(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	Tuesday, 15 January 2019 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	Thursday, 17 January 2019 at 10.00 a.m.
Place of Extraordinary General Meeting	:	38, Ang Mo Kio Industrial Park 2 #02-03/04 Singapore 569511

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DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or otherwise stated:

“6M2018”	:	Six-month financial period ended 30 June 2018
“Actual Sale Price”	:	The final sale price derived from the Estimated Sale Price after deducting the Adjustment Amount, if any, and payable by the New Purchaser to the Company for the Sale Shares out of which 80% of such amount will be paid to the Company upon Completion and the balance 20% will be held by the Escrow Agent as the Escrow Amount
“Adjustment Amount”	:	The aggregate of (i) the Target Group Indebtedness, (ii) the Target Group Shortfall Working Capital and (iii) the Target Group Shortfall Cash Balance
“associate”	:	(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“Audit Committee”	:	The audit committee of the Company for the time being
“Base Date”	:	The date at the end of the month preceding the Completion Date
“Board”	:	The board of Directors of the Company
“CDP”	:	The Central Depository (Pte) Limited
“CEM Business”	:	The business of contract equipment manufacturing and customised automation
“CFTC”	:	China Fortune-Tech Capital Co., Ltd
“Circular”	:	This circular to Shareholders dated 2 January 2019
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time

“Company”	:	Manufacturing Integration Technology Ltd.
“Completion”	:	Completion of the Proposed Disposal
“Completion Date”	:	A date falling within 5 business days after the satisfaction (or waiver, as the case may be) of all the Conditions Precedent, or such other date as the Company and the New Purchaser may agree in writing
“Conditions Precedent”	:	The list of conditions in relation to the Proposed Disposal, set out in paragraph 5.3 of this Circular, to be satisfied (or waived, as the case may be) in order for Completion to take place
“Controlling Shareholder”	:	A person who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15% or more of the total voting rights in the Company; or (b) in fact exercises control over the Company
“Directors”	:	The directors of the Company for the time being
“EGM”	:	The extraordinary general meeting of the Company to be held on Thursday, 17 January 2019, notice of which is set out on pages 58 and 59 of this Circular
“EPS”	:	Earnings per Share
“Escrow Agent”	:	An escrow agent as may be mutually agreed and jointly appointed by the Company and the New Purchaser
“Escrow Amount”	:	An amount equal to 20% of the Actual Sale Price, or the sum of S\$16,900,000 on the basis that no Adjustment Amount is deducted against the Estimated Sale Price
“Estimated Sale Price”	:	The consideration of the Proposed Disposal of up to S\$84,500,000
“FY2017”	:	Financial year ended 31 December 2017
“GPPL”	:	Generic Power Pte Ltd, a wholly-owned subsidiary of the Company
“Group”	:	The Company and its subsidiaries
“IFA”	:	ZICO Capital Pte. Ltd., the independent financial adviser to the Independent Directors in relation to the Proposed Disposal
“IFA Letter”	:	The letter dated 2 January 2019 from the IFA to the Independent Directors in relation to the Proposed Disposal, a copy of which is set out in the Appendix to this Circular
“immediate family”	:	In relation to a person, means the person’s spouse, child, adopted child, step-child, sibling and parent

“IMPL”	:	i.PAC Manufacturing Pte. Ltd., a wholly-owned subsidiary of the Company
“Independent Directors”	:	The Directors who are considered independent for the purposes of making a recommendation to the Independent Shareholders in relation to the Proposed Disposal, namely all the Directors except Mr. Kwong
“Independent Shareholders”	:	Shareholders who are independent for the purposes of approving the Proposed Disposal, namely all Shareholders excluding Mr. Kwong and his associates who are Shareholders
“Initial Purchaser”	:	Ningbo MIT Semiconductor Company Limited (砺铸智能装备(宁波)有限公司), being the initial purchaser named under the Share Purchase Agreement who was replaced with the New Purchaser pursuant to the Substitution Agreement
“Latest Practicable Date”	:	24 December 2018, being the latest practicable date prior to the printing of this Circular for ascertaining information included herein
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended or modified from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“MIT Semiconductor”	:	MIT Semiconductor Pte. Ltd., a wholly-owned subsidiary of the Company
“Mr. Kwong”	:	Mr. Kwong Kim Mone, the Chairman and Managing Director of the Company as well as a Controlling Shareholder
“NAV”	:	Net asset value
“Net Sale Proceeds”	:	The net sale proceeds from the Proposed Disposal after deducting all expenses in relation thereto
“New Purchaser”	:	MIT Semiconductor (Tian Jin) Company Limited (砺铸智能设备(天津)有限公司) who had replaced the Initial Purchaser as the party to the Share Purchase Agreement pursuant to the Substitution Agreement
“Notice of EGM”	:	The notice of EGM as set out on pages 58 and 59 of this Circular
“NTA”	:	Net tangible assets
“NTL”	:	Net tangible liabilities
“PRC”	:	People’s Republic of China
“Proposed Disposal” or the “Transaction”	:	The proposed disposal by the Company of the Sale Shares to the New Purchaser pursuant to the Share Purchase Agreement

“Reduced Sale Price”	:	The reduced consideration of the Proposed Disposal amounting to S\$67,600,000 on the basis that no Adjustment Amount is deducted against the Estimated Sale Price and assuming that the full Escrow Amount of S\$16,900,000 is returned to the New Purchaser
“Sale Shares”	:	All the issued ordinary shares, representing 100% of the issued and paid-up share capital of MIT Semiconductor, which are held by the Company
“Securities and Futures Act”	:	The Securities and Futures Act, Chapter 289 of Singapore, as may be amended or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“SGXNET”	:	A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“Share Purchase Agreement”	:	The conditional share purchase agreement entered into between the Company and the Initial Purchaser on 18 July 2018 in relation to the Proposed Disposal and pursuant to the Substitution Agreement, the Initial Purchaser was replaced with the New Purchaser as the party to the said agreement
“Shareholders”	:	The registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the Depositors whose securities accounts are credited with Shares
“Shares”	:	Ordinary shares in the capital of the Company
“SPA Date”	:	18 July 2018, being the date of the Share Purchase Agreement
“Substitution Agreement”	:	The substitution agreement dated 8 October 2018 entered into among the Company, the Initial Purchaser and the New Purchaser pursuant to which the Initial Purchaser was substituted with the New Purchaser as the party to the Share Purchase Agreement
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“Target Assets”	:	The assets used previously by the Company to undertake the Target Business and the tangible assets of GPPL and IMPL, all of which were identified in the Share Purchase Agreement, were transferred to MIT Semiconductor pursuant to the Target Reorganization
“Target Business”	:	The semiconductor equipment business of designing and manufacturing of automated equipment for the semiconductor industry
“Target Group”	:	Collectively, MIT Semiconductor, GPPL and IMPL and each a “Target Company”

“Target Group Indebtedness”	:	The amount of the indebtedness of the Target Group as of the Base Date
“Target Group Shortfall Cash Balance”	:	The amount by which the cash balance of the Target Group is less than S\$8,000,000 as of the Base Date
“Target Group Shortfall Working Capital”	:	The amount by which the working capital of the Target Group is less than the minimum working capital of S\$11,800,000 as of the Base Date
“Target Reorganization”	:	The internal restructuring exercise undertaken by the Company such that the Target Business is undertaken solely by the Target Group
“Term Sheet”	:	The non-binding term sheet and a supplemental term sheet, both dated 8 January 2018, entered into between the Company and CFTC in relation to the Proposed Disposal
“%”	:	Per centum or percentage

The terms **“Depositor”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term **“subsidiary”** shall have the meaning ascribed to it in the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*.

Words importing persons include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act or any statutory modification thereof, as the case may be.

Any discrepancies in figures included in this Circular between the amounts listed and the totals thereof are due to rounding. Where applicable, all percentages included in this Circular are rounded to the nearest two (2) decimal places. Accordingly, figures shown as totals or percentages in this Circular may not be an arithmetic aggregation of the figures that precede them.

Where financial information relating to the Target Group or the Target Business is disclosed in this Circular, such information were prepared by the Company, solely for illustration purposes, using the audited financial statements of the Group or, as the case may be, the unaudited financial statements of the Group, for the relevant financial period taking into account the Company’s contribution arising from the Target Business segment and the contributions from each of the relevant Target Company, and assuming that the Target Reorganization has been completed and all Conditions Precedent have been fulfilled.

MANUFACTURING INTEGRATION TECHNOLOGY LTD.

(Company Registration Number 199200075N)

(Incorporated in the Republic of Singapore)

Board of Directors:

Kwong Kim Mone (*Chairman and Managing Director*)
Lim Chin Tong (*Executive Director*)
Lee Yong Guan (*Lead Independent Director*)
Pow Tien Tee (*Independent Director*)
Kam Boon Cheong (*Independent Director*)
Lim Chin Hong (*Independent Director*)

2 January 2019

To: The Shareholders of Manufacturing Integration Technology Ltd.

Dear Sir/Madam

Registered Office:

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

THE PROPOSED DISPOSAL BY THE COMPANY OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF MIT SEMICONDUCTOR PTE. LTD.

1. INTRODUCTION

The Directors are convening the EGM to be held at 38, Ang Mo Kio Industrial Park 2, #02-03/04, Singapore 569511 on Thursday, 17 January 2019 at 10.00 a.m. to seek Independent Shareholders' approval for the Proposed Disposal, i.e. the disposal by the Company to the New Purchaser of the Sale Shares, representing the entire issued and paid-up share capital of MIT Semiconductor.

The purpose of this Circular is to provide Shareholders with information relating to the above proposal to be tabled at the EGM and to seek Independent Shareholders' approval in relation thereto at the EGM. The Notice of EGM is set out on pages 58 and 59 of this Circular.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular.

If a Shareholder is in any doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2. BACKGROUND OF THE PROPOSED DISPOSAL

The Company had, on 8 January 2018, released an announcement via the SGXNET relating to the Term Sheet entered into between the Company and CFTC, i.e. China Fortune-Tech Capital Co., Ltd, in relation to the proposed disposal by the Company of its entire interest in certain of its subsidiaries undertaking the Target Business, i.e. the semiconductor equipment business of designing and manufacturing of automated equipment for the semiconductor industry.

The Company had, on 4 April 2018, 7 June 2018 and 5 July 2018, executed separate deeds of undertaking with CFTC for the purpose of extending the exclusivity period and the expiry date of the Term Sheet. The exclusivity period and the expiry date of the Term Sheet were last extended to 23 July 2018. Announcements relating to such extension of the exclusivity period and the expiry date of the Term Sheet were released by the Company via the SGXNET on the same day when the relevant deed of undertaking was executed between the Company and CFTC.

The Company had, on 18 July 2018, entered into the conditional Share Purchase Agreement with the Initial Purchaser, i.e. Ningbo MIT Semiconductor Company Limited (砺铸智能装备(宁波)有限公司), a designated nominee vehicle of CFTC established in the PRC, in relation to the proposed disposal by the Company to the Initial Purchaser of the Sale Shares, representing 100% of the issued and paid-up share capital of MIT Semiconductor. An announcement relating to such execution of the Share Purchase Agreement was released by the Company via the SGXNET on 18 July 2018.

At the request of the Initial Purchaser, the Company had, on 8 October 2018, entered into the Substitution Agreement with the Initial Purchaser and the New Purchaser, i.e. MIT Semiconductor (Tian Jin) Company Limited (砺铸智能设备(天津)有限公司), pursuant to which the obligations, rights, benefits, liabilities and interest of the Initial Purchaser in, to and under the Share Purchase Agreement were transferred entirely to the New Purchaser. The Company was given to understand that, following CFTC's discussion with the Ningbo government and the Tianjin government respectively, CFTC has decided to establish a corporation in Tianjin, the PRC, to undertake the investment project in place of the Initial Purchaser, due to better investment incentives offered by the Tianjin government (such as a better rate was offered by the Tianjin government for premises intended to be leased by the New Purchaser to undertake the Target Business in the PRC). As such, the New Purchaser, being a designated nominee vehicle of CFTC, was established in Tianjin, the PRC, on 26 September 2018. As at the Latest Practicable Date, the Initial Purchaser is a shareholder of the New Purchaser holding 10% equity interest in the New Purchaser. Further information relating to the New Purchaser is set out in paragraph 4 of this Circular. The New Purchaser had accordingly replaced the Initial Purchaser as a party to the Share Purchase Agreement and the Share Purchase Agreement was construed and treated in all respects as if the New Purchaser was named therein instead of the Initial Purchaser. Save for the replacement of the Initial Purchaser with the New Purchaser, all the other terms in the Share Purchase Agreement remain unchanged. An announcement relating to such execution of the Substitution Agreement was released by the Company via the SGXNET on 8 October 2018.

Copies of the aforesaid announcements are available on the website of the SGX-ST at www.sgx.com.

In undertaking the Proposed Disposal, the Company has not commissioned a valuation to be conducted on the fixed assets of the Target Group as the Target Group does not own any fixed assets of significant value such as real estate property. The Target Group's main assets comprise intellectual property rights (including trademarks) associated with the Target Business (the "**IP Rights**"), inventories, work-in-progress and finished machines to be sold to its customers. Its other assets are mainly information technology systems, renovations and a company car. These assets, including the IP Rights held by GPPL, are booked at cost and are relatively small in dollar value. The remaining IP Rights, forming part of the Target Assets and pursuant to the Target Reorganization, were transferred by the Company to MIT Semiconductor at their respective net asset values. No valuation was conducted on the IP Rights as these IP Rights are not likely to be of significant market value. This is in light that the patents, forming a major part of the IP Rights, are patents involving technologies already known in the semiconductor industry. Moreover, the semiconductor equipment market is very dynamic and versatile and the packages are getting smaller and process time required is getting faster. As such, certain processes that are patented might not be applicable in the latest product offerings, hence it will be difficult to put a market value on such patents.

As at the Latest Practicable Date, the New Purchaser does not have any other assets and businesses other than its proposed investment in the Target Group.

The Proposed Disposal, as a mean of ensuring continuity in the Target Business, requires the Company to procure certain key employees of the Target Group to sign a three-year retention employment contract with the Target Group. Further information in relation thereto is set out in paragraph 3.6 of this Circular. In addition, it is envisaged that Mr. Kwong, the Chairman and Managing Director of the Company as well as a Controlling Shareholder of the Company who holds approximately 53.7% interest (direct and deemed) in the Company as at the Latest Practicable Date, and his management team will acquire or subscribe for up to 10% of the equity interest in the New Purchaser after Completion has taken place (the "**Proposed CFTC Investment**"). The Company was informed by the New Purchaser that the terms of the Proposed CFTC Investment will be discussed with Mr. Kwong closer to, or after Completion although it is expected that the terms of the Proposed CFTC Investment will be similar to the terms at which the other shareholders of the New Purchaser subscribed for their respective stakes in the New Purchaser. For example, the consideration payable by Mr. Kwong and his management team for their stake in the New Purchaser is expected to be at the same price which the shareholders of the New Purchaser subscribed for their respective stakes in the New Purchaser. It is uncertain at this point of time as to whether Mr. Kwong and his management team will be acquiring equity interest from the other shareholders of the New Purchaser or whether there will be a subscription of new stake in the New Purchaser thereby diluting the equity interest of all the existing shareholders of the New Purchaser. As the Proposed CFTC Investment is a private arrangement between Mr. Kwong and the New Purchaser which will only take place after Completion and in view of the sensitivity of the said investment, CFTC deemed it inappropriate or premature to divulge further details of the

Proposed CFTC Investment at this point of time. Accordingly, as at the Latest Practicable Date, the exact percentage of the stake to be acquired or subscribed by Mr. Kwong has yet to be determined though it is envisaged that he and his management team will collectively acquire or subscribe for not more than 10% of the equity interest in the New Purchaser and the terms for which will be negotiated between Mr. Kwong and CFTC as a private arrangement without the Company being involved.

In view of Mr. Kwong's anticipated participation in the equity interest of the New Purchaser, the Directors, being conscious of the need to comply with the spirit of the Listing Manual and in order to demonstrate the exercise of proper corporate governance and to provide greater transparency, have deemed the Proposed Disposal as an "interested person transaction" within the meaning defined in Chapter 9 of the Listing Manual and will comply with the requirements of Chapter 9 of the Listing Manual. Accordingly, the Company has appointed ZICO Capital Pte. Ltd. as the IFA to advise the Independent Directors as to whether the Proposed Disposal is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders. A copy of the IFA Letter dated 2 January 2019 is reproduced and set out in the Appendix to this Circular. Shareholders are advised to read the IFA Letter carefully.

The Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Listing Manual. Accordingly, the Proposed Disposal is subject to and conditional upon the approval of the Independent Shareholders at the EGM.

Further information on the Proposed Disposal and the requirement for Independent Shareholders' approval under Chapters 9 and 10 of the Listing Manual are set out respectively in paragraphs 5, 9 and 10 of this Circular.

3. INFORMATION ON THE TARGET GROUP AND THE TARGET REORGANIZATION

3.1 Background of the Target Reorganization

The Group has two business segments, mainly:

- (a) the Target Business, i.e. the semiconductor equipment business of designing and manufacturing of automated equipment for the semiconductor industry, which is essentially the Group's principal business activity. This is a niche business that serves the backend semiconductor assembly and test segment of the semiconductor industry. The intellectual property rights for these equipment reside with the Target Business and the equipment are marketed under the MIT brand to global semiconductor houses; and
- (b) the CEM Business, i.e. the business of contract equipment manufacturing and customised automation. The CEM Business covers two areas, namely (i) built-to-print, which involves the assembly of equipment, module or systems based on designs or prints provided by third party customers and (ii) customised automation, which involves design and development of automation lines, systems etc. to meet the specific needs of the customers. In the CEM Business, the intellectual property rights of the equipment designs belong to the customer. The CEM Business covers all industries such medical, consumer electronics, light emitting diode (LED), mobile devices and semiconductor.

As at the Latest Practicable Date, the Target Business and the CEM Business do not share the same customers as the market coverage and product offerings are different. The two businesses however do share some common suppliers in the fabricated parts and standard parts areas and in vision applications. The Group has also been operating the Target Business and the CEM Business independently with separate sets of facilities and manpower although the Target Business and the CEM Business, for administrative efficiency, shared the same administrative support structure such as Finance and Human Resources. Accordingly, the Proposed Disposal will not result in any material impact on the overall efficiency of each of the Target Business and the Group's remaining CEM Business.

As at the SPA Date, the Target Business was undertaken by the Company together with two of its wholly-owned subsidiaries, namely, GPPL and IMPL.

In conjunction with the Proposed Disposal, the Company had undertaken the Target Reorganization as follows:

- (a) the Company had, on 12 January 2018, incorporated MIT Semiconductor as its wholly-owned subsidiary;
- (b) the Target Assets, being the assets used previously by the Company to undertake the Target Business and the tangible assets of GPPL and IMPL, all of which were identified in the Share Purchase Agreement, were transferred to MIT Semiconductor on 30 November 2018 based on the net asset value of the Target Assets of S\$17,984,636 as at 30 April 2018;
- (c) as at 23 October 2018, GPPL had undistributed profits of S\$1,920,000 in cash. As the said cash was not part of the assets to be transferred to the New Purchaser under the Share Purchase Agreement, it was distributed to the Company on 24 October 2018 by way of dividends;
- (d) IMPL had, on 30 November 2018, allotted and issued one (1) ordinary share to the Company in full and final discharge of inter-company balances owed by IMPL to the Company. As at 31 December 2017, the amount of the inter-company balances owed by IMPL to the Company was S\$4,652,801.37 and such amount was reduced to S\$3,800,000 as at 30 November 2018, following the settlement of S\$852,801.37, the major bulk of which was settled by inter-company transactions from 1 January 2018 to 30 November 2018 and the balance in cash. Such inter-company balances amounting to S\$3,800,000 were fully settled with the allotment and issuance of one (1) ordinary share by IMPL to the Company on 30 November 2018;
- (e) following the allotment and issue of the additional ordinary share referred to in sub-paragraph (d) above, the entire issued and paid-up share capital of GPPL and IMPL were transferred by the Company to MIT Semiconductor on 30 November 2018 at the nominal consideration of S\$1.00 each. The consideration for each of the said transfers was at a nominal of S\$1.00 each as both GPPL and IMPL were non-active subsidiaries when the Company transferred its entire interest in GPPL and IMPL to MIT Semiconductor. This is in light that GPPL and IMPL had no tangible assets and did not have any business activities; and
- (f) the consideration payable by MIT Semiconductor to the Company for the Target Assets and the entire issued and paid-up share capital of GPPL and IMPL, amounting in aggregate to S\$17,984,638, was satisfied entirely by the allotment and issue of 17,984,638 new ordinary shares in the capital of MIT Semiconductor to the Company at the issue price of S\$1.00 each.

The purpose of the Target Reorganization was to restructure the Group such that the Company ceased to undertake the Target Business and the Target Business is solely undertaken by the Target Group comprising MIT Semiconductor, GPPL and IMPL.

Following completion of the Target Reorganization, MIT Semiconductor remains as a wholly-owned subsidiary of the Company while GPPL and IMPL became wholly-owned subsidiaries of MIT Semiconductor.

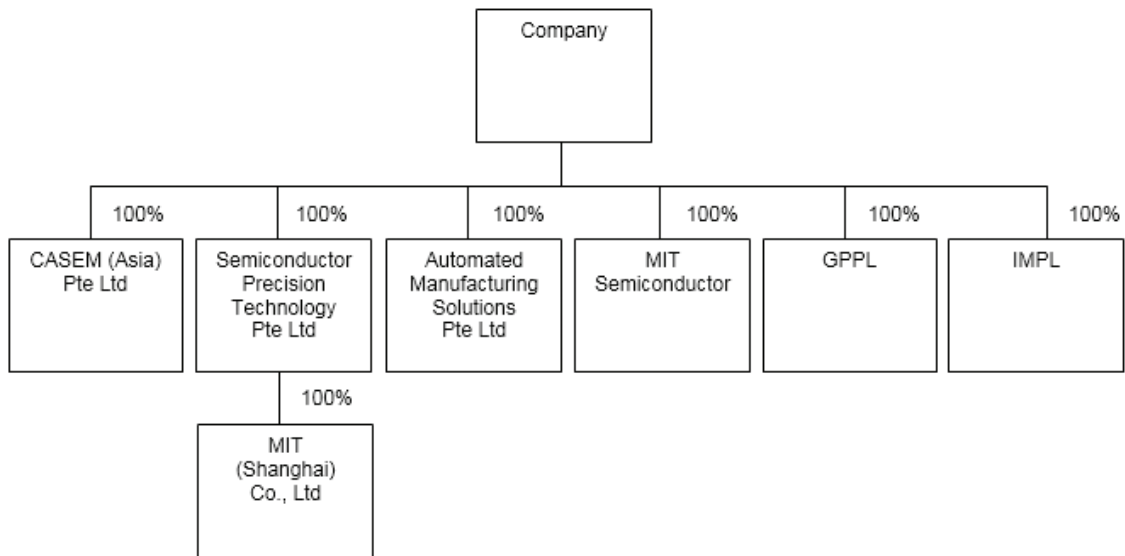
The Target Reorganization is a Condition Precedent to the Proposed Disposal and was completed on 30 November 2018.

Upon Completion of the Proposed Disposal, MIT Semiconductor, GPPL and IMPL will cease to be wholly-owned subsidiaries of the Company. The Group will also cease to undertake the Target Business and will instead focus on its remaining CEM Business which will become the sole business of the Group.

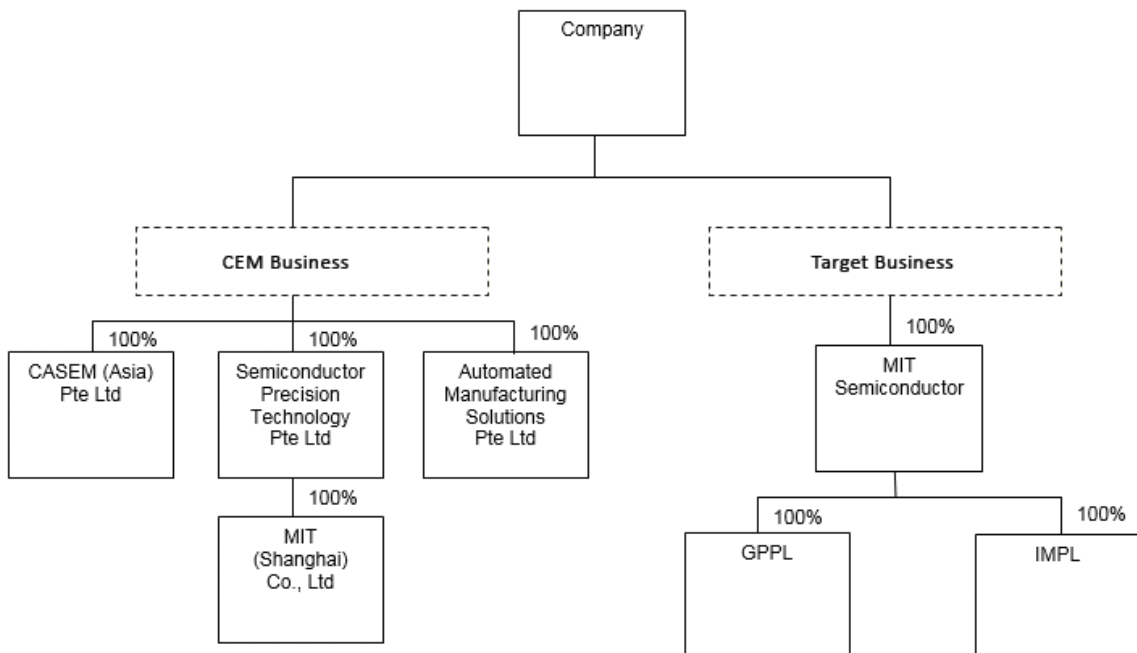
3.2 Group Structure prior to the Target Reorganization and after the Target Reorganization and the Proposed Disposal

The group structure of the Company prior to the Target Reorganization and after the Target Reorganization and the Proposed Disposal are as follows:

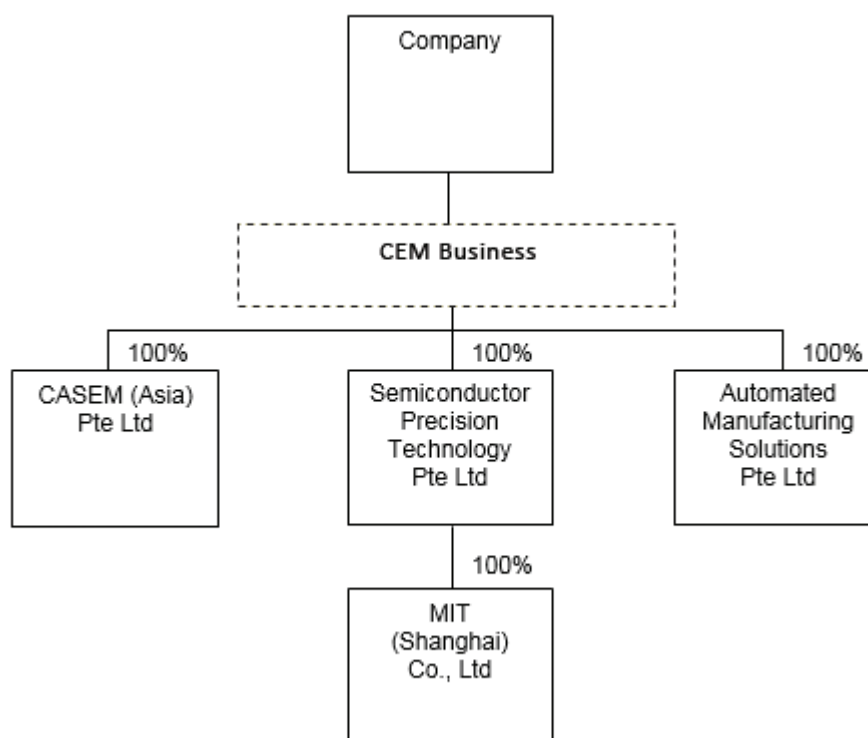
(a) Prior to the Target Reorganization and as at the SPA Date



(b) After the Target Reorganization and prior to Completion of the Proposed Disposal



(c) After the Target Reorganization and after Completion of the Proposed Disposal



3.3 Basic information on the Target Group

The Target Group comprises MIT Semiconductor, GPPL and IMPL which undertakes the Target Business.

MIT Semiconductor, GPPL and IMPL, which are incorporated in Singapore, are wholly-owned subsidiaries of the Company.

As at the Latest Practicable Date, the issued and paid-up share capital of each Target Company is as follows:

- (a) MIT Semiconductor has an issued and paid-up share capital of S\$26,984,638 comprising 26,984,638 ordinary shares;
- (b) GPPL has an issued and paid-up share capital of S\$25,000 comprising 25,000 ordinary shares; and
- (c) IMPL has an issued and paid-up share capital of S\$4,800,002 comprising 1,000,003 ordinary shares.

From the SPA Date up to the Latest Practicable Date, the Company had increased the issued and paid-up share capital of each of MIT Semiconductor and IMPL in the following manner:

- (a) the Company had increased the issued and paid-up share capital of MIT Semiconductor from S\$1,000,000 comprising 1,000,000 ordinary shares to S\$18,984,638 comprising 18,984,638 ordinary shares, an increase of S\$17,984,638 comprising 17,984,638 ordinary shares at the issue price of S\$1.00 each. Such ordinary shares were allotted and issued to the Company in settlement of the consideration payable by MIT Semiconductor to the Company pursuant to the Target Reorganization;

- (b) the Company had further increased the issued and paid-up share capital of MIT Semiconductor from S\$18,984,638 comprising 18,984,638 ordinary shares to S\$26,984,638 comprising 26,984,638 ordinary shares, an increase of S\$8,000,000 comprising 8,000,000 ordinary shares at the issue price of S\$1.00 each, by the Company subscribing for such new ordinary shares by way of a cash injection. The Company had injected additional capital in MIT Semiconductor so that the Target Group will have a minimum cash balance of S\$8,000,000 as of the Base Date. The New Purchaser will, on Completion, reimburse the Company for the minimum cash balance of S\$8,000,000 left by the Company in the Target Group; and
- (c) the Company had increased the issued and paid-up share capital of IMPL from S\$1,000,002 comprising 1,000,002 ordinary shares to S\$4,800,002 comprising 1,000,003 ordinary shares, an increase of S\$3,800,000 comprising one (1) ordinary share at the issue price of S\$3,800,000. Such ordinary share was allotted and issued to the Company as full and final discharge of all inter-company balances owed by IMPL to the Company.

3.4 Financial information on the Target Group

The financial highlights of the Target Group, GPPL and IMPL for FY2017 and 6M2018 are as follows:

	FY2017			6M2018		
	Target Group ⁽¹⁾ S\$	GPPL ⁽²⁾ S\$	IMPL ⁽²⁾ S\$	Target Group ⁽³⁾ S\$	GPPL ⁽⁴⁾ S\$	IMPL ⁽⁴⁾ S\$
Revenue	53,610,000	5,774,654	21,058,683	11,284,000	-	4,077,000
Net profit/(loss) before taxation	7,975,000	(97,054)	471,885	(2,945,000)	(51,000)	(444,000)
Net profit/(loss) after taxation	7,580,000	(33,736)	567,748	(2,941,000)	(47,000)	(444,000)
NAV	34,627,000	2,003,410	(1,752,353)	29,195,000	1,957,000	(2,196,000)
NTA/(NTL)	34,579,000	2,003,410	(1,752,353)	29,158,000	1,957,000	(2,196,000)

Notes:

- (1) Based on the pro forma financial statements of the Target Group for FY2017, including therein the Company's contribution arising from the Target Business segment and contributions from GPPL and IMPL, which was prepared by the Company, solely for illustration purposes, using the audited financial statements of the Group for FY2017.
- (2) Based on the respective audited financial statements of GPPL and IMPL for FY2017.
- (3) Based on the pro forma financial statements of the Target Group for 6M2018, including therein the Company's contribution arising from the Target Business segment and contributions from MIT Semiconductor, GPPL and IMPL, which was prepared by the Company, solely for illustration purposes, using the unaudited financial statements of the Group for 6M2018.
- (4) Based on the respective unaudited financial statements of GPPL and IMPL for 6M2018.

MIT Semiconductor was incorporated by the Company on 12 January 2018 and commenced business activities in April 2018 to undertake the Target Business.

As disclosed in the Company's result announcement dated 7 August 2018 for 6M2018, the significant decline in the Target Group's revenue for 6M2018 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 in 2017.

The disproportionate decline in the net profit before tax of the Target Group between FY2017 and 6M2018 was largely attributable to the lower revenue base and the consequential large unabsorbed direct fixed overheads during the period.

The significant decline in the NTA of the Target Group from S\$34,579,000 at the end of FY2017 to S\$29,158,000 in 6M2018 was mainly due to reduced cash level and lower accounts receivable balances arising from the lower revenue for 6M2018.

3.5 Contribution of the Target Business to the Group

Based on the latest audited financial statements of the Group for FY2017, the Target Business accounted for the following percentage of the revenue and net profit after tax of the Group:

FY2017	Percentage of the revenue of the Group	Percentage of the net profit after tax of the Group
Target Business	81%	126%
CEM Business	19%	(29%)
Investment Properties	-	3%

Notwithstanding the above percentage of the contribution of the Target Business to the Group, the Board is of the view that the Proposed Disposal is in the best interests of the Company. This is in light that the Proposed Disposal will enable the Company to unlock value of the Target Business having regard to the significant net gain on disposal of approximately S\$61,753,000 as at 31 December 2017, assuming that the Company received the full amount of the Estimated Sale Price of S\$84,500,000 on the basis that no Adjustment Amount would arise. Should the Company received the Reduced Sale Price of S\$67,600,000, on the basis that no Adjustment Amount would arise and assuming that the full Escrow Amount is returned to the New Purchaser, the net gain on disposal will be reduced to approximately S\$45,698,000 and such gain remains significant to the Company. Please refer to paragraph 8.4 of this Circular for details relating to the computation of the expected net gain arising from the Proposed Disposal.

Upon completion of the Proposed Disposal, the CEM Business will become the sole business of the Group. The Group intends to maintain its original strategy of growing the CEM Business but at a hastened speed to make up for the drop in sales and profitability as a result of the divestment of the Target Business. Though the CEM Business recorded a net loss after tax for FY2017, the CEM Business in respect of the built-to-print segment is taking shape and is starting to turn around. The other segment of customised automation, set up a year ago, has started to embark on new projects and is expected to contribute positively to the overall performance of the CEM Business. The necessary infrastructure for growing the CEM Business is also in place with newly rented facilities to house the expanded activities as well as a new enterprise resource planning system for control purposes. The Group will be enhancing its sales efforts to secure new customers as well as beefing up its technical and assembly manpower strength. The key focus areas will be in the built-to-print service and customised automation areas covering industries such as semiconductor, consumer electronics and medical. The Company will not incur any relocation cost as a result of the divestment of the Target Business as both the Target Business and CEM Business had been operating independently in terms of direct manpower and in separate facilities.

The expansion of customer base and growth in manpower strength are keys to the Group's turnaround of performance. As at the Latest Practicable Date, the Group has the necessary internal resources to support this strategy and none of the Net Sale Proceeds arising from the Proposed Disposal will be deployed to support the growth of the CEM Business.

3.6 Involvement of Directors and Key Management of the Company in the Target Business

It is a Condition Precedent under the Share Purchase Agreement that the Company procures the following key employees to sign a three-year retention employment contract with the Target Group so as to ensure continuity in the Target Business:

- (a) Mr. Kwong, Chairman and Managing Director of the Company;
- (b) Mr. Tan Ban Hee, Chief Financial Officer of the Company;
- (c) Mr. Chua Yee Heong, Senior Vice President (Business) of the Target Group;
- (d) Mr. Lim Kok Yew Eddy, Senior Vice President (Technology) of the Target Group;
- (e) Mr. Howe Weng Khiong, Senior Vice President (Manufacturing) of the Target Group;

- (f) Mr. David Foo, Vice President (Sales) of the Target Group; and
- (g) Mr. Cavin Teo, Head Business of the Target Group.

As at the Latest Practicable Date, the terms of the three-year retention employment contract to be entered into between Mr. Kwong and the Target Group has yet to be finalised and such terms are being negotiated between Mr. Kwong and the New Purchaser. It is expected that Mr. Kwong and the New Purchaser will reach a consensus to the terms of his employment contract closer to the Completion Date, assuming that the Proposed Disposal is approved by Independent Shareholders at the EGM. As for the other key employees, the terms of their retention employment contract will be similar to their existing employment terms with the Target Group or the Company, as the case may be.

If and should the Proposed Disposal be completed, it is envisaged that Mr. Kwong will be re-designated as the non-executive Chairman of the Company. This will enable the Company to tap on Mr. Kwong's expertise when such a need arises. Mr. Kwong's interest in the Company will also continue to align with the interest of the Shareholders as Mr. Kwong will remain as a Controlling Shareholder of the Company. As at the Latest Practicable Date, Mr. Kwong's direct and deemed interest in the Company represented approximately 53.7% of the issued share capital of the Company.

Following completion of the Proposed Disposal, the remaining CEM Business will be spearheaded by Mr. Lim Chin Tong, an Executive Director of the Company. Mr. Lim currently oversees the formulation and execution of the Group's business and growth strategies particularly in the CEM Business.

4. INFORMATION ON THE NEW PURCHASER

The New Purchaser, MIT Semiconductor (Tian Jin) Company Limited (砺铸智能设备(天津)有限公司), is a corporation established in Tianjin, the PRC. As at the Latest Practicable Date, the New Purchaser does not have any other assets and businesses other than its proposed investment in the Target Group.

As at the Latest Practicable Date, the shareholders of, and their percentage interest in, the New Purchaser are as follows:

Name of shareholder	Percentage interest in the New Purchaser
CFT High Tech Investment Fund (Limited Partnership) 中芯海河赛达（天津）产业投资基金中心（有限合伙）	40%
Shanghai Juyuanjuxin Semiconductor Industrial Equity Investment Fund Center (Limited Partnership) 上海聚源聚芯集成电路产业股权投资基金中心（有限合伙）	40%
The Initial Purchaser (the initial designated vehicle set up by CFTC)	10%
Ningbo Zhongxin IC Industrial Investment Partnership (Limited Partnership) 宁波中芯集成电路产业投资合伙企业（有限合伙）	10%
Total:	100%

As at the Latest Practicable Date, it is envisaged that Mr. Kwong and his management team will undertake the Proposed CFTC Investment, i.e. the acquisition or subscription of up to 10% of the equity interest in the New Purchaser, after Completion has taken place. At this point of time, it is uncertain as to whether Mr. Kwong and his management team will be acquiring equity interest from the other shareholders of the New Purchaser or whether there will be a subscription of new stake in the New Purchaser thereby diluting the equity interest of all the existing shareholders of the New Purchaser. The Company was also informed by the New Purchaser that the terms of the Proposed CFTC Investment will be discussed with Mr. Kwong closer to, or after, Completion, and such terms will be negotiated between Mr. Kwong and CFTC as a private arrangement without the Company being involved.

This investment project is led by CFTC, a PRC based private equity fund management company. It was founded in February 2014 in Shanghai by Semiconductor Manufacturing International Corporation ("SMIC"), the most advanced pure play semiconductor foundry in the PRC, and a senior investment team along with other shareholders.

CFTC's investments focus exclusively on the integrated circuit ("IC") industry including semiconductor materials and electronic materials, IC design, equipment, intellectual properties, services and tools.

CFTC's core team consist of IC and Telecommunication industry entrepreneurs with more than 20-year experiences in enterprise management and investment. In the past years, CFTC has formed 7 funds and invested in more than 30 projects. In July 2016, CFTC formed a RMB2.2 billion fund with investments from the China National IC Fund, SMIC and a financial institution. Currently, CFTC has RMB3 billion of funds under management.

CFT High Tech Investment Fund (Limited Partnership) is a CFTC affiliated fund that was formed to undertake pre-initial public offering projects, private placement of listed companies and related consultancy works.

Shanghai Juyuanjuxin Semiconductor Industrial Equity Investment Fund Center (Limited Partnership) is another CFTC affiliated fund, whose activities are mainly equity investment, investment management and investment consultancy.

The Initial Purchaser was the initial designated vehicle set up by CFTC to undertake the investment project. Its sole shareholder, IC Spaces Holdings Company Ltd, an investment holding company registered in PRC, is mainly engaged in industry investment, investment management and assets management.

Ningbo Zhongxin IC Industrial Investment Partnership (Limited Partnership) is an investment fund set up to invest in the IC industry and to provide related consultancy services. As at the Latest Practicable Date, CFTC has a 20% equity interest in Ningbo Zhongxin IC Industrial Investment Partnership but does not take part in the business operations of Ningbo Zhongxin IC Industrial Investment Partnership. All investment decisions are made by the investment decision making committee of Ningbo Zhongxin IC Industrial Investment Partnership.

The New Purchaser and its shareholders have no relationship with the Company, the Directors and the Controlling Shareholders of the Company, save for the Proposed Disposal. None of the directors and shareholders of the New Purchaser is related, or has any connection, to the Company, the Directors and Controlling Shareholders of the Company.

5. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

5.1 Target Reorganization and the Proposed Disposal

In accordance with the terms of the Share Purchase Agreement, the Company had undertaken the Target Reorganization so that the Target Business is undertaken by the Target Group. In line with the Target Reorganization which was completed on 30 November 2018, all the Target Assets and the entire issued and paid-up share capital of GPPL and IMPL were transferred to MIT Semiconductor. The consideration payable to the Company by MIT Semiconductor in connection with the Target Reorganization was in the form of new ordinary shares in the capital of MIT Semiconductor, credited as fully-paid, and allotted and issued to the Company. Further information relating to the Target Reorganization is set out in paragraphs 3.1 and 3.2 of this Circular.

Subject to the terms and conditions of the Share Purchase Agreement (and supplemented by the Substitution Agreement) and the satisfaction (or waiver, as the case may be) of the Conditions Precedent, the Company shall sell, and the New Purchaser shall buy, the Sale Shares representing 100% of the issued and paid-up share capital of MIT Semiconductor, free of all encumbrances.

5.2 Consideration and Payment Terms

5.2.1 The Estimated Sale Price

The Estimated Sale Price for the Proposed Disposal is the sum of S\$84,500,000, subject to the adjustment mechanism set out in the Share Purchase Agreement and as described in paragraph 5.2.2 below. On the basis that no Adjustment Amount would arise, the Actual Sale Price would be S\$84,500,000.

The Estimated Sale Price is also subject to the escrow arrangement set out in the Share Purchase Agreement and as described in paragraph 5.2.4 below. Should the full Escrow Amount be returned to the New Purchaser, the consideration for the Proposed Disposal will be reduced to the Reduced Sale Price of S\$67,600,000 on the basis that no Adjustment Amount would arise.

The Estimated Sale Price, to be satisfied entirely in cash, was arrived at pursuant to arm's length negotiations between the Company and the Initial Purchaser on a willing-buyer and willing-seller basis, taking into account a number of factors including, among others, the historical performance and business prospects of the Target Group as well as the strong team capabilities and stringent quality control procedures of the Target Group's operations.

Based on the pro forma financial statements of the Target Group for FY2017 which was prepared by the Company, solely for illustration purposes, using the audited financial statements of the Group for FY2017, the net asset value of the Target Group as of 31 December 2017 was S\$34.6 million with cash or S\$15.3 million without cash. In accordance with the terms of the Share Purchase Agreement, the Company will not be leaving any cash in the Target Group other than the minimum cash balance of S\$8.0 million. The said S\$8.0 million to be left by the Company in the Target Group is for normal operational purposes and will be reimbursed by the New Purchaser to the Company on Completion.

The Estimated Sale Price of S\$84.5 million, on the basis that no Adjustment Amount would arise, represented:

- (a) a price earnings ratio of 11.1 times based on the Target Group's net profit after tax of S\$7.58 million as of 31 December 2017 or 13 times based on the adjusted net profit after tax of the Target Group after taking into account the mutually agreed adjustments on taxation and non-recurring items as of 31 December 2017; and
- (b) a percentage premium of 144.22%¹ over the Target Group's net asset value of S\$34.6 million as of 31 December 2017.

The Reduced Sale Price of S\$67.6 million, on the basis that no Adjustment Amount would arise and assuming that the full Escrow Amount is returned to the New Purchaser, represented:

- (a) a price earnings ratio of 8.9 times based on the Target Group's net profit after tax of S\$7.58 million as of 31 December 2017 or 10.4 times based on the adjusted net profit after tax of the Target Group after taking into account the mutually agreed adjustments on taxation and non-recurring items as of 31 December 2017; and
- (b) a percentage premium of 95.38%² over the Target Group's net asset value of S\$34.6 million as of 31 December 2017.

5.2.2 Adjustments to the Estimated Sale Price

The Estimated Sale Price may be adjusted by deducting the Adjustment Amount, if any, against the Estimated Sale Price thereby arriving at the Actual Sale Price.

The Adjustment Amount shall comprise the following:

- (a) the Target Group Indebtedness, being the amount of the indebtedness of the Target Group as of the Base Date which is the date at the end of the month preceding the Completion Date;

¹ The percentage premium of approximately 144.22% was derived as per the formula below:
(S\$84.5 million – S\$34.6 million) / S\$34.6 million x 100%

² The percentage premium of approximately 95.38% was derived as per the formula below:
(S\$67.6 million – S\$34.6 million) / S\$34.6 million x 100%

- (b) the Target Group Shortfall Working Capital, being the amount by which the working capital of the Target Group is less than the minimum working capital of S\$11,800,000 as of the Base Date; and
- (c) the Target Group Shortfall Cash Balance, being the amount by which the cash balance of the Target Group is less than S\$8,000,000 as of the Base Date.

The minimum working capital of S\$11,800,000 referred to in sub-paragraph (b) above, to be computed by subtracting current liabilities³ from current assets⁴, was determined by the Initial Purchaser and the Company having regard to the working capital of the Target Business of approximately S\$11,642,000 as at 31 December 2017.

The minimum cash balance of S\$8,000,000 referred to in sub-paragraph (c) above was determined as the estimated cash required by the Target Group for its normal operational expenses for the next three months following Completion. Such determination was made following discussions with the Company and taking into consideration the anticipated collections and payables for such period.

The Adjustment Amount will be determined by the Company prior to Completion and the financial statements of the Target Business together with the supporting calculations and documents (the "**Seller's Statement**") shall be provided by the Company to the New Purchaser for its verification of the Adjustment Amount.

In the event that the New Purchaser objects to the Seller's Statement, the Company and the New Purchaser shall use their best efforts to resolve their differences failing which the Proposed Disposal will not be completed as it is a Condition Precedent that the Company and the New Purchaser shall have reached a consensus on the items set forth in the Seller's Statement.

Subject to the Company and the New Purchaser agreeing on the Adjustment Amount, the Estimated Sale Price will, if applicable, be adjusted downwards by deducting the Adjustment Amount against the Estimated Sale Price thereby arriving at the Actual Sale Price. There will be no upward adjustment of the Estimated Sale Price.

To ensure that no Adjustment Amount will arise, the Company has given an undertaking to the Independent Directors (the "**Undertaking**") that the Company will ensure (i) all indebtedness of the Target Group will be fully repaid prior to the Base Date; (ii) the working capital of the Target Group is equivalent to S\$11,800,000 as of the Base Date; (iii) the Target Group has a cash balance equivalent to S\$8,000,000 as of the Base Date; and (iv) no further loans are extended to the Target Group.

In this regard, the Company wishes to highlight the following as at 30 November 2018:

- (a) the total indebtedness of the Target Group amounted to approximately S\$0.8 million (the entire amount of which is owing by MIT Semiconductor to the Company) while the cash and cash equivalent balance stood at approximately S\$8.3 million; and
- (b) the working capital of the Target Group amounted to approximately S\$12.0 million.

³ Current liabilities means the consolidated book value of the current liabilities of the Target Business calculated in accordance with the accounting standards; provided, however, that current liabilities shall specifically exclude any items constituting indebtedness and (current and future) income tax liabilities. Current liabilities shall also exclude (i) fees and expenses incurred by or for the account of the New Purchaser or any of its affiliates, (ii) the Company's expenses related to the Transaction, and (iii) the effects of purchase accounting arising from the Transaction.

⁴ Current assets means the consolidated book value of the current assets of the Target Business calculated in accordance with accounting standards which includes certain working capital related to the Target Business that are on the Company's account book but shall be receivables to MIT Semiconductor; provided, however, that current assets shall specifically exclude (current and future) income tax assets and cash. Current assets shall also exclude the effects of purchase accounting arising from the Transaction.

To ensure that the Target Group has a minimum cash balance of S\$8.0 million as of the Base Date, the Company had, on 30 November 2018, increased the issued and paid-up share capital of MIT Semiconductor by way of a cash injection of S\$8.0 million through the subscription of new ordinary shares in the capital of MIT Semiconductor. The New Purchaser will, on Completion, reimburse the Company for the minimum cash balance of S\$8.0 million left by the Company in the Target Group.

The total indebtedness of the Target Group, which amounted to approximately S\$0.8 million as at 30 November 2018, is entirely owing by MIT Semiconductor to the Company. Such amount will be fully repaid with collections from trade receivables, be waived or be capitalized prior to the Base Date.

The Company, namely Mr. Lim Chin Tong (an Executive Director of the Company) and Mr. Tan Ban Hee (the Chief Financial Officer of the Company) who are held responsible for the Undertaking, will continue to monitor the Target Group's total indebtedness, cash and cash equivalent balance and working capital position, to ensure that the Company fulfils the Undertaking.

5.2.3 Payment Terms

On Completion, the New Purchaser shall pay:

- (a) to the Company, 80% of the Actual Sale Price plus S\$8,000,000⁵, with such amount to be paid by way of wire transfer in immediately available funds to an account designated by the Company; and
- (b) to the Escrow Agent to be appointed by the Company and the New Purchaser, the Escrow Amount representing 20% of the Actual Sale Price.

Assuming no Adjustment Amount is deducted from the Estimated Sale Price, the Actual Sale Price shall be S\$84,500,000 and will be payable by the New Purchaser upon Completion as follows:

- (a) to the Company, the sum of S\$67,600,000, representing 80% of the Actual Sale Price, plus S\$8,000,000⁵; and
- (b) to the Escrow Agent, the sum of S\$16,900,000, representing 20% of the Actual Sale Price.

5.2.4 Escrow Amount

The Escrow Amount, representing 20% of the Actual Sale Price, will be dealt with in accordance with the terms of the Share Purchase Agreement and the escrow agreement to be entered into among the Company, the New Purchaser and the Escrow Agent on Completion Date. Assuming no Adjustment Amount is deducted against the Estimated Sale Price and the Actual Sale Price amounted to S\$84,500,000, the Escrow Amount will be equivalent to the sum of S\$16,900,000.

Under the terms of the Share Purchase Agreement, the Escrow Amount will be dealt with in the following manner:

(a) *First Escrow Payment*

After 31 March 2019:

- (i) the New Purchaser will engage an accounting firm to conduct an audit on the Target Group for the purpose of determining the Adjustment Amount. Should the Adjustment Amount determined by the accounting firm be more than the amount determined by the Company, an amount equal to the difference between the two (the "**Shortfall Adjustment Amount**") will be deducted from the Escrow Amount and be released by the Escrow Agent to the New Purchaser; and

⁵ The amount of S\$8,000,000 relates to the minimum cash balance of S\$8,000,000 to be left by the Company in the Target Group for normal operational purposes and to be reimbursed by the New Purchaser to the Company on Completion. Should the cash balance in the Target Group be less than S\$8,000,000 as of the Base Date, the Estimated Sale Price will be adjusted accordingly to take into account the difference between the two. Further information relating to the adjustment mechanism to the Estimated Sale Price is set out in paragraph 5.2.2 of this Circular.

- (ii) the New Purchaser will engage an accounting firm to conduct an audit on the cumulative revenues of the Target Group from 1 January 2018 to 31 March 2019 (the “**2018 Revenue**”). Should the 2018 Revenue be less than S\$46,506,400 (the “**Prescribed Revenue**”), being equivalent to 80% of the cumulative revenue of the Target Group of S\$58,133,000 for the period from 1 January 2017 to 31 March 2018, an amount equal to the difference between the two (the “**Shortfall Revenue Amount**”) will be deducted from the Escrow Amount and be released by the Escrow Agent to the New Purchaser.

Based on the proforma financial statements of the Target Group for 6M2018 which was prepared by the Company solely for illustration purposes using the unaudited financial statements of the Group for 6M2018, the Target Group’s revenue for 6M2018 was approximately S\$11,284,000, representing approximately 24.26% of the Prescribed Revenue. The management of the Company expects the Target Group to be able to achieve the Prescribed Revenue in light of the existing orders on hand and anticipated orders to be received in the coming months as well as the launch of new products during the second and third quarter of 2018. Even if the Target Group is not able to achieve the Prescribed Revenue, the aggregate of the Shortfall Adjustment Amount and the Shortfall Revenue Amount are capped by the Escrow Amount. On the basis that no Adjustment Amount would arise and assuming the full Escrow Amount is returned to the New Purchaser, the net gain on disposal of S\$45,698,000, based on the Reduced Sale Price, remains significant to the Company.

The New Purchaser will engage an accounting firm to conduct the aforesaid audits after 31 December 2018 but earlier than 31 March 2019 should any of the following events occurs:

- (i) if on or before 31 December 2018 but after the Completion Date, the cumulative revenues from 1 January 2018 of the Target Group have reached 80% of the cumulative revenue of the period from 1 January 2017 to 31 December 2017; or
- (ii) if before 31 March 2019 but after the Completion Date and 31 December 2018, the cumulative revenues from 1 January 2018 of the Target Group have reached 80% of the same period from 2017 to 2018.

The aggregate of the Shortfall Adjustment Amount and the Shortfall Revenue Amount are capped by the Escrow Amount. Therefore, if the aggregate of the Shortfall Adjustment Amount and the Shortfall Revenue Amount is equal to or exceeds the Escrow Amount, the full Escrow Amount will be released by the Escrow Agent to the New Purchaser. Conversely, the following arrangement will be observed if the aggregate of the Shortfall Adjustment Amount and the Shortfall Revenue Amount is less than the Escrow Amount:

- (i) if the aggregate of the Shortfall Adjustment Amount and the Shortfall Revenue Amount is equal to or more than 50% of the Escrow Amount, such amount will be released by the Escrow Agent to the New Purchaser and the balance of the Escrow Amount will be retained by the Escrow Agent and dealt with in the manner as described in sub-paragraph (b) below; or
- (ii) if the aggregate of the Shortfall Adjustment Amount and the Shortfall Revenue Amount is less than 50% of the Escrow Amount, the Escrow Agent will (1) release such amount to the New Purchaser and (2) release to the Company an amount equal to the difference between the amount released to the New Purchaser and 50% of the Escrow Amount, and the balance 50% of the Escrow Amount will be retained by the Escrow Agent and dealt with in the manner as described in sub-paragraph (b) below.

Assuming there is no Shortfall Adjustment Amount and no Shortfall Revenue Amount, the Escrow Agent will release 50% of the Escrow Amount, representing 10% of the Actual Sale Price, to the Company within 10 business days following the later date of the receipt of the aforesaid audit results.

There is no timeline for which the aforesaid audit ought to be completed or a timeline for the audit results to be available. The Company nevertheless does not expect the audit to be unduly delayed as it is also in the interest of the New Purchaser for such audit to be completed as soon as practicable so as to determine the Shortfall Adjustment Amount and the Shortfall Revenue Amount, if any.

The Company will make further announcement via the SGXNET when the Shortfall Adjustment Amount and the Shortfall Revenue Amount is determined as well as the status and payment of the first escrow payment described in this paragraph.

(b) *Second Escrow Payment*

Should the aggregate of the Shortfall Adjustment Amount and the Shortfall Revenue Amount be less than the Escrow Amount, the remaining balance of the Escrow Amount, or the balance 50% of the Escrow Amount, as the case may be, (the “**Second Escrow Amount**”) will be held by the Escrow Agent to settle any claim by the New Purchaser against the Company for any breach of the representations and warranties provided by the Company under the Share Purchase Agreement. The maximum amount of the Second Escrow Amount will therefore be S\$8,450,000, representing 10% of the Actual Sale Price assuming no Adjustment Amount is deducted against the Estimated Sale Price and the Actual Sale Price amounted to S\$84,500,000.

The Second Escrow Amount will be held by the Escrow Agent for a period of 18 months from the Completion Date (the “**Escrow Claim Period**”) and will be dealt by the Escrow Agent in the following manner:

- (i) if any claims are made by the New Purchaser during the Escrow Claim Period, such amount which was finally settled by the Company and the New Purchaser or awarded by the arbitration tribunal, or if the amount then standing to the Second Escrow Amount is insufficient, the entire or part of the Second Escrow Amount, as the case may be, will be released by the Escrow Agent to the New Purchaser;
- (ii) if any claims are made by the New Purchaser during the Escrow Claim Period and such claim is not settled prior to the end of the Escrow Claim Period, the Escrow Agent will continue to hold the Second Escrow Amount until such claims are settled or awarded;
- (iii) when all outstanding claims have been finally settled or awarded and there remains a balance in the Second Escrow Amount, such amount will be released by the Escrow Agent to the Company within 10 business days from the date of the final award or settlement of the last outstanding claim; and
- (iv) if no claim is made by the New Purchaser by the expiry of the Escrow Claim Period, the entire Second Escrow Amount will be released by the Escrow Agent to the Company within 10 business days following the expiry of the Escrow Claim Period.

The Company will make further announcement via the SGXNET on the status and payment of the Second Escrow Amount described in this paragraph.

All instructions to the Escrow Agent relating to the release of the Escrow Amount, whether such amount is to be released to the New Purchaser or to the Company, shall be given jointly by both the Company and the New Purchaser.

The Company and the New Purchaser may, following mutual negotiation and agreement, made financial arrangements for the Escrow Amount. Any proceeds of the financial arrangements which accrue on the Escrow Amount shall follow the principal sum and be released to the party or parties entitled thereto contemporaneously with, and proportionately to, the release of the principal sum.

5.3 **Conditions Precedent**

Completion of the Proposed Disposal is conditional upon, among others, the satisfaction (or waiver, as the case may be) of the following Conditions Precedent:

- (a) Conditions applicable to both the New Purchaser and the Company
 - (i) No governmental entity shall have issued, enacted, entered, promulgated or enforced any law or order (that has not been vacated, withdrawn or overturned) restraining, enjoining or otherwise prohibiting the Transaction.

- (ii) Any applicable waiting period (or any extension thereof), filings, registrations, consent or approvals under any applicable laws (including any antitrust laws) required to consummate the Transaction shall have expired, been terminated, been made or been obtained, and all approvals from Ministry of Commerce, National Development and Reform Commission, and State Administration of Foreign Exchange of PRC required to consummate the Transaction shall have been obtained.
 - (iii) The Company and the New Purchaser shall have reached consensus on items set forth in the Seller's Statement.
- (b) Conditions applicable to the Company
- (i) Approval of the Shareholders and the Board of the Company for the sale of the Target Group and the Target Assets to the New Purchaser, such approval to be obtained at the EGM or a meeting of the Board of the Company (as the case may be) and on such terms reasonably satisfactory to the New Purchaser.
 - (ii) All of the agreements and covenants of the Company to be performed prior to Completion pursuant to the Share Purchase Agreement shall have been duly performed to the reasonable satisfaction of the New Purchaser.
 - (iii) The representations and warranties of the Company contained in the Share Purchase Agreement shall be true and correct in all material respects as of the Completion Date as if made at and as of such time (other than those representations and warranties made as of a specified date, which representations and warranties shall be true and correct in all material respects as of such specified date).
 - (iv) From the date of the Share Purchase Agreement, there shall not have occurred any material adverse effect on the assets, operations or financial condition of the Target Group, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a material adverse effect on the assets, operations or financial condition of the Target Group, which has not been remedied as of the Completion Date.
 - (v) The Company shall cause the directors of GPPL to pass a director's resolution authorizing the secretary of GPPL to rectify the discrepancy in the register of members and register of transfers pursuant to the following historical transfers of shares of GPPL (the "**GPPL Shares**") being recorded in the registers prior to the stamping of the relevant transfer instruments:
 - (1) transfer of 1,250 GPPL Shares from Tan Chee Yee to Puah Yong Joo on 1 November 1999;
 - (2) transfers of 4,500 GPPL Shares from Toh Hong Lay to the Company, 10,000 GPPL Shares from Puah Yong Joo to the Company, and 5,000 GPPL Shares from Tang Hak Wee to the Company, on 21 September 2000;
 - (3) transfers of 250 GPPL Shares from Toh Hong Lay to the Company, 1,250 GPPL Shares from Puah Yong Joo to the Company, and 1,250 GPPL Shares from Tang Hak Wee to the Company, on 19 September 2011;
 - (4) transfers of 150 GPPL Shares from Toh Hong Lay to the Company, 750 GPPL Shares from Puah Yong Joo to the Company, and 750 GPPL Shares from Tang Hak Wee to the Company, on 3 January 2012; and
 - (5) transfers of 100 GPPL Shares from Toh Hong Lay to the Company, 500 GPPL Shares from Puah Yong Joo to the Company, and 500 GPPL Shares from Tang Hak Wee to the Company, on 2 January 2013.

The aforesaid relates to historical transfer of shares in GPPL and the purpose of the aforesaid condition precedent was to rectify the discrepancy in the register of members and register of transfers of GPPL as the date of transfer recorded in both the registers was a date prior to the relevant transfer instrument being stamped where it should have been a date on or after the relevant transfer instrument was stamped. As at the Latest Practicable Date, this condition precedent has been fulfilled with the passing of the required directors' resolutions by GPPL.

(vi) The Company shall have caused the Target Companies to fully repay and discharge the following outstanding loans owed by GPPL and IMPL to the Company as of 31 December 2017:

- (1) the aggregate loan amount of S\$81,232.11 owed by GPPL to the Company; and
- (2) the aggregate loan amount of S\$4,652,801.37 owed by IMPL to the Company.

As at the Latest Practicable Date, this condition precedent was fulfilled and the aforesaid loans were repaid in the following manner:

- (1) the aggregate loan amount of S\$81,232.11 was repaid by GPPL to the Company in cash; and
- (2) the aggregate loan amount of S\$4,652,801.37 was repaid by IMPL to the Company as follows:
 - (a) for the sum amounting to S\$852,801.37, the major bulk of which was settled by inter-company transactions from 1 January 2018 to 30 November 2018 and the balance in cash; and
 - (b) the balance sum of S\$3,800,000 was settled by the allotment and issuance of one (1) ordinary share by IMPL to the Company at the issue price of S\$3,800,000.

(vii) The Company shall have settled the hire-purchase loan for the chief executive officer's company vehicle before the ownership of the vehicle is transferred to the Target Group and the Company having completed the transfer of ownership of the vehicle to the Target Group.

(viii) The Company shall have caused MIT Semiconductor to buy new insurance policies to replace the Company's existing insurance policies, other than the Directors and Officers Liability Insurance, that cease to provide coverage for the Target Group after Completion.

(ix) The Company shall have caused certain key employees as listed in paragraph 3.6 of this Circular to sign a three-year retention employment contract with the Target Group.

(x) GPPL and Automated Manufacturing Solutions Pte Ltd ("**AMS**"), a wholly-owned subsidiary of the Company, shall have entered into an agreement in relation to the grant of license by GPPL to AMS to use GPPL's proprietary machine vision technology in a form agreed between the Company and the Initial Purchaser or the New Purchaser, as the case may be.

GPPL and AMS had, on 2 January 2018, entered into an agreement relating to the grant of the aforesaid license by GPPL to AMS. At the request of the Initial Purchaser, the Company has agreed for a new license agreement to be entered with the salient terms such as the license to be granted and the term of the license remaining the same as the initial agreement and the key amendments were the inclusion of a non-competition clause and a non-assignment clause and that all disputes arising from the new license agreement shall be finally settled by arbitration at the Hong Kong International Arbitration Centre. Such amendments to the license agreement are not

expected to have a material adverse effect on the overall interest of the Group. As at the Latest Practicable Date, the new license agreement had been entered into between GPPL and AMS and this condition precedent has been fulfilled.

- (xi) The Company shall have caused Epicor Software (Asia) Pte Ltd. and/or Epicor Software (SEA) Pte Ltd. to sign a new agreement with the Target Group to replace the Company's existing End User License Agreement signed between Epicor (Asia) Pte Ltd. and the Company.

The Group had obtained licenses from Epicor Software (Asia) Pte Ltd for the use of an enterprise resource planning system for both the Target Business and the CEM Business. In light of the Proposed Disposal, the Company was to arrange for new agreements to be signed so that separate licenses are obtained for each of the Target Business and the CEM Business. Such arrangement will not result in any changes which are prejudicial to the interest of the Group as the new agreements sought to re-allocate the licenses based on the number of users under the respective Target Business and the CEM Business. As at the Latest Practicable Date, new agreements have been entered and this condition precedent has been fulfilled.

- (xii) Where the terms of any contract entered into by any Target Company contains any restrictions or prohibition on the change in control of the shareholdings and/or the boards of directors of any Target Company or includes any right to terminate exercisable prior to or as a result of any matter contemplated by the Share Purchase Agreement, the Transaction or the Target Reorganization, written confirmation in a form and on terms (if any) reasonably acceptable to the New Purchaser by the counterparties thereto, of the waiver of such restrictions or prohibition in relation to any such change arising from the transactions under the Share Purchase Agreement or of any such right to terminate and delivered to the New Purchaser, including without limitation written consents from the following third parties:

- (1) from HSBC Institutional Trust Services (Singapore) Limited's, as trustee of Ascendas Real Estate Investment Trust, in relation to the lease of the premises currently occupied by the Target Group; and

- (2) if applicable, relevant third parties' consent in relation to all third party software licensed by Epicor Software (Asia) Pte Ltd. and/or Epicor Software (SEA) Pte Ltd. to the Company.

- (xiii) For a nominal consideration of S\$2, the Company shall have transferred its holdings of the entire issued share capital in GPPL and IMPL to MIT Semiconductor, so that GPPL and IMPL become 100% owned subsidiaries of MIT Semiconductor, and for the sum payable by MIT Semiconductor to the Company, being equivalent to the aggregate net book value of the Target Assets of S\$17,984,636 as at 30 April 2018, the Target Assets shall have been transferred to MIT Semiconductor prior to Completion.

The aggregate net book value of the Target Assets of S\$17,984,636 comprises (1) assets to be transferred by the Company to MIT Semiconductor at the net book value of S\$6,718,432.34 as at 30 April 2018, (2) assets of GPPL at the net book value of S\$521,122.83 as at 30 April 2018 and (3) assets of IMPL at the net book value of S\$10,745,080.83 as at 30 April 2018. The net asset value of MIT Semiconductor, GPPL and IMPL was respectively S\$1,049,000, S\$1,961,000 and S\$(2,360,000) as at 30 April 2018. The net book values and the net asset values as disclosed hereinbefore had not been adjusted to take into account the loans to be settled pursuant to sub-paragraphs (vi) and (vii) above.

A breakdown of the aggregate net book value of the Target Assets of S\$17,984,636 as at 30 April 2018 is as follows:

Description of Targeted Asset	Company S\$	GPPL S\$	IMPL S\$	Total S\$
1. Fixed Assets				
- Computers & accessories	826,852.54	11,558.99	33,505.69	871,917.22
- Furniture & fittings	39,656.65	658.99	-	40,315.64
- Office equipments	57,562.47	1,237.03	3,741.38	62,540.88
- Machinery & tools	231,585.74	42,634.06	9,309.28	283,529.08
- Motor vehicle	243,441.57	-	-	243,441.57
- Renovation	21,000.34	1,151.84	-	22,152.18
	1,420,099.30	57,240.91	46,556.35	1,532,896.56
2. Inventories				
- Raw materials	481,530.64	-	1,365,925.94	1,847,456.58
- Work-in-progress	1,173,328.60	-	9,332,598.54	10,505,927.14
- Finished goods	433,594.86	-	-	433,594.86
	2,088,454.10	-	10,698,524.48	12,786,978.58
3. Development projects	3,175,791.58	463,881.92	-	3,639,673.50
4. Patents	34,087.36	-	-	34,087.36
Total	6,718,432.34	521,122.83	10,745,080.83	17,984,636.00

The following in respect of the Target Reorganization shall have been performed:

- (1) The Company shall have transferred all of the issued ordinary shares in GPPL to MIT Semiconductor, and delivered to the New Purchaser a certified true copy of the share certificate and other documents that is required to verify the validity and legality of the share transfer of GPPL after completion of the transfer;
 - (2) The Company shall have transferred all of the issued ordinary shares in IMPL to MIT Semiconductor, and delivered to the New Purchaser a certified true copy of the share certificate and other documents that is required to verify the validity and legality of the share transfer of IMPL after completion of the transfer;
 - (3) The Company shall have transferred the Target Assets to MIT Semiconductor and delivered to the New Purchaser the relevant documents that are required to verify the validity and legality of the transfer;
 - (4) The Company shall have caused each Target Company to obtain the permits required to conduct the Target Business; and
 - (5) The Company shall have delivered to the New Purchaser a written notice confirming that the Target Reorganization has been fully, validly and legally completed.
- (xiv) The New Purchaser shall have completed the verification of each deliverables listed sub-paragraph (xiii) above, and each of Allen & Gledhill LLP and Ernst & Young has issued its analysis in writing indicating that the Target Reorganization has been fully, validly and legally completed.

- (xv) The Company shall have delivered to the New Purchaser the closing certificate indicating that all of the conditions set forth in this sub-paragraph (b) are satisfied as of the Completion Date.
- (c) *Conditions applicable to the New Purchaser*
- (i) All of the agreements and covenants of the New Purchaser to be performed prior to Completion pursuant to the Share Purchase Agreement shall have been duly performed.
 - (ii) The representations and warranties of the New Purchaser contained in the Share Purchase Agreement shall be true and correct in all material respects at and as of the Completion Date as if made at and as of such time (other than those made at and as of a specified date, which shall be true and correct in all material respects at and as of such specified date).
 - (iii) The New Purchaser shall have delivered to the Company the closing certificate indicating that all of the conditions set forth in this sub-paragraph (c) are satisfied as of the Completion Date.

If any of the Conditions Precedent is not fulfilled or waived by the relevant party by 18 January 2019, being the date falling 6 months from the SPA Date, or such later date as may be agreed in writing by both the Company and the New Purchaser, the Share Purchase Agreement may be terminated in accordance with the terms of the Share Purchase Agreement.

One of the Conditions Precedent requires the Company to obtain the Shareholders' approval for the Proposed Disposal at the EGM.

In the event that the Company fails to obtain Independent Shareholders' approval for the Proposed Disposal at the EGM, the Company shall pay to the New Purchaser a sum of S\$200,000 as compensation to the New Purchaser for its expenses incurred in association with the Proposed Disposal. The Board is of the view that such compensation amount is reasonable as the Initial Purchaser and/or the New Purchaser had engaged professionals to conduct legal and financial due diligence on the Target Group and to prepare or review legal documents relating to, or in connection with, the Transaction.

As at the Latest Practicable Date, the conditions described in sub-paragraphs (b)(v) to (b)(viii) and (b)(x) to (b)(xiii) above have been satisfied.

5.4 Non-Solicitation and Non-Competition Undertakings

The following undertakings were provided by the Company to the New Purchaser under the Share Purchase Agreement:

- (a) unless the Company and the New Purchaser have otherwise agreed in writing, during 36 months from the SPA Date, the Company shall not and will cause any of its subsidiaries or affiliates not to, directly or indirectly, (i) solicit, induce, enter into any agreement with, or attempt to influence any individual who (1) is a current employee of the Target Group, (2) was an employee of the Target Group at any time during the 12 months preceding the SPA Date, or (3) is an employee who is involved in the Target Business and whose employment is to be transferred from the Company to MIT Semiconductor, to terminate his directorship, employment, consulting, contractor or other relationship with the Target Group; (ii) induce any of the Target Group's customers or suppliers to terminate its existing business relationship with the Target Group or diminish the amount of business a customer or vendor is doing with the Target Group; and
- (b) without the New Purchaser's prior written consent, such consent not to be unreasonably withheld, during 36 months from the Completion Date, the Company shall not and will cause any of its subsidiaries or affiliates not to, directly or indirectly, in all countries (jurisdictions) where any member of the Target Group has business presence, on behalf of any person to provide the same or substantially the same business as the Target Business.

The Board views such undertakings to be reasonable and within industry practices.

Following Completion, the Company will focus and grow its remaining CEM Business, further details of which are set out in paragraph 3 of this Circular.

5.5 Representations and Warranties

The representations and warranties provided by each of the Company and the New Purchaser under the Share Purchase Agreement are customary for transactions of similar nature.

5.6 Completion

Subject to there being no material breach of any of the terms and conditions of the Share Purchase Agreement by the Company and the New Purchaser, Completion of the Proposed Disposal shall take place within 5 business days after the satisfaction (or the waiver, as the case may be) of the Conditions Precedent, or such other date as the Company and the New Purchaser may agree in writing.

The Company will make further announcement via the SGXNET if and when Completion takes place.

6. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal will enable the Company to unlock value that had been accumulated for the benefit of the Shareholders. The Proposed Disposal will result in a significant net gain on disposal of approximately S\$61,753,000 as at 31 December 2017, assuming no Adjustment Amount is deducted against the Estimated Sale Price and the Actual Sale Price amounted to S\$84,500,000. If the Company receives the Reduced Sale Price of S\$67,600,000, on the basis that no Adjustment Amount would arise and assuming that the full Escrow Amount is returned to the New Purchaser, the net gain on disposal will be reduced to approximately S\$45,698,000 and such gain remains significant to the Company. Please refer to paragraph 8.4 of this Circular for details relating to the computation of the expected net gain arising from the Proposed Disposal.

In the event that Independent Shareholders approve the Proposed Disposal and Completion takes place, the Company intends to distribute to its Shareholders the net proceeds from the Proposed Disposal. This will result in the Shareholders realising their investment in cash while retaining their Shares in the Company that will continue to carry on, focus and grow its remaining CEM Business. The CEM Business is self-sustaining and has the necessary internal resources to carry out and expand its operations. It therefore does not require any additional funding arising from the net proceeds from the Proposed Disposal. Details of the plans of the Company in growing its remaining CEM Business are found in paragraph 3.5 of this Circular.

7. USE OF PROCEEDS

The Net Sale Proceeds from the Proposed Disposal, after deducting all costs and expenses, 5% commission payable for deal introduction and financial advisory services, payment to staff as a reward for their past contribution and compensation payable to the Group's PRC staff amounting in aggregate to approximately S\$7,400,000 and assuming that the full amount of the Estimated Sale Price of S\$84,500,000 is received by the Company, is estimated to be approximately S\$77,100,000. If the Reduced Sale Price of S\$67,600,000 is received by the Company, the Net Sale Proceeds from the Proposed Disposal would be reduced to approximately S\$61,045,000⁶.

The Company intends to make an ex-gratia to its staff in recognition of their past contribution to the Group. The Company is also required under the labour laws of PRC to pay some compensation to the Group's PRC staff when their employment contracts are renewed under the new ownership.

⁶ If the Reduced Sale Price of S\$67,600,000 is received by the Company, the costs and expenses in connection with the Proposed Disposal will be reduced to S\$6,555,000 as the 5% commission payable for deal introduction and financial advisory services will be calculated based on the Reduced Sale Price of S\$67,600,000.

The 5% commission is payable by the Company to the following persons:

- (a) a 3.4% commission is payable to Infinity International Trade Co Ltd whose shareholders are Ge Cheng (25%) and Wang Xiao Feng (75%) for providing business consultancy services on the Proposed Disposal such as the introduction of potential buyers to the Company and providing advice on negotiation or pricing strategies and the structuring of the transaction; and
- (b) a 1.6% commission is payable to Forte Investments Corp whose shareholders are Wang Shih Yau Ling (50%) and Wang Chung Chen (50%) for providing technical consultancy services on the Proposed Disposal such as advising the Company on products positioning with regards to the strategic interests of both the New Purchaser and potential customers.

Neither the Company nor the Directors or Controlling Shareholders of the Company is related to Infinity International Trade Co Ltd or Forte Investments Corp or their respective directors and shareholders.

The Company intends to return the entire Net Sale Proceeds from the Proposed Disposal to its Shareholders by way of a special dividend or capital reduction, as the case may be. It is anticipated that a first distribution of 24 cents per Share based on the first payment received by the Company upon Completion (i.e. 80% of the Actual Sale Price) will be made by the Company as soon as practicable after Completion has taken place. This is regardless whether the Company receives the full Estimated Sale Price of S\$84,500,000 or the Reduced Sale Price of S\$67,600,000.

Pending the deployment of the unutilised proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, or used for any purpose on a short-term basis, as the Board may deem appropriate in the interests of the Group.

8. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

8.1 Bases and Assumptions

The pro forma financial effects of the Proposed Disposal are set out below.

The pro forma financial effects of the Proposed Disposal have been prepared based on the audited financial statements of the Group for FY2017 and the pro forma financial statements of the Target Business for FY2017 (prepared by the Company using the audited financial statements of the Group for FY2017).

The pro forma financial effects of the Proposed Disposal are for illustrative purposes only and are therefore not necessarily indicative of the actual financial position of the Group after Completion.

8.2 Financial Effects on NTA

For illustrative purposes only, the pro forma financial effects of the Proposed Disposal on the NTA per Share, assuming that the Proposed Disposal had been completed on 31 December 2017 are set out below:

	Before Proposed Disposal ⁽¹⁾	After Proposed Disposal ⁽¹⁾
NTA as at 31 December 2017 (S\$)	51,082,000 ⁽²⁾	35,783,000 ⁽²⁾
Number of Shares as at 31 December 2017	229,287,470	229,287,470
NTA per Share (cents)	22.28	15.61

Notes:

- (1) The financial effects of the Proposed Disposal on the NTA of the Group do not take into account the proceeds from the Proposed Disposal. This is because the Company intends to return the entire Net Sale Proceeds to the Shareholders.
- (2) The NTA of the Group before the Proposed Disposal was S\$51,082,000 and the NTA of the Target Group (excluding cash of S\$19,280,000) was S\$15,299,000. The NTA of the Group, after the Proposed Disposal, will be S\$35,783,000. This was derived by deducting the NTA of the Target Group of S\$15,299,000 against the NTA of the Group of S\$51,082,000.

In computing the NTA of the Target Group, cash was excluded as the minimum cash balance of S\$8,000,000 to be left by the Company in the Target Group for normal operational purposes will be reimbursed by the New Purchaser to the Company on Completion. The Company will therefore not be leaving any cash in the Target Group.

8.3 Financial effects on EPS of the Group

For illustrative purposes only, the pro forma financial effects of the Proposed Disposal on the EPS of the Group, assuming that the Proposed Disposal had been completed on 1 January 2017 are set out below:

	Before Proposed Disposal	After Proposed Disposal
Profit/(Loss) after tax (S\$)	6,006,000 ⁽¹⁾	(1,574,000) ⁽¹⁾
Weighted average number of Shares as at 31 December 2017	226,955,221	226,955,221
EPS (cents)	2.65	(0.69)

Note:

- (1) The profit after tax of the Group before the Proposed Disposal was S\$6,006,000 and the profit after tax attributable to the Target Group was S\$7,580,000. The loss after tax of the Group, after the Proposed Disposal, was S\$1,574,000. This was derived by deducting the profit after tax attributable to the Target Group of S\$7,580,000 against the profit after tax of the Group of S\$6,006,000.

8.4 Expected gain on the Proposed Disposal and excess of the Estimated Sale Price over the book value of the Target Business

The book value (excluding cash on hand) of the Target Business as at 31 December 2017 was approximately S\$15,347,000. The cash on hand is excluded as the minimum cash balance of S\$8,000,000 to be left by the Company in the Target Group for normal operational purposes will be reimbursed by the New Purchaser to the Company on Completion. The Company will therefore not be leaving any cash in the Target Group.

Assuming that the Company receives the full amount of the Estimated Sale Price of S\$84,500,000:

- (a) the Net Sale Proceeds from the Proposed Disposal, after deducting expenses of approximately S\$7,400,000 to be incurred by the Company in connection with the Proposed Disposal, is estimated to be approximately S\$77,100,000;
- (b) the excess of the Net Sale Proceeds from the Proposed Disposal over the book value (excluding cash on hand) of the Target Business as at 31 December 2017 is approximately S\$61,753,000; and
- (c) the Proposed Disposal will give rise to an estimated gross gain on disposal of approximately S\$69,153,000 (before deducting expenses to be incurred in connection with the Proposed Disposal), or an estimated net gain of approximately S\$61,753,000 (after deducting expenses to be incurred in connection with the Proposed Disposal of approximately S\$7,400,000) as at 31 December 2017 for the Group.

Assuming that the Company receives the Reduced Sale Price of S\$67,600,000:

- (a) the Net Sale Proceeds from the Proposed Disposal, after deducting expenses of approximately S\$6,555,000 to be incurred by the Company in connection with the Proposed Disposal, is estimated to be approximately S\$61,045,000;
- (b) the excess of the Net Sale Proceeds from the Proposed Disposal over the book value (excluding cash on hand) of the Target Business as at 31 December 2017 is approximately S\$45,698,000; and
- (c) the Proposed Disposal will give rise to an estimated gross gain on disposal of approximately S\$52,253,000 (before deducting expenses to be incurred in connection with the Proposed Disposal), or an estimated net gain of approximately S\$45,698,000 (after deducting expenses to be incurred in connection with the Proposed Disposal of approximately S\$6,555,000) as at 31 December 2017 for the Group.

The estimated gross gain on the Proposed Disposal was computed by deducting the net asset value (excluding cash on hand) of the Target Group of S\$15,347,000 as at 31 December 2017 against the Estimated Sale Price or the Reduced Sale Price, as the case may be, while the net gain on the Proposed Disposal took into account the expenses to be incurred in connection with the Proposed Disposal. Such computation does not take into account the sum of S\$8,000,000 to be paid by the New Purchaser to the Company on Completion as such amount serves as a reimbursement to the Company for an equivalent amount to be left by the Company in the Target Group for normal operational purposes.

9. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

9.1 General

Under Chapter 10 of the Listing Manual, a transaction will be classified as a major transaction if any of the relative figures calculated on the bases set out in Rule 1006 of the Listing Manual exceeds 20% and if so, shareholders' approval must be obtained for the major transaction.

9.2 Relative Figures computed on the bases set out in Rule 1006 of the Listing Manual

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Disposal, and based on the latest audited consolidated financial statements of the Company for FY2017, are as follows:

Rule 1006	Proposed Disposal (S\$'000)	The Group (S\$'000)	(%)
(a) The net asset value of the assets to be disposed of compared with the Group's net asset value as at 31 December 2017	15,347 ⁽¹⁾	51,130	30
(b) The net profits ⁽²⁾ attributable to the assets disposed of compared with the Group's net profits ⁽²⁾ for FY2017	7,975 ⁽³⁾	6,510	123
(c) The aggregate value of the consideration received compared with the Company's market capitalisation as at 17 July 2018	84,500 ⁽⁴⁾	74,790 ⁽⁵⁾	113 ⁽⁶⁾
(d) The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as the transaction is a disposal		
(e) The aggregate volume or amount of proved and probable reserves to be disposed of compared with the Group's proved and probable reserves	Not applicable as the Company is not a mineral, oil and gas company		

Notes:

- (1) The net asset value (excluding cash on hand) of the Target Group of approximately S\$15,347,000 was derived based on the pro forma financial statements of the Target Business for FY2017, prepared by the Company solely for illustration purposes based on the audited financial statements of the Group for FY2017.
- (2) Net profit means profit before income tax, minority interests and extraordinary items.
- (3) The net profit of the Target Group of approximately S\$7,975,000 was derived based on the pro forma financial statements of the Target Business for FY2017, prepared by the Company solely for illustration purposes based on the audited financial statements of the Group for FY2017.
- (4) Based on the assumption that the Company receives the full Estimated Sale Price of S\$84,500,000.
- (5) The market capitalisation of the Company of approximately S\$74,790,000 was determined by multiplying the number of issued Shares of 230,125,470 Shares as at 17 July 2018 by the weighted average price of the Shares of S\$0.325 per Share on 17 July 2018, being the Market Day immediately preceding the date of the Share Purchase Agreement.
- (6) If the relative figure under Rule 1006(c) above is computed based on the Reduced Sale Price of S\$67,600,000, the relative figure for Rule 1006(c) would have been 90.39% instead of 113% which was computed based on the full Estimated Sale Price of S\$84,500,000.

9.3 Major Transaction

As the relative figures under Rules 1006(a), 1006(b) and 1006(c) exceed 20%, the Proposed Disposal constitutes a “major transaction” as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Disposal is conditional upon the approval of the Independent Shareholders at the EGM.

10. PROPOSED DISPOSAL DEEMED AS AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL

10.1 General

Chapter 9 of the Listing Manual applies to transactions by a listed company or any of its subsidiaries or associated companies, which is considered to be an “entity at risk” within the meaning of Rule 904(2) of the Listing Manual, with an interested person of the listed company.

With the exception of certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9 of the Listing Manual, an immediate announcement, or an immediate announcement and subsequent shareholders’ approval would be required in respect of transactions between an entity at risk and its interested persons if certain materiality thresholds (which are based on the group’s latest audited NTA) are reached or exceeded.

Under Rule 905 of the Listing Manual, an immediate announcement is required where:

- (a) the value of a transaction with interested persons is equal to, or more than, 3% of the group’s latest audited NTA; or
- (b) the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group’s latest audited NTA.

In addition, under Rule 906 of the Listing Manual, an immediate announcement and shareholders’ approval is required for an interested person transaction of a value equal to, or more than:

- (a) 5% of the group’s latest audited NTA; or
- (b) 5% of the group’s latest audited NTA, when aggregated with the values of other transactions entered into with the same interested person (such term as defined under Chapter 9 of the Listing Manual) during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

10.2 Definition of the main terms

The following terms are defined under Chapter 9 of the Listing Manual:

- (a) an “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual.
- (b) an “entity at risk” means:
 - (i) the issuer;
 - (ii) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s) has control over the associated company.

- (c) an “interested person” means:
 - (i) a director, chief executive officer, or controlling shareholder of the issuer; or
 - (ii) an associate of any such director, chief executive officer, or controlling shareholder.
- (d) an “interested person transaction” means a transaction between an entity at risk and an interested person.

10.3 Proposed Disposal deemed as an interested person transaction

Mr. Kwong is the Chairman and Managing Director of the Company as well as a Controlling Shareholder of the Company who holds approximately 53.7% interest (direct and deemed) in the Company as at the Latest Practicable Date. Mr. Kwong is therefore an interested person and any transaction by the Company or any of its subsidiaries with Mr. Kwong and/or any of his associates will be regarded as an interested person transaction under Chapter 9 of the Listing Manual.

It is envisaged that Mr. Kwong and his management team will undertake the Proposed CFTC Investment, i.e. the acquisition or subscription of up to 10% of the equity interest in the New Purchaser, after Completion has taken place. The Company was informed by the New Purchaser that the terms of the Proposed CFTC Investment will be discussed with Mr. Kwong closer to, or after, Completion although it is expected that the terms of the Proposed CFTC Investment will be similar to the terms at which the other shareholders of the New Purchaser subscribed for their respective stakes in the New Purchaser. For example, the consideration payable by Mr. Kwong and his management team for their stake in the New Purchaser is expected to be at the same price which the shareholders of the New Purchaser subscribed for their respective stakes in the New Purchaser. It is uncertain at this point of time as to whether Mr. Kwong and his management team will be acquiring equity interest from the other shareholders of the New Purchaser or whether there will be a subscription of new stake in the New Purchaser thereby diluting the equity interest of all the existing shareholders of the New Purchaser. As the Proposed CFTC Investment is a private arrangement between Mr. Kwong and the New Purchaser which will only take place after Completion and in view of the sensitivity of the said investment, CFTC deemed it inappropriate or premature to divulge further details of the Proposed CFTC Investment at this point of time. Accordingly, as at the Latest Practicable Date, the exact percentage of the stake to be acquired or subscribed by Mr. Kwong has yet to be determined though it is envisaged that he and his management team will collectively acquire or subscribe for not more than 10% of the equity interest in the New Purchaser and the terms for which will be negotiated between Mr. Kwong and CFTC as a private arrangement without the Company being involved.

In view of Mr. Kwong's anticipated participation in the equity interest of the New Purchaser, the Directors, being conscious of the need to comply with the spirit of the Listing Manual and in order to demonstrate the exercise of proper corporate governance and to provide greater transparency, have deemed the Proposed Disposal as an “interested person transaction” within the meaning defined in Chapter 9 of the Listing Manual and complied with the requirements of Chapter 9 of the Listing Manual.

10.4 Value of the Proposed Disposal

The Estimated Sale Price of S\$84,500,000 and the Reduced Sale Price of S\$67,600,000 represented respectively approximately 165.42% and 132.34% of the Group's latest audited NTA of approximately S\$51,082,000 as at 31 December 2017.

Pursuant to Rule 906 of the Listing Manual, the Proposed Disposal is therefore conditional upon the approval of the Independent Shareholders at the EGM.

10.5 Current and on-going interested person transactions

There are no interested person transactions entered into by the Group, or between the Group and, Mr. Kwong and/or his associates during the course of the financial year ended 31 December 2018 up to the Latest Practicable Date which are required to be disclosed under Chapter 9 of the Listing Manual.

10.6 Independent Financial Adviser

Pursuant to Chapter 9 of the Listing Manual, ZICO Capital Pte. Ltd. was appointed as the IFA to advise the Independent Directors as to whether the Proposed Disposal is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders.

The opinion and advice of the IFA is set out in paragraph 13 of this Circular. A copy of the IFA Letter dated 2 January 2019 is reproduced and set out in the Appendix to this Circular. Shareholders are advised to read the IFA Letter carefully.

11. SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Disposal. Accordingly, no service contract for such appointment is proposed to be entered into between the Company and any such person.

As one of the Conditions Precedent, the Company shall have caused certain key employees of the Target Group as listed in paragraph 3.6 of this Circular to sign a three-year retention employment contract with the Target Group. Such key employees include Mr. Kwong, the Chairman and Managing Director of the Company, Mr. Tan Ban Hee, the Chief Financial Officer of the Company and other management members involved in the Target Business. Such arrangement is to ensure continuity in the Target Business. Other than Mr. Kwong, the terms of such retention employment contract will be similar to their existing employment terms with the Target Group or the Company, as the case may be.

As at the Latest Practicable Date, the terms of the three-year retention employment contract to be entered into between Mr. Kwong and the Target Group has yet to be finalised and such terms are being negotiated between Mr. Kwong and the New Purchaser. It is expected that Mr. Kwong and the New Purchaser will reach a consensus to the terms of his employment contract closer to the Completion Date, assuming Independent Shareholders' approve the Proposed Disposal at the EGM.

12. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

12.1 Interests in Shares

As at the Latest Practicable Date, the interests of Directors and substantial shareholders of the Company in the Shares, based on the Company's register of interest of Directors and register of substantial shareholders respectively, are as follows:

	Direct Interests		Deemed Interests	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors				
Mr. Kwong ⁽²⁾	4,984,118	2.13	120,627,910	51.57
Lim Chin Tong	1,804,000	0.77	-	-
Lee Yong Guan	461,000	0.20	-	-
Pow Tien Tee	150,000	0.06	9,000	_(³⁾
Kam Boon Cheong	125,000	0.05	1,145,000	0.49
Lim Chin Hong	-	-	-	-
Substantial Shareholders				
MIT Technologies Pte Ltd	120,627,910	51.57	-	-
Mr. Kwong ⁽²⁾	4,984,118	2.13	120,627,910	51.57
Kwong Kim Ho ⁽²⁾	-	-	120,627,910	51.57

Notes:

- (1) Based on the issued share capital of 233,916,970 Shares as at the Latest Practicable Date.
- (2) Mr. Kwong and Ms. Kwong Kim Ho are deemed to be interested in 120,627,910 Shares held by MIT Technologies Pte Ltd by virtue of Section 4 of the Securities and Futures Act.
- (3) The percentage computed is not meaningful.

12.2 Interests of Directors and Controlling Shareholders

To ensure continuity in the Target Business, Mr. Kwong, the Chairman and Managing Director of the Company, is one of the key employees who will be entering into a three-year retention employment contract with the Target Group. As at the Latest Practicable Date, the terms of the three-year retention employment contract to be entered into between Mr. Kwong and the Target Group has yet to be finalised and such terms are being negotiated between Mr. Kwong and the New Purchaser. It is expected that Mr. Kwong and the New Purchaser will reach a consensus to the terms of his employment contract closer to the Completion Date, assuming Independent Shareholders' approve the Proposed Disposal at the EGM.

In addition, it is envisaged that Mr. Kwong and his management team will undertake the Proposed CFTC Investment, i.e. the acquisition or subscription of up to 10% of the equity interest in the New Purchaser, after Completion has taken place. The Company was informed by the New Purchaser that the terms of the Proposed CFTC Investment will be discussed with Mr. Kwong closer to, or after, Completion, and such terms will be negotiated between Mr. Kwong and CFTC as a private arrangement without the Company being involved.

Save as disclosed above, none of the Directors (other than in his capacity as a Director or Shareholder of the Company) and the Controlling Shareholders, namely Mr. Kwong, Ms. Kwong Kim Ho (the elder sister of Mr. Kwong) and MIT Technologies Pte Ltd, has any interest, direct or indirect, in the Proposed Disposal.

13. OPINION OF THE IFA

Pursuant to Chapter 9 of the Listing Manual, ZICO Capital Pte. Ltd. has been appointed as the IFA to advise the Independent Directors as to whether the Proposed Disposal is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders.

A copy of the IFA Letter dated 2 January 2019 is reproduced and set out in the Appendix to this Circular. Shareholders are advised to read the IFA Letter carefully.

Based on the evaluation undertaken by the IFA, and subject to the qualifications and assumptions made in the IFA Letter, the IFA is of the opinion that, from a financial perspective, the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. Accordingly, the IFA is advising the Independent Directors to recommend the Independent Shareholders to vote in favour of the ordinary resolution relating to the Proposed Disposal as set out in the Notice of EGM at the forthcoming EGM.

14. STATEMENT FROM THE AUDIT COMMITTEE

The Audit Committee comprises Mr. Lee Yong Guan, Mr. Pow Tien Tee, Mr. Kam Boon Cheong and Mr. Lim Chin Hong.

The Audit Committee, having reviewed and considered, *inter alia*, the terms and conditions of, the financial effects of and rationale for the Proposed Disposal as well as the opinion of the IFA, is of the view that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

15. INDEPENDENT DIRECTORS' RECOMMENDATION

The Independent Directors, having reviewed and considered, *inter alia*, the terms and conditions of, the financial effects of and rationale for the Proposed Disposal as well as the opinion of the IFA, are of the view that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. Accordingly, the Independent Directors recommend that Independent Shareholders vote in favour of the ordinary resolution relating to the Proposed Disposal as set out in the Notice of EGM at the forthcoming EGM.

16. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Disposal is subject to numerous conditions under the Share Purchase Agreement and is conditional upon the approval of the Independent Shareholders. There is no certainty and assurance as at the date of this Circular that the Proposed Disposal will be completed. Shareholders are therefore advised to exercise caution when dealing or trading in Shares. Shareholders and potential investors should consult their stockbrokers, bankers, solicitors or other professional advisers if they have any doubt about the actions they should take.

17. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 58 and 59 of this Circular, will be held at 38, Ang Mo Kio Industrial Park 2, #02-03/04, Singapore 569511 on Thursday, 17 January 2019 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the ordinary resolution set out in the Notice of EGM.

18. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at Blk 5004 Ang Mo Kio Ave 5, #03-12, TECHplace II, Singapore 569872 not less than forty-eight (48) hours before the time appointed for holding the EGM. The completion and lodgement of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the EGM.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least seventy-two (72) hours before the time fixed for holding the EGM.

19. ABSTENTION FROM MAKING RECOMMENDATION AND VOTING

In compliance with Chapter 9 of the Listing Manual, Mr. Kwong had abstained from making any recommendation to the Shareholders in respect of the Proposed Disposal. He and his associates, including but not limited to MIT Technologies Pte Ltd, will also abstain from voting on the Proposed Disposal at the EGM. Mr. Kwong further undertakes to decline, and shall ensure that his associates shall decline, to accept appointment as proxies to attend and vote at the EGM unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast at the EGM.

As at the Latest Practicable Date, Mr. Kwong, Ms. Kwong Kim Ho (the elder sister of Mr. Kwong) and MIT Technologies Pte Ltd are Controlling Shareholders of the Company. Both Mr. Kwong and Ms. Kwong Kim Ho are deemed interested in 120,627,910 Shares, representing approximately 51.57% of the issued share capital of the Company as at the Latest Practicable Date, held by MIT Technologies Pte Ltd. Mr. Kwong's interest in the Company, including his deemed interest held through MIT Technologies Pte Ltd, represents approximately 53.7% of the issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, the other associates of Mr. Kwong collectively hold an aggregate of 3,845,535 Shares, representing approximately 1.64% of the issued share capital of the Company. These other associates will also abstain from voting on the Proposed Disposal at the EGM.

20. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this

Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

21. CONSENT

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the IFA Letter and all references thereto in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

22. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Blk 5004 Ang Mo Kio Ave 5, #03-12, TECHplace II, Singapore 569872 during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Constitution of the Company;
- (b) the Annual Report of the Company for FY2017;
- (c) the unaudited consolidated financial statements of the Company for 6M2018;
- (d) the Share Purchase Agreement;
- (e) the Substitution Agreement;
- (f) the Undertaking;
- (g) the IFA Letter; and
- (h) the letter of consent from the IFA referred to in paragraph 21 of this Circular.

Yours faithfully
for and on behalf of the Board of Directors of
Manufacturing Integration Technology Ltd.

Kwong Kim Mone
Chairman and Managing Director

APPENDIX

LETTER FROM ZICO CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS

2 January 2019

MANUFACTURING INTEGRATION TECHNOLOGY LTD.

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

Attention: The Directors of the Company who are considered independent in respect of the Proposed Disposal (the “**Independent Directors**”)

THE PROPOSED DISPOSAL BY THE COMPANY OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF MIT SEMICONDUCTOR PTE. LTD.

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to shareholders of the Company (“**Shareholders**”) in relation to the Proposed Disposal dated 2 January 2019 (the “**Circular**”).*

1. INTRODUCTION

On 18 July 2018, the board of directors (the “**Board**” or “**Directors**”) of Manufacturing Integration Technology Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) announced that the Company had, on 18 July 2018 (the “**SPA Date**”), entered into a conditional share purchase agreement (the “**Share Purchase Agreement**”) with Ningbo MIT Semiconductor Company Limited (砺铸智能装备(宁波)有限公司) (the “**Initial Purchaser**”), a designated nominee vehicle of China Fortune-Tech Capital Co., Ltd (“**CFTC**”) established in the PRC, in relation to the proposed disposal by the Company to the Initial Purchaser of 100% of the issued and paid-up share capital of MIT Semiconductor Pte. Ltd. (“**MIT Semiconductor**”) (the “**Sale Shares**”), on the terms and subject to the conditions of the Share Purchase Agreement (the “**Proposed Disposal**”).

On 8 October 2018, the Board announced that, at the request of the Initial Purchaser, the Company had, on 8 October 2018, entered into a substitution agreement (the “**Substitution Agreement**”) with the Initial Purchaser and MIT Semiconductor (Tian Jin) Company Limited (砺铸智能设备(天津)有限公司) (the “**New Purchaser**”), pursuant to which the obligations, rights, benefits, liabilities and interest of the Initial Purchaser in, to and under the Share Purchase Agreement were transferred entirely to the New Purchaser. The Company was given to understand that, following CFTC’s discussion with the Ningbo government and the Tianjin government respectively, CFTC has decided to establish a corporation in Tianjin, the PRC, to undertake the investment project in place of the Initial Purchaser, due to better investment incentives offered by the Tianjin government (such as a better rate was offered by the Tianjin government for premises intended to be leased by the New Purchaser to undertake the Target Business in the PRC). As such, the New Purchaser, being a designated nominee vehicle of CFTC, was established in Tianjin, the PRC, on 26 September 2018. As at the Latest Practicable Date, the Initial Purchaser is a shareholder of the New Purchaser holding 10% equity interest in the New Purchaser. The New Purchaser had accordingly replaced the Initial Purchaser as a party to the Share Purchase Agreement and the Share Purchase Agreement was construed and treated in all respects as if the New Purchaser was named therein instead of the Initial Purchaser. Save for the replacement of the Initial Purchaser with the New Purchaser, all the other terms in the Share Purchase Agreement remain unchanged.

It is envisaged that Mr. Kwong Kim Mone (the Chairman and Managing Director, as well as a Controlling Shareholder of the Company who holds approximately 53.7% interest (direct and deemed) in the Company as at the Latest Practicable Date) (“**Mr. Kwong**”) and his management team will acquire or subscribe for up to 10% of the equity interest in the New Purchaser after completion of the Proposed Disposal (the “**Completion**”) has taken place (the “**Proposed CFTC Investment**”). The Company was informed by the New Purchaser that the terms of the Proposed CFTC Investment will be discussed with Mr. Kwong closer to, or after, Completion although it is expected that the terms of the Proposed CFTC Investment will be similar to the terms at which the other shareholders of the New Purchaser

subscribed for their respective stakes in the New Purchaser. For example, the consideration payable by Mr. Kwong and his management team for their stake in the New Purchaser is expected to be at the same price which the shareholders of the New Purchaser subscribed for their respective stakes in the New Purchaser. It is uncertain at this point of time as to whether Mr. Kwong and his management team will be acquiring equity interest from the other shareholders of the New Purchaser or whether there will be a subscription of new stake in the New Purchaser thereby diluting the equity interest of all the existing shareholders of the New Purchaser. As the Proposed CFTC Investment is a private arrangement between Mr. Kwong and the New Purchaser which will only take place after Completion and in view of the sensitivity of the said investment, CFTC deemed it inappropriate or premature to divulge further details of the Proposed CFTC Investment at this point of time. Accordingly, as at the Latest Practicable Date, the exact percentage of the stake to be acquired or subscribed for by Mr. Kwong has yet to be determined though it is envisaged that he and his management team will collectively acquire or subscribe for not more than 10% of the equity interest in the New Purchaser and the terms for which will be negotiated between Mr. Kwong and CFTC as a private arrangement without the Company being involved.

In view of Mr. Kwong's anticipated participation in the equity interest of the New Purchaser, the Directors, being conscious of the need to comply with the spirit of the listing manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**") and in order to demonstrate the exercise of proper corporate governance and to provide greater transparency, have deemed the Proposed Disposal as an "interested person transaction" within the meaning defined in Chapter 9 of the Listing Manual and will comply with the requirements of Chapter 9 of the Listing Manual.

In accordance with Chapter 9 of the Listing Manual, shareholders' approval must be obtained for any interested person transaction which is of a value equal to or greater than 5% of the group's latest audited net tangible assets ("**NTA**") or, when aggregated with other interested person transactions entered into with the same interested person during the same financial year, has a value equal to or more than 5% of the group's latest audited NTA. In addition, pursuant to Rule 921(4)(a) of the Listing Manual, the issuer is required to seek the opinion of an independent financial adviser ("**IFA**") to opine on whether the interested person transaction is on normal commercial terms and is not prejudicial to the interests of the issuer and its minority shareholders.

Assuming no Adjustment Amount would arise pursuant to the adjustment mechanism (as described in paragraph 4.2.2 below), in view of the Undertaking (as defined herein and as detailed in paragraph 4.2.2 below), the consideration for the Proposed Disposal would be (i) S\$84,500,000 (the "**Estimated Sale Price**") in the event that none of the Escrow Amount (as defined herein) is returned to the New Purchaser; and (ii) S\$67,600,000 (the "**Reduced Sale Price**") in the event that the full Escrow Amount is returned to the New Purchaser. Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2017 ("**FY2017**"), each of the Estimated Sale Price and the Reduced Sale Price represents approximately 165.4% and 132.3% of the Group's NTA of approximately S\$51,082,000 as at 31 December 2017, respectively. Accordingly, the Company is seeking the approval of its Independent Shareholders for the Proposed Disposal as an "interested person transaction" defined in Chapter 9 of the Listing Manual at the extraordinary general meeting ("**EGM**") to be convened on 17 January 2019.

ZICO Capital Pte. Ltd. ("**ZICO Capital**") has been appointed by the Company as the IFA to advise the Independent Directors, for the purpose of making their recommendation to the Independent Shareholders in respect of the Proposed Disposal.

This letter ("**IFA Letter**") is addressed to the Independent Directors and sets out, *inter alia*, our evaluation and opinion on whether, from a financial perspective, the Proposed Disposal is on normal commercial terms and is prejudicial to the interests of the Company and its minority Shareholders. This IFA Letter forms part of the Circular to be despatched to Shareholders which provides, *inter alia*, the details of the Proposed Disposal and the recommendation of the Independent Directors thereon.

2. TERMS OF REFERENCE

Our terms of reference do not require us to evaluate or comment on the rationale for, as well as the legal and commercial risks and/or merits (if any) of, the Proposed Disposal or on the future financial performance or prospects of the Group, and we have not made such evaluations or comments. Such evaluations or comments shall remain the sole responsibility of the Directors and the management of the Company (the “**Management**”), although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our recommendations as set out in this IFA Letter.

We were not involved in nor responsible for, any aspect of the negotiations pertaining to the Proposed Disposal, nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose or to agree on the terms of the Proposed Disposal and enter into the Share Purchase Agreement. We were also not requested, instructed or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to any other proposals for transactions similar to or in lieu of the Proposed Disposal. In this regard, we are not addressing the relative merits of the Proposed Disposal as compared to any alternative transaction previously considered by the Company or which otherwise may have been available to the Company currently or in the future. Such comparison and consideration remain the responsibility of the Independent Directors.

In the course of our evaluation of the financial terms of the Proposed Disposal, we have held discussions with the Directors and the Management. We have also examined publicly available information collated by us as well as information, both written and verbal, provided to us by the aforesaid parties, including information contained in the Circular. We have relied on, and assumed without independent verification, the accuracy and completeness of such information, whether written or verbal, and accordingly cannot and do not make any warranty or representation, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of, such information or representations.

We have relied upon the assurances from the Directors and the Management (including those who may have delegated supervision of the Circular), who have accepted full responsibility for the accuracy and completeness of the information provided to us, that, to the best of their knowledge and belief, they have taken reasonable care to ensure that the facts stated and opinions expressed by them or the Company in the Circular are fair and accurate in all material aspects. The Directors and the Management have confirmed to us that, to the best of their knowledge and belief, there is no other information or fact, the omission of which would cause any statement in the Circular in respect of the Company, the Group, MIT Semiconductor and its subsidiaries (the “**Target Group**”) and/or the Proposed Disposal to be inaccurate, incomplete or misleading in any material respect. Whilst care has been exercised in reviewing the information upon which we have relied, we have not independently verified such information but nevertheless have made such enquiry and judgement as we have deemed necessary and have found no reason to doubt the accuracy or reliability of the information which we have relied upon.

For the purposes of assessing the financial terms of the Proposed Disposal and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company, the Group or the Target Group after the Completion. We are not required to express, and we do not express, any view on the growth prospects, earnings potential, future financial performance, or future financial position of the Company, the Group or the Target Group after the Completion, or prices at which the shares of the Company may trade, in connection with our opinion in this IFA Letter.

Our opinion as set out in this IFA Letter is based upon market, economic, industry and other conditions prevailing, as well as information and representations made available to us, as at the Latest Practicable Date. Such conditions and information may change significantly over a short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent developments after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Proposed Disposal, which may be released by the Company after the Latest Practicable Date.

In rendering our advice and providing our opinion, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any Shareholder or any specific group of Shareholders who may require specific advice in relation to his or their investment

objective(s) or portfolio(s) should consult his or their legal, financial, tax or other professional advisers immediately.

The Company has been separately advised by its own legal advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement and have not provided any advice (financial or otherwise) whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter) and our responsibility is as set out above in relation to this IFA Letter. Accordingly, we take no responsibility for, and express no views, whether expressed or implied, on the contents of the Circular (except for this IFA Letter).

We have prepared this IFA Letter pursuant to Rule 921(4)(a) of the Listing Manual as well as for the use by the Independent Directors in connection with their consideration of the Proposed Disposal. Any recommendations made by the Independent Directors in respect of the Proposed Disposal shall, however, remain their sole responsibility. Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any purposes (other than for the consideration of the Proposed Disposal as an "interested person transaction" defined in Chapter 9 of the Listing Manual) at any time and in any manner without the prior written consent of ZICO Capital.

Our opinion in relation to the Proposed Disposal should be considered in the context of the entirety of this IFA Letter and the Circular.

3. INFORMATION ON THE TARGET GROUP AND THE TARGET REORGANIZATION

In contemplation of the Proposed Disposal and as one of the conditions precedent to the Proposed Disposal set out in the Share Purchase Agreement (the "**Conditions Precedent**"), the Company completed an internal restructuring exercise (the "**Target Reorganization**") on 30 November 2018 such that (i) the Company ceased to undertake the semiconductor equipment business of designing and manufacturing of automated equipment for the semiconductor industry (the "**Target Business**"); and (ii) the Target Business is undertaken solely by the Target Group, which comprises MIT Semiconductor, Generic Power Pte. Ltd. ("**GPPL**") and i.PAC Manufacturing Pte. Ltd. ("**IMPL**"). Prior to the completion of the Target Reorganization, MIT Semiconductor, GPPL and IMPL, which are incorporated in Singapore, were wholly-owned subsidiaries of the Company.

Pursuant to the Target Reorganization, all the Target Assets (being the assets previously used by the Company to undertake the Target Business and the tangible assets of GPPL and IMPL) and the entire issued and paid-up share capital of GPPL and IMPL were transferred to MIT Semiconductor. The consideration payable to the Company by MIT Semiconductor in connection with the Target Reorganization was in the form of new ordinary shares in the capital of MIT Semiconductor, allotted and issued to the Company, and credited as fully paid-up.

Following the completion of the Target Reorganization, MIT Semiconductor remains as a wholly-owned subsidiary of the Company while GPPL and IMPL became wholly-owned subsidiaries of MIT Semiconductor.

Please refer to paragraph 3 of the Circular for further details on the Target Group and the Target Reorganization.

4. SALIENT TERMS OF THE PROPOSED DISPOSAL

Details of the Proposed Disposal are set out in paragraph 5 of the Circular. The salient terms of the Proposed Disposal are set out below.

4.1 The Proposed Disposal

Subject to the terms and conditions of the Share Purchase Agreement (and supplemented by the Substitution Agreement) and the satisfaction (or waiver, as the case may be) of the Conditions Precedent, the Company shall sell, and the New Purchaser shall buy, the Sale Shares representing 100% of the issued and paid-up share capital of MIT Semiconductor, free of all encumbrances.

The New Purchaser, MIT Semiconductor (Tian Jin) Company Limited (砺铸智能设备(天津)有限公司), is a corporation established in Tianjin, the PRC. As at the Latest Practicable Date, the New Purchaser does not have any other assets and businesses other than its proposed investment in the Target Group. The New Purchaser and its shareholders have no relationship with the Company, the Directors and the Controlling Shareholders of the Company, save for the Proposed Disposal. None of the directors and shareholders of the New Purchaser is related, or has any connection, to the Company, the Directors and Controlling Shareholders of the Company. Please refer to paragraph 4 of the Circular for further details on the New Purchaser and its shareholders.

Upon Completion, MIT Semiconductor, GPPL and IMPL will cease to be subsidiaries of the Company and the Group will also cease to undertake the Target Business. The Group will instead focus on its sole remaining business of contract equipment manufacturing and customised automation (the “**CEM Business**”).

4.2 Consideration for the Proposed Disposal

4.2.1 The Estimated Sale Price of S\$84,500,000 is derived on the basis that (i) no Adjustment Amount would arise pursuant to the adjustment mechanism (as described in paragraph 4.2.2 below), in view of the Undertaking (as detailed in paragraph 4.2.2 below); and (ii) none of the Escrow Amount is returned to the New Purchaser. Please refer to paragraph 4.4 below for further details on the Escrow Amount. The Reduced Sale Price of S\$67,600,000 is derived on the basis that (i) no Adjustment Amount would arise; and (ii) the full Escrow Amount is to be returned to the New Purchaser.

The consideration for the Proposed Disposal shall be satisfied entirely in cash, and was arrived at pursuant to arm’s length negotiations between the Company and the Initial Purchaser on a willing-buyer and willing-seller basis, taking into account a number of factors including, among others, the historical performance and business prospects of the Target Group as well as the strong team capabilities and stringent quality control procedures of the Target Group’s operations.

4.2.2 Adjustments to the Consideration for the Proposed Disposal

The Share Purchase Agreement provides that the consideration for the Proposed Disposal may be adjusted downwards by deducting the Adjustment Amount, if any, to arrive at the Actual Sale Price. There is no provision for any upward adjustment to the consideration for the Proposed Disposal.

The Adjustment Amount shall comprise the following:-

- (a) the Target Group Indebtedness, being the amount of indebtedness of the Target Group as of the Base Date which is the date at the end of the month preceding the Completion Date;
- (b) the Target Group Shortfall Working Capital, being the amount by which the working capital of the Target Group is less than the minimum working capital of S\$11,800,000 as of the Base Date; and
- (c) the Target Group Shortfall Cash Balance, being the amount by which the cash balance of the Target Group is less than S\$8,000,000 as of the Base Date.

The Adjustment Amount will be determined by the Company prior to Completion and the financial statements of the Target Business together with the supporting calculations and documents (the “**Seller’s Statement**”) shall be provided by the Company to the New Purchaser for its verification of the Adjustment Amount. In the event that the New Purchaser objects to the Seller’s Statement, the Company and the New Purchaser shall use their best efforts to resolve their differences failing which the Proposed Disposal will not be completed, as it is a Condition Precedent that the Company and the New Purchaser shall have reached a consensus on the items set forth in the Seller’s Statement.

To ensure that no Adjustment Amount will arise, the Company has given an undertaking to the Independent Directors (“**Undertaking**”) that the Company will ensure (i) all indebtedness of the Target Group will be fully repaid prior to the Base Date; (ii) the working capital of the Target Group is equivalent to S\$11,800,000 as of the Base Date; (iii) the Target Group has a cash balance equivalent to S\$8,000,000 as of the Base Date (“**Requisite Cash Balance**”); and (iv) no further loans are extended to the Target Group.

In this regard, the Company wishes to highlight the following as at 30 November 2018:-

- (a) the total indebtedness of the Target Group amounted to approximately S\$0.8 million (the entire amount of which is owing by MIT Semiconductor to the Company) while the cash and cash equivalent balance stood at approximately S\$8.3 million; and
- (b) the working capital of the Target Group amounted to approximately S\$12.0 million.

To ensure that the Target Group has the Requisite Cash Balance of S\$8,000,000 as of the Base Date, the Company had, on 30 November 2018, increased the issued and paid-up share capital of MIT Semiconductor by way of a cash injection of S\$8,000,000 (the "**Cash Injection**") through the subscription of new ordinary shares in the capital of MIT Semiconductor. The New Purchaser will, on Completion, reimburse the Company for the Requisite Cash Balance of S\$8,000,000 left by the Company in the Target Group.

The total indebtedness of the Target Group, which amounted to approximately S\$0.8 million as at 30 November 2018, is entirely owing by MIT Semiconductor to the Company. Such amount will be fully repaid with collections from trade receivables, be waived or be capitalized prior to the Base Date.

The Company, namely Mr. Lim Chin Tong (an Executive Director of the Company) and Mr. Tan Ban Hee (the Chief Financial Officer of the Company) who are held responsible for the Undertaking, will continue to monitor the Target Group's total indebtedness, cash and cash equivalent balance and working capital position, to ensure that the Company fulfils the Undertaking.

4.3 Payment Terms

On Completion, the New Purchaser shall pay:-

- (a) 80% of the Actual Sale Price plus S\$8,000,000 (being the Requisite Cash Balance), with such amount to be paid by way of wire transfer to an account designated by the Company; and
- (b) 20% of the Actual Sale Price (the "**Escrow Amount**") to the Escrow Agent to be appointed by the Company and the New Purchaser.

4.4 Escrow Amount

The Escrow Amount will be dealt with in accordance with the terms of the Share Purchase Agreement in two (2) tranches, taking into account, among others, the following:-

First Escrow Payment

- (a) the Shortfall Adjustment Amount, being the difference between the Adjustment Amount determined by the accounting firm to be appointed by the New Purchaser and the Adjustment Amount determined by the Company; and
- (b) the Shortfall Revenue Amount, being the difference between (i) the audited cumulative revenue of the Target Group from 1 January 2018 to 31 March 2019 pursuant to an audit by the accounting firm to be appointed by the New Purchaser; and (ii) S\$46,506,400 (being equivalent to 80% of the cumulative revenue of the Target Group of S\$58,133,000 for the period from 1 January 2017 to 31 March 2018).

Assuming that there is no Shortfall Adjustment Amount and no Shortfall Revenue Amount, the Escrow Agent will release 50% of the Escrow Amount, representing 10% of the Actual Sale Price, to the Company within 10 business days following the later date of the receipt of the aforesaid audit results.

The Shortfall Adjustment Amount and the Shortfall Revenue Amount will be deducted from the Escrow Amount and released by the Escrow Agent to the New Purchaser. The aggregate of the Shortfall Adjustment Amount and the Shortfall Revenue Amount are capped by the Escrow Amount. Therefore, if the aggregate of the Shortfall Adjustment Amount and the Shortfall Revenue Amount is equal to or exceeds the Escrow Amount, the full Escrow Amount will be released by the Escrow Agent to the New Purchaser.

Please refer to paragraph 5.2.4(a) of the Circular for further details on the first escrow payment.

Second Escrow Payment

Should the aggregate of the Shortfall Adjustment Amount and the Shortfall Revenue Amount be less than the Escrow Amount, the remaining balance of the Escrow Amount, or the balance 50% of the Escrow Amount, as the case may be, will be held by the Escrow Agent to settle any claim by the New Purchaser against the Company for any breach of the representations and warranties provided by the Company under the Share Purchase Agreement.

Please refer to paragraph 5.2.4(b) of the Circular for further details on the second escrow payment.

4.5 Conditions Precedent and Completion

Subject to there being no material breach of any of the terms and conditions of the Share Purchase Agreement by the Company and the New Purchaser, Completion shall take place within five (5) business days after the satisfaction (or the waiver, as the case may be) of the Conditions Precedent, or such other date as the Company and the New Purchaser may agree in writing (the “**Completion Date**”). Please refer to paragraph 5.3 of the Circular for further details on the Conditions Precedent.

4.6 Non-Solicitation and Non-Competition Undertakings

Under the Share Purchase Agreement, the Company has provided to the New Purchaser non-solicitation and non-competition undertakings for a period of 36 months from the SPA Date and the Completion Date, respectively. Please refer to paragraph 5.4 of the Circular for further details on the non-solicitation and non-competition undertakings.

5. EVALUATION OF THE PROPOSED DISPOSAL

In evaluating and assessing the financial terms of the Proposed Disposal, we have taken into account, *inter alia*, the pertinent factors set out below:-

- (a) Rationale for the Proposed Disposal;
- (b) Financial performance and position of the Target Group;
- (c) Book value of the Target Group;
- (d) Comparable companies analysis;
- (e) Comparable transactions analysis;
- (f) Financial effects of the Proposed Disposal; and
- (g) Other relevant considerations in relation to the Proposed Disposal.

We wish to highlight that for the purpose of our evaluation of the financial terms of the Proposed Disposal, we have assumed the consideration for the Proposed Disposal to be the Reduced Sale Price of S\$67,600,000 as this represents the minimum consideration on the assumptions that (i) no Adjustment Amount will arise (in view of the Undertaking as set out under paragraph 4.2.2 above); and (ii) the full Escrow Amount is returned to the New Purchaser.

5.1 Rationale for the Proposed Disposal

The full text of the rationale for the Proposed Disposal has been extracted from paragraph 6 of the Circular, and is set out in italics below:-

“The Proposed Disposal will enable the Company to unlock value that had been accumulated for the benefit of the Shareholders. The Proposed Disposal will result in a significant net gain on disposal of approximately S\$61,753,000 as at 31 December 2017, assuming no Adjustment Amount is deducted

against the Estimated Sale Price and the Actual Sale Price amounted to S\$84,500,000. If the Company receives the Reduced Sale Price of S\$67,600,000, on the basis that no Adjustment Amount would arise and assuming that the full Escrow Amount is returned to the New Purchaser, the net gain on disposal will be reduced to approximately S\$45,698,000 and such gain remains significant to the Company. Please refer to paragraph 8.4 of this Circular for details relating to the computation of the expected net gain arising from the Proposed Disposal.

In the event that Independent Shareholders approve the Proposed Disposal and Completion takes place, the Company intends to distribute to its Shareholders the net proceeds from the Proposed Disposal. This will result in the Shareholders realising their investment in cash while retaining their Shares in the Company that will continue to carry on, focus and grow its remaining CEM Business. The CEM Business is self-sustaining and has the necessary internal resources to carry out and expand its operations. It therefore does not require any additional funding arising from the net proceeds from the Proposed Disposal. Details of the plans of the Company in growing its remaining CEM Business are found in paragraph 3.5 of this Circular.”

We wish to emphasise that it is not within our terms of reference to comment or express an opinion on the merits of the Proposed Disposal or the future prospects of the Group after the Proposed Disposal.

5.2 Financial performance and position of the Target Group

As the Target Reorganization was completed only on 30 November 2018, the group structure of the Target Group was only in place on the same date.

Accordingly, the financial statements of the Target Group set out in this paragraph are based on the *pro forma* financial statements of the Target Business, which are prepared and provided by the Company, solely for illustration purposes, using the audited consolidated financial statements of the Group for the financial years ended 31 December (“FY”) 2015, 2016 and 2017 as well as the unaudited consolidated financial statements of the Group for the 6-month financial periods ended 30 June (“6M”) 2017 and 2018, and assuming that the structure of the Target Group is in place since 1 January 2015 and there are no outstanding loans owing from the Target Group to the Company and *vice versa*.

Review of financial performance

A summary of the *pro forma* statement of comprehensive income of the Target Group for the respective financial years/periods, as provided by the Management is set out below:-

(S\$'000)	←		Unaudited	→	
	FY2015	FY2016	FY2017	6M2017	6M2018
Revenue	67,477	28,589	53,610	28,169	11,284
Gross profit	30,063	7,434	18,220	10,625	1,453
Profit/(Loss) before taxation	20,359	(1,038)	7,975	4,211	(2,945)
Profit/(Loss) after taxation	17,945	(2,010)	7,580	3,509	(2,941)

FY2016 vs FY2015

Revenue decreased by S\$38.9 million, from S\$67.5 million in FY2015 to S\$28.6 million in FY2016, mainly due to a slowdown in semiconductor equipment orders from existing customers who had made strong investments in the previous two (2) years.

Gross profit decreased by S\$22.6 million, from S\$30.0 million in FY2015 to S\$7.4 million in FY2016 and gross profit margin decreased by 18.6 percentage points, from 44.6% in FY2015 to 26.0% in FY2016, mainly due to the decrease in revenue in FY2016 and the consequential large unabsorbed direct fixed overheads in the year.

Other gains decreased by S\$1.5 million, from S\$1.8 million in FY2015 to S\$0.3 million in FY2016, mainly due to a foreign exchange adjustment gain in FY2015. Other gains in FY2016 related mainly to other income and reversal on allowance for impairment loss on inventories made in previous years.

Total operating expenses decreased by S\$2.8 million, from S\$10.5 million in FY2015 to S\$7.7 million in FY2016, due to the decrease in marketing and distribution costs and administrative expenses by S\$1.0 million and S\$1.8 million, respectively. The above decreases were mainly due to the lower revenue and slower business activities in FY2016.

Other losses remained relatively stable at S\$1.0 million in FY2015 and S\$1.1 million in FY2016. Other losses in FY2016 related mainly to write down of inventories, amortisation of development projects and foreign exchange adjustment loss.

Income tax expenses decreased by S\$1.4 million, from S\$2.4 million in FY2015 to S\$1.0 million in FY2016 mainly due to the decrease in taxable income in FY2016.

Due to the factors above, the Target Group recorded a net loss of S\$2.0 million in FY2016, as compared to a net profit of S\$17.9 million in FY2015.

FY2017 vs FY2016

Revenue increased by S\$25.0 million, from S\$28.6 million in FY2016 to S\$53.6 million in FY2017, mainly due to higher demand for semiconductor equipment from existing customers.

Gross profit increased by S\$10.8 million, from S\$7.4 million in FY2016 to S\$18.2 million in FY2017 and gross profit margin increased by 8.0 percentage points, from 26.0% in FY2016 to 34.0% in FY2017, in line with the increase in revenue in FY2017.

Other gains increased by S\$1.3 million, from S\$0.3 million in FY2016 to S\$1.6 million in FY2017, mainly due to higher reversal on allowance for impairment loss on inventories made in previous years, gain on disposal of development projects and property, plant and equipment as well as government grant income. Other gains in FY2017 related mainly to reversal on allowance for impairment loss on inventories made in previous years and gain on disposal of development projects and property, plant and equipment, as well as government grant income.

Total operating expenses increased by S\$2.3 million, from S\$7.7 million in FY2016 to S\$10.0 million in FY2017, due to the increase in marketing and distribution costs and administrative expenses by S\$0.2 million and S\$2.1 million, respectively. The above increases were mainly due to the increase in revenue and business activities in FY2017.

Other losses increased by S\$0.8 million, from S\$1.1 million in FY2016 to S\$1.9 million in FY2017, mainly due to higher foreign exchange adjustment loss and allowance for impairment loss on trade receivables. Other losses in FY2017 related mainly to write down of inventories, amortisation of development projects, allowance for impairment loss on trade receivables and foreign exchange adjustment loss.

Income tax expenses decreased by S\$0.6 million, from S\$1.0 million in FY2016 to S\$0.4 million in FY2017 mainly due to an over-provision of tax in FY2016.

Due to the factors above, the Target Group recorded a net profit of S\$7.6 million in FY2017, as compared to a net loss of S\$2.0 million in FY2016.

6M2018 vs 6M2017

Revenue decreased by S\$16.9 million, from S\$28.2 million in 6M2017 to S\$11.3 million in 6M2018, mainly due to a slowdown in the cyclical semiconductor industry after a banner year in 2017. The handset market was particularly weaker after an industry leader completed its major product launch in 2017.

Gross profit decreased by S\$9.2 million, from S\$10.6 million in 6M2017 to S\$1.4 million in 6M2018 and gross profit margin decreased by 24.8 percentage points, from 37.7% in 6M2017 to 12.9% in 6M2018, mainly due to the decrease in revenue in 6M2018 and the consequential large unabsorbed direct fixed overheads in the same period.

Other gains remained relatively stable at S\$0.4 million in 6M2018 and S\$0.3 million in 6M2017. Other gains in 6M2018 related mainly to reversal on allowance for impairment loss on trade receivables, foreign exchange adjustment gain and gain on disposal of development projects.

Total operating expenses decreased by S\$1.4 million, from S\$5.7 million in 6M2017 to S\$4.3 million in 6M2018, due to the decrease in marketing and distribution costs and administrative expenses by S\$0.1 million and S\$1.3 million, respectively. The above decreases were mainly due to the lower revenue and slower business activities in 6M2018.

Other losses decreased by S\$0.5 million, from S\$1.0 million in 6M2017 to S\$0.5 million in 6M2018 mainly due to lower write down of inventories and allowance for impairment loss on trade receivables for the period. Other losses in 6M2018 related mainly to amortisation of development projects and provision for product warranty, net of reversal.

Income tax benefit of approximately S\$4,000 was recorded in 6M2018, as compared to income tax expenses of S\$0.7 million recorded in 6M2017, mainly due to an over-provision of tax in respect of prior years.

Due to the factors above, the Target Group recorded a net loss of S\$2.9 million in 6M2018, as compared to a net profit of S\$3.5 million in 6M2017.

Review of financial position

A summary of the *pro forma* consolidated statement of financial position of the Target Group as at 30 June 2018, as provided by the Management is set out below:-

(S\$'000)	Unaudited As at 30 June 2018
Non-current assets	5,217
Current assets	<u>38,515</u>
Total assets	<u>43,732</u>
Non-current liabilities	47
Current liabilities	<u>14,490</u>
Total liabilities	<u>14,537</u>
Net assets or Total shareholders' equity	29,195

Assets as at 30 June 2018 comprised inventories of S\$16.9 million (38.5%), cash and cash equivalents of S\$11.2 million (25.6%), trade and other receivables of S\$9.8 million (22.4%), development projects of S\$3.5 million (7.9%), plant and equipment of S\$1.5 million (3.4%), other current assets of S\$0.7 million (1.6%), deferred tax assets of S\$0.2 million (0.5%) and intangible assets of approximately S\$37,000 (0.1%).

Liabilities as at 30 June 2018 comprised trade and other payables of S\$12.6 million (86.8%), income tax payable S\$1.5 million (10.5%), current provisions of S\$0.3 million (2.0%) and the current and non-current liabilities relating to hire purchase of S\$0.1 million (0.7%).

As at 30 June 2018, the Target Group recorded positive working capital of S\$24.0 million and shareholders' equity of S\$29.2 million.

5.3 Book value of the Target Group

(a) Net asset value ("NAV") or NTA

Based on the Target Group's *pro forma* consolidated financial statements as at 30 June 2018, the Target Group recorded NAV and NTA of approximately S\$29,195,000 and S\$29,158,000 respectively as at 30 June 2018.

The Reduced Sale Price of S\$67,600,000 represents a premium of approximately 131.5% and 131.8% to the NAV and NTA of the Target Group respectively, and a Price-to-NAV (“**P/NAV**”) and Price-to-NTA (“**P/NTA**”) ratio of approximately 2.3 times as at 30 June 2018.

(b) Adjusted NAV or Adjusted NTA

Pursuant to the terms of the Share Purchase Agreement, the Company will not be leaving any cash in the Target Group and the Requisite Cash Balance of S\$8,000,000 as of Base Date will be reimbursed by the New Purchaser to the Company on Completion. Taking into consideration the aforesaid terms, and based on the Target Group’s *pro forma* consolidated financial statements as at 30 June 2018 and after accounting for the Cash Injection of S\$8,000,000 by the Company on 30 November 2018, the Adjusted NAV and Adjusted NTA of the Target Group as at 30 June 2018 would be approximately S\$18,009,000 and S\$17,972,000 respectively.

The Reduced Sale Price represents a premium of approximately 275.4% and 276.1% to the Adjusted NAV and Adjusted NTA of the Target Group respectively, and a Price-to-Adjusted NAV (“**P/Adjusted NAV**”) and a Price-to-Adjusted NTA (“**P/Adjusted NTA**”) ratio of approximately 3.8 times as at 30 June 2018.

We have also considered whether, save for the Cash Injection of S\$8,000,000, there are any tangible assets which should be valued at an amount that is materially different from that which were recorded in the *pro forma* consolidated statement of financial position of the Target Group as at 30 June 2018, and whether there are any factors which have not been otherwise disclosed in the *pro forma* consolidated financial statements of the Target Group that are likely to impact the NAV and/or NTA as at 30 June 2018. In this regard, the Directors and the Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief:-

- (a) there are no material fluctuations or changes to the Target Group’s business operations or profits since 1 July 2018 and up to the Latest Practicable Date, which would result in a material impact on the overall financial performance of the Target Group;
- (b) there are no material differences between the realisable value of the Target Group’s assets and their respective book values as at 30 June 2018, which would result in a material impact on the NAV and/or NTA of the Target Group;
- (c) there are no liabilities which values would be materially different from those recorded in the *pro forma* consolidated statement of financial position of the Target Group as at 30 June 2018;
- (d) there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NAV and/or NTA of the Target Group;
- (e) there are no litigation, claims or proceedings pending or threatened against the Target Group or any fact likely to give rise to any proceedings which might materially and adversely affect the financial position of the Target Group;
- (f) there are no intangible assets which ought to be disclosed in the *pro forma* consolidated statement of financial position of the Target Group as at 30 June 2018 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible asset would have had a material impact on the overall financial position of the Target Group; and
- (g) there are no material acquisitions and disposals of assets by the Target Group since 1 July 2018 and up to the Latest Practicable Date, and save for the Target Reorganization, the Target Group does not have any plans for any impending material acquisitions or disposals of assets, conversion of the use of its material assets or material change in the nature of the Target Group’s business.

5.4 Comparable companies analysis

For the purposes of assessing the Proposed Disposal, we have referred to the current valuation statistics of selected listed companies on the SGX-ST in the semiconductor industry, which businesses may be considered to be broadly comparable to the Target Group ("**Comparable Companies**"). We have had discussions with the Directors and the Management about the suitability and reasonableness of the Comparable Companies acting as a basis for comparison with the Target Group.

We recognise that there is no listed company which can be considered to be identical to the Target Group in terms of, *inter alia*, composition of business activities, scale of business operations, asset base, track record, geographical markets, market capitalisation, market/industry size, future prospects, risk profile, political risk, accounting policies, financial position and other relevant criteria. Furthermore, the Target Group is not publicly-listed on any stock exchange while the Comparable Companies are all publicly-listed companies on the SGX-ST. Therefore, any comparisons made are necessarily limited and are intended to serve only as an illustrative guide.

We set out in the table below the Comparable Companies, together with a brief description of their business activities:-

Comparable Companies	Financial year-end	Business activities
AEM Holdings Limited (" AEM Holdings ")	31 December	AEM Holdings is a global provider of equipment systems solutions and manufacturing services. AEM Holdings provides customised system solutions involving precise high speed motion and innovative mechanical design to both mass volume manufacturers and new technology development laboratories, as well as designs, develops and manufactures precision engineering products used in the electronics, life sciences, instrumentation and aerospace industries.
Avi-Tech Electronics Limited (" Avi-Tech ")	30 June	Avi-Tech is a total solutions provider for burn-in, manufacturing and printed circuit board assembly (" PCBA ") and engineering services for the semiconductor, electronics and life sciences industries. Avi-Tech's core business segments include burn-in services, manufacturing and PCBA services, and engineering services, and its customers are global leaders, including Original Equipment Manufacturers, in semiconductor automotive, networking and industrial products.
Micro-Mechanics (Holdings) Ltd (" Micro-Mechanics ")	30 June	Micro-Mechanics designs, manufactures and markets high precision parts and tools used in process-critical applications for the wafer-fabrication and assembly processes of the semiconductor industry.
UMS Holdings Limited (" UMS Holdings ")	31 December	UMS Holdings is a one-stop strategic integration partner providing equipment manufacturing and engineering services to Original Equipment Manufacturing of semiconductors and related products. The products offer by UMS Holdings include modular and integration system for original semiconductor equipment manufacturing.

Source: Annual reports and/or corporate websites of the respective Comparable Companies

For the purpose of our evaluation and for illustration, we have made comparisons between the Target Group and the Comparable Companies on a historical basis using the following valuation measures:-

Valuation measure	Description
Enterprise Value-to-Earnings before Interests, Taxes, Depreciation and Amortisation ("EV/EBITDA")	<p>EV refers to enterprise value which is the sum of a company's market capitalisation, preferred equity, minority interests, short and long term debts (inclusive of finance lease liabilities, and loans from shareholders) less the cash and cash equivalents.</p> <p>EBITDA is the earnings before interest, tax, depreciation and amortisation. The EV/EBITDA ratio illustrates the ratio of the market value of a company's business relative to its trailing 12-month pre-tax consolidated operating cash flow performance, without regard to its capital structure as well as its interest, taxation, depreciation and amortisation charges.</p>
Price-to-Earnings ("P/E")	<p>This ratio is computed by dividing the market capitalisation of a company by the trailing 12-month consolidated net profits attributable to owners of a company.</p> <p>The P/E is affected by, <i>inter alia</i>, the capital structure of a company, its tax position as well as its accounting policies relating to among others, depreciation and amortisation.</p>
Price-to-NAV ("P/NAV")	<p>This ratio illustrates the market price of a company's shares relative to the NAV per share. NAV is defined as total assets less total liabilities, and excludes, where applicable, minority or non-controlling interests.</p> <p>The NAV figure provides an estimate of the value of a company assuming the hypothetical sale of all its assets at its book value and repayment of its liabilities and obligations, with the balance available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.</p> <p>Comparisons of companies using NAV are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies.</p>
Price-to-NTA ("P/NTA")	<p>This ratio illustrates the market price of a company's shares relative to the NTA per share. NTA is defined as total assets less total liabilities as well as intangible assets, and excludes, where applicable, minority or non-controlling interests.</p> <p>The NTA figure provides an estimate of the value of a company assuming the hypothetical sale of all its tangible assets at its book value and repayment of its liabilities and obligations, with the balance available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net tangible assets of the company.</p> <p>Comparisons of companies using NTA are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies.</p>

The valuation measures of the Comparable Companies set out below are based on their respective market capitalisations after the close of market as at the Latest Practicable Date.

Comparable Companies	Market capitalisation as at the Latest Practicable Date ⁽¹⁾		EV/EBITDA ⁽²⁾	P/E ⁽³⁾	P/NAV ⁽⁴⁾	P/NTA ⁽⁵⁾
	(S\$' million)	(times)				
AEM Holdings	223.4	3.8	5.8	2.6	3.2	
Avi-Tech	51.3	7.9	12.8	1.0	1.0	
Micro-Mechanics	233.6	7.8	14.2	3.6	3.6	
UMS Holdings	297.7	5.3	6.0	1.3	2.1	
Mean		6.2	9.7	2.1	2.5	
Median		6.6	9.4	2.0	2.7	
Maximum		7.9	14.2	3.6	3.6	
Minimum		3.8	5.8	1.0	1.0	
The Target Group		28.9 ⁽⁶⁾	59.8 ⁽⁶⁾	3.8 ⁽⁸⁾	3.8 ⁽⁸⁾	
(as implied by the Reduced Sale Price)		7.7 ⁽⁷⁾	10.5 ⁽⁷⁾			

Source: Bloomberg L.P., announcements of financial results and/or annual reports of the respective Comparable Companies

Notes:-

- (1) The market capitalisations of the Comparable Companies are based on their respective last transacted share prices and outstanding number of issued shares as at the Latest Practicable Date.
- (2) The EV/EBITDA ratios of the Comparable Companies are based on (i) their respective market capitalisations as at the Latest Practicable Date; and (ii) their respective trailing 12-month EBITDA based on the latest financial results as announced by the respective Comparable Companies.
- (3) The P/E ratios of the Comparable Companies are based on (i) their respective market capitalisations as at the Latest Practicable Date; and (ii) their respective trailing 12-month net profit attributable to shareholders based on the latest financial results as announced by the respective Comparable Companies.
- (4) The P/NAV ratios of the Comparable Companies are based on (i) their respective market capitalisations as at the Latest Practicable Date; and (ii) their respective NAVs for the latest financial periods as announced by the respective Comparable Companies.
- (5) The P/NTA ratios of the Comparable Companies are based on (i) their respective market capitalisations as at the Latest Practicable Date; and (ii) their respective NTAs for the latest financial periods as announced by the respective Comparable Companies.
- (6) Based on the trailing 12-month consolidated net profits of the Target Group, being 1 July 2017 to 30 June 2018.
- (7) Based on the earnings for the last completed financial year in FY2017 (adjusted for taxation and non-recurring items as of 31 December 2017 as agreed pursuant to the Share Purchase Agreement).
- (8) Refers to the Target Group's P/Adjusted NAV and P/Adjusted NTA, as the case may be. Please refer to paragraph 5.3(b) of this IFA Letter for further details.

Based on the above analysis, we note the following:-

- (a) the EV/EBITDA ratio of the Target Group, as implied by the Reduced Sale Price (and based on trailing 12-month consolidated net profits), is higher than the maximum EV/EBITDA ratio of the Comparable Companies while the EV/EBITDA ratio of the Target Group, as implied by the Reduced Sale Price (and based on earnings for the last completed financial year (adjusted for taxation and non-recurring items as of 31 December 2017 as agreed pursuant to the Share Purchase Agreement)), is within the range of the EV/EBITDA ratio of the Comparable Companies;

- (b) the P/E ratio of the Target Group, as implied by the Reduced Sale Price (and based on trailing 12-month consolidated net profits), is higher than the maximum P/E ratio of the Comparable Companies while the P/E ratio of the Target Group, as implied by the Reduced Sale Price (and based on earnings for the last completed financial year (adjusted for taxation and non-recurring items as of 31 December 2017 as agreed pursuant to the Share Purchase Agreement)), is within the range of the P/E ratio of the Comparable Companies; and
- (c) the P/Adjusted NAV and P/Adjusted NTA ratios of the Target Group, as implied by the Reduced Sale Price, are higher than the maximum P/NAV and P/NTA ratios of the Comparable Companies.

We wish to highlight that, due to the highly cyclical nature of the semiconductor industry that the Target Group and the Comparable Companies are in, comparisons using EV/EBITDA and P/E ratios may not be entirely meaningful.

We also wish to reiterate that the above comparisons with the Comparable Companies are necessarily limited, and are meant to serve as illustrations only.

5.5 Comparable transactions analysis

For the purposes of assessing the Proposed Disposal, we have also referred to selected completed disposals undertaken by listed companies on the SGX-ST within the last two (2) years preceding the Latest Practicable Date, which involved targets which are in the semiconductor industry and which businesses may be considered to be broadly comparable to the Target Group (“**Comparable Transactions**”). We have had discussions with the Directors and the Management about the suitability and reasonableness of the Comparable Transactions acting as a basis for comparison with the Target Group.

We recognise that there is no company which can be considered to be identical to the Target Group in terms of, *inter alia*, composition of business activities, scale of business operations, asset base, track record, geographical markets, market capitalisation, market/industry size, future prospects, risk profile, political risk, accounting policies, financial position and other relevant criteria. Furthermore, the terms and conditions of the sale and purchase agreements in relation to the Comparable Transactions are different from those of the Share Purchase Agreement, which may have effect on the comparison of transaction pricing. We also wish to mention that the Comparable Transactions were undertaken at different periods which may reflect different cycles of the semiconductor industry. Therefore, any comparisons made are necessarily limited and are intended to serve only as an illustrative guide. Information relating to the Comparable Transactions was compiled from publicly available information.

We set out in the table below the Comparable Transactions, together with a brief description of the disposal transactions undertaken:-

Comparable Transactions	Financial year-end	Brief description of disposal transaction
Disposal by ASTI Holdings Limited (“ ASTI Holdings ”) of its subsidiary, Semiconductor Technologies & Instruments Pte Ltd (the “ ASTI Disposal ”)	31 December	On 2 April 2018, ASTI Holdings announced the disposal of its entire interest in its subsidiary, Semiconductor Technologies & Instruments Pte Ltd, a company that is principally engaged in the business of research, design, development, manufacturing and marketing of semiconductor equipment. The purchase consideration was S\$90,000,000, subject to certain adjustment mechanisms pursuant to the sale and purchase agreement. As stated on page 18 of ASTI Holdings’ circular to its shareholders dated 12 July 2018 in relation to the ASTI Disposal, it was stated that based on the foregoing, the maximum shortfall will be S\$17,000,000. On the basis that the consideration is S\$90,000,000 and assuming

Comparable Transactions	Financial year-end	Brief description of disposal transaction
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that there are no adjustments in relation to the second payment, the adjusted consideration will be S\$73,000,000 (“**ASTI Disposal Consideration**”). Please refer to the aforementioned circular for further details. The ASTI Disposal was completed on 26 September 2018. As at the Latest Practicable Date, the final consideration for the ASTI Disposal had not been announced by ASTI Holdings.

Disposal by Ellipsiz Ltd (“ Ellipsiz ”) of its subsidiary, SV Probe Pte. Ltd. (the “ Ellipsiz Disposal ”)	30 June
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On 21 August 2017, Ellipsiz announced the disposal of its entire interest in its subsidiary, SV Probe Pte. Ltd. for an aggregate consideration of approximately US\$65,000,000 (subject to adjustments pursuant to the sale and purchase agreement). The Ellipsiz Disposal was completed on 31 October 2017. On 31 May 2018, Ellipsiz announced that the final consideration for the Ellipsiz Disposal is approximately US\$70.0 million (equivalent to approximately S\$95.6 million). (“**Ellipsiz Disposal Consideration**”). Please refer to the aforementioned announcement for further details.

Comparable Transactions	P/E (times)	P/NAV (times)
ASTI Disposal ⁽¹⁾	32.0	1.2
Ellipsiz Disposal ⁽²⁾	11.4	1.4
Mean	21.7	1.3
Median	21.7	1.3
Maximum	32.0	1.4
Minimum	11.4	1.2
The Target Group (as implied by the Reduced Sale Price)	59.8 ⁽³⁾	3.8 ⁽⁵⁾
	10.5 ⁽⁴⁾	

Source: Announcements of transactions and circulars of the respective Comparable Transactions

Notes:-

- (1) Based on the ASTI Disposal Consideration of S\$73,000,000, compared against the unaudited profit after tax and unaudited NAV of the disposed subsidiary for the latest completed financial year preceding the ASTI Disposal.
- (2) Based on the Ellipsiz Disposal Consideration of approximately US\$70,000,000 (equivalent to approximately S\$95,600,000), compared against the unaudited profit after tax and unaudited NAV of the disposed subsidiary for the latest completed financial year preceding the Ellipsiz Disposal.
- (3) Based on the trailing 12-month consolidated net profits of the Target Group, being 1 July 2017 to 30 June 2018.
- (4) Based on the earnings for the last completed financial year in FY2017 (adjusted for taxation and non-recurring items as of 31 December 2017 as agreed pursuant to the Share Purchase Agreement).
- (5) Refers to the Target Group’s P/Adjusted NAV. Please refer to paragraph 5.3(b) of this IFA Letter for further details.

Based on the above analysis, we note the following:-

- (a) the P/E ratio of the Target Group, as implied by the Reduced Sale Price (and based on trailing 12-month consolidated net profits), is higher than the maximum P/E ratio of the Comparable Transactions while the P/E ratio of the Target Group, as implied by the Reduced Sale Price (and based on earnings for the last completed financial year (adjusted for taxation and non-recurring items as of 31 December 2017 as agreed pursuant to the Share Purchase Agreement)), is lower than minimum P/E ratio of the Comparable Transactions; and
- (b) the P/Adjusted NAV ratio of the Target Group, as implied by the Reduced Sale Price, is higher than the maximum P/NAV ratio of the Comparable Transactions.

We wish to highlight that, due to the highly cyclical nature of the semiconductor industry, comparisons using EV/EBITDA and P/E ratios may not be entirely meaningful.

We also wish to reiterate that the above comparisons with the Comparable Transactions are necessarily limited, and are meant to serve as illustrations only.

5.6 Financial effects of the Proposed Disposal

Details on the *pro forma* financial effects of the Proposed Disposal on the Group are set out in paragraph 8 of the Circular. We wish to highlight that the *pro forma* financial effects of the Proposed Disposal on the Group have been prepared based on the latest audited consolidated financial statements of the Group for FY2017 and the *pro forma* financial statements of the Target Group for FY2017 (prepared by the Management using the latest audited consolidated financial statements of the Group for FY2017).

In summary, we note the following:-

(a) NTA per Share

As stated in paragraph 7 of the Circular, the Company intends to return the entire Net Sale Proceeds arising from the Proposed Disposal to Shareholders.

Accordingly, after the Completion, the Group's NTA as at 31 December 2017 will decrease by the same amount of the Adjusted NTA of the Target Group, and NTA per Share of the Group as at 31 December 2017 will decrease from 22.28 Singapore cents to 15.61 Singapore cents.

(b) Earnings per Share

As the Target Group is profitable, the Group will be removed of the profit after tax attributable to the Target Group of S\$7,580,000 for FY2017 after the Completion. As a result, the earnings per Share of the Group will decrease from 2.65 Singapore cents to (0.69) Singapore cents after the Completion.

(c) Gain arising from the Proposed Disposal

The Proposed Disposal will give rise to a net gain of approximately S\$45,698,000 (after deducting all expenses to be incurred in connection with the Proposed Disposal of approximately S\$6,555,000), being the excess of the Reduced Sale Price of S\$67,600,000 over the Adjusted NAV of the Target Group of S\$15,347,000 as at 31 December 2017.

The *pro forma* financial effects of the Proposed Disposal are for illustrative purposes only and are not intended to be indicative or reflect the actual future financial situation of the Company and the Group after the Completion. They are not indicative of the financial performance or position that could have been attained had the Proposed Disposal taken place in accordance with the assumptions stated in paragraph 8 of the Circular. We recommend that the Independent Directors advise the Independent Shareholders to read the information carefully, in particular the bases and assumptions set out therein relating to the preparation of the *pro forma* financial effects.

5.7 Other relevant considerations in relation to the Proposed Disposal

5.7.1 Use of proceeds

The consideration for the Proposed Disposal shall be satisfied entirely in cash. As set out in paragraph 7 of the Circular, the Company intends to return the entire Net Sale Proceeds from the Proposed Disposal to Shareholders by way of a special dividend or capital reduction, as the case may be. It is anticipated that a first distribution of 24 Singapore cents per Share based on the first payment received by the Company upon Completion (i.e. 80% of the Actual Sale Price) will be made by the Company as soon as practicable after Completion has taken place. This is regardless whether the Company receives the Estimated Sale Price of S\$84,500,000 or the Reduced Sale Price of S\$67,600,000.

Please refer to paragraph 7 of the Circular for further details on the use of proceeds arising from the Proposed Disposal.

5.7.2 Contribution of the Target Business to the Group

Based on the latest audited consolidated financial statements of the Group for FY2017, the Target Business accounted for the following percentage of the revenue and net profit after tax of the Group:-

FY2017	As a percentage of the total revenue of the Group	As a percentage of the total net profit after tax of the Group
Target Business	81%	126%
CEM Business	19%	(29%)
Investment Properties	-	3%

Upon Completion, the CEM Business will become the sole business of the Group. Shareholders should note that the CEM Business was loss making in FY2017. The Group intends to maintain its original strategy of growing the CEM Business but at a hastened speed. The Group intends to expand its customer base and grow its manpower strength to turnaround the performance of the CEM Business.

As at the Latest Practicable Date, the Directors and the Management confirm that the Group has the necessary internal resources to support this strategy and none of the Net Sale Proceeds arising from the Proposed Disposal will be deployed to support the growth of the CEM Business. Please refer to paragraph 3.5 of the Circular for further details on the strategy of the Group to grow the CEM Business.

5.7.3 The Proposed Disposal does not impact the Group's CEM Business

As at the Latest Practicable Date, both the Target Business and the CEM Business share some common suppliers in the fabricated parts and standard parts areas and in vision applications. However, they do not share the same customers as the market coverage and product offerings are different. The Group has also been operating the Target Business and the CEM Business independently with separate sets of facilities and manpower although the Target Business and the CEM Business shared the same administrative support structure such as Finance and Human Resources for administrative efficiency. Accordingly, the Proposed Disposal will not result in any material impact on the overall efficiency of each of the Target Business and the Group's remaining CEM Business.

5.7.4 No other alternative offers from third parties

The Board has confirmed that, as at the Latest Practicable Date, there has been no offer to purchase the Target Group other than from the New Purchaser.

5.7.5 Involvement of Directors and Key Management of the Company in the Target Business

As one of the Conditions Precedent, the Company shall have caused certain key employees of the Target Group (as listed in paragraph 3.6 of the Circular) to sign a three-year retention employment contract with the Target Group. Such key employees include Mr. Kwong (the Chairman and Managing Director of the Company), Mr. Tan Ban Hee (the Chief Financial Officer of the Company) and other management members involved in the Target Business. Such arrangement is to ensure continuity in the Target Business.

If and should the Proposed Disposal be completed, it is envisaged that Mr. Kwong will be re-designated as the non-executive Chairman of the Company. This will enable the Company to tap on Mr. Kwong's expertise when such a need arises. Following Completion, the remaining CEM Business will be spearheaded by Mr. Lim Chin Tong, an Executive Director of the Company, who currently oversees the formulation and execution of the Group's business and growth strategies particularly in the CEM Business.

Upon Completion, Mr. Tan Ban Hee, the Chief Financial Officer of the Company, will relinquish his position in the Company. The Company has identified a potential candidate to take over the roles and responsibilities of Mr. Tan, and will make the necessary announcement on the appointment in due course.

As at the Latest Practicable Date, the Directors and the Management confirm that the Proposed Disposal will not result in any material impact on the overall efficiency of the management of the Group's remaining CEM Business.

6. OUR OPINION

In arriving at our opinion, we have reviewed and deliberated on factors which we consider to be relevant and to have a significant bearing on our assessment as to whether, from a financial perspective, the Proposed Disposal is on normal commercial terms and is prejudicial to the interests of the Company and its minority Shareholders. These factors include, *inter alia*, the views and representations made by the Directors and the Management. We have carefully considered factors which we deem essential and balance them before reaching our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information which we have taken into account, be read in its entirety.

Based on our analysis, and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the opinion that, from a financial perspective, the Proposed Disposal is, on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

Accordingly, we advise the Independent Directors to recommend the Independent Shareholders to vote in favour of the ordinary resolution relating to the Proposed Disposal as set out in the Notice of EGM at the forthcoming EGM of the Company.

In arriving at our opinion, we have relied on, *inter alia*, relevant statements contained in the Circular, confirmations, advice and representations by the Directors and the Management, and the Company's announcements in relation to the Proposed Disposal. We wish to emphasise that we have arrived at our recommendation based on information made available to us prior to and including the Latest Practicable Date. We assume no responsibility to update, review or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date, unless otherwise stated.

We would like to highlight that we do not express any opinion on the rationale for, as well as the legal and commercial risks and/or merits of the Proposed Disposal. Such remains the sole responsibility of the Directors. It is also not within our terms of reference to provide an opinion on the relative merits of the Proposed Disposal vis-à-vis any alternative transactions previously considered by the Company or transactions that the Company may consider in the future.

We have prepared this IFA Letter pursuant to Rule 921(4)(a) of the Listing Manual as well as for the use by the Independent Directors in connection with their consideration of the Proposed Disposal. Any recommendations made by the Independent Directors in respect of the Proposed Disposal shall, however, remain their sole responsibility. Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any purposes (other than for the consideration of the Proposed Disposal as an "interested person transaction" defined in Chapter 9 of the Listing Manual) at any time and in any manner without the prior written consent of ZICO Capital.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
ZICO Capital Pte. Ltd.

Alex Tan
Chief Executive Officer

Karen Soh
Managing Director

MANUFACTURING INTEGRATION TECHNOLOGY LTD.

(Company Registration Number 199200075N)

(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**EGM**”) of Manufacturing Integration Technology Ltd. (the “**Company**”) will be held at 38, Ang Mo Kio Industrial Park 2, #02-03/04, Singapore 569511 on Thursday, 17 January 2019 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the following ordinary resolution:

*Unless otherwise defined, all capitalised terms herein shall have the same meanings as defined in the circular to shareholders of the Company dated 2 January 2019 (the “**Circular**”).*

ORDINARY RESOLUTION

PROPOSED DISPOSAL BY THE COMPANY OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF MIT SEMICONDUCTOR PTE. LTD.

THAT:

- (a) approval be and is hereby given to the Company to dispose to MIT Semiconductor (Tian Jin) Company Limited (砺铸智能设备(天津)有限公司) (“**MIT Semiconductor Tian Jin**”) of all the issued ordinary shares, representing the entire issued and paid-up share capital of MIT Semiconductor Pte. Ltd., for a consideration of up to S\$84,500,000, on the terms and subject to the conditions set out in the conditional share purchase agreement dated 18 July 2018 entered into between the Company and Ningbo MIT Semiconductor Company Limited (砺铸智能装备(宁波)有限公司) (“**Ningbo MIT Semiconductor**”) who was replaced by MIT Semiconductor Tian Jin pursuant to a substitution agreement dated 8 October 2018 entered into among the Company, Ningbo MIT Semiconductor and MIT Semiconductor Tian Jin (the “**Proposed Disposal**”), as a major transaction for the purposes of Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and deemed as an interested person transaction for the purposes of Chapter 9 of the Listing Manual of the SGX-ST; and
- (b) the Directors or any of them be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to the Proposed Disposal and/or this Ordinary Resolution and the transactions contemplated thereunder.

By order of the Board of Directors

Wong Yoen Har
Company Secretary
2 January 2019
Singapore

Notes:

- (1) Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the EGM. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.
- (2) Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

- (3) The instrument appointing a proxy or proxies must be signed by the appointer or his attorney duly authorised in writing. If the appointer is a corporation, the instrument appointing a proxy or proxies must be executed under common seal or the hand of its duly authorised officer or attorney.
- (4) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Blk 5004 Ang Mo Kio Ave 5, #03-12, TECHplace II, Singapore 569872 not less than forty-eight (48) hours before the time appointed for holding the EGM.
- (5) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited not less than seventy-two (72) hours before the time appointed for holding the EGM in order for the Depositor to be entitled to attend, speak and vote at the EGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Photographic, sound and/or video recordings of the EGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the EGM. Accordingly, the personal data of a member of the Company (such as his name, his presence at the EGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

In addition, the Company may upon the request of any member, provide such member with a copy of the minutes of the EGM which may contain a member's personal data as explained above. By participating in the EGM, raising any questions and/or proposing/seconding any motion, a member will be deemed to have consented to have his personal data recorded and dealt with for the purposes and in the manner explained above.

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MANUFACTURING INTEGRATION TECHNOLOGY LTD.
(Company Registration No. 199200075N)
(Incorporated in the Republic of Singapore)

**PROXY FORM
FOR EXTRAORDINARY GENERAL MEETING**

IMPORTANT

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 of Singapore, Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Extraordinary General Meeting.
2. For investors who have used their CPF/SRS monies to buy shares in the Company ("**CPF/SRS Investors**"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS Investors are requested to contact their respective Agent Banks/SRS Operators for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks/SRS Operators as proxies for the Extraordinary General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 2 January 2019.

I/We, _____ (Name)

_____ (NRIC/Passport Number/Company Registration Number)

of _____ (Address)

being a member/members of **MANUFACTURING INTEGRATION TECHNOLOGY LTD.** (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing him/them, the Chairman of the Extraordinary General Meeting of the Company ("**EGM**") as my/our proxy/proxies, to attend and to vote for me/us on my/our behalf at the EGM to be held at 38, Ang Mo Kio Industrial Park 2, #02-03/04, Singapore 569511 on Thursday, 17 January 2019 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the ordinary resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the EGM.

Ordinary Resolution:	Number of Votes For*	Number of Votes Against*
To approve the proposed disposal by the Company of the entire issued and paid-up share capital of MIT Semiconductor Pte. Ltd.		

* Voting will be conducted by poll. If you wish to use all your votes "For" or "Against" the Ordinary Resolution, please indicate with an "X" within the box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the Ordinary Resolution, please indicate the number of shares in the boxes provided.

Dated this _____ day of _____ 2019

Total Number of Shares held in:	Number of Shares
(a) Depository Register	
(b) Register of Members	

Signature of Shareholder(s)/Common Seal of
Corporate Shareholder



IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and also registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by the member.
2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), a member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote on his behalf.
3. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies, duly executed, must be deposited at the Company's registered office at Blk 5004 Ang Mo Kio Ave 5, #03-12, TECHplace II, Singapore 569872 not less than forty-eight (48) hours before the time appointed for holding the EGM.
6. Where a member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy and if no proportion is specified, the Company shall be entitled to treat the first-named proxy as representing all of the shareholding and the second-named proxy shall be deemed to be an alternate to the first-named or at the Company's option, to treat the instrument of proxy as invalid.
7. The submission of an instrument appointing a proxy or proxies by a member of the Company does not preclude him from attending and voting in person at the EGM if he wishes to do so. However, any appointment of a proxy or proxies by such member shall be deemed to be revoked if the member attends the EGM in person, and in such event, the Company reserves the right to refuse any person or persons appointed under the instrument of proxy or proxies to the EGM.
8. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

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

Affix
Postage
Stamp

Manufacturing Integration Technology Ltd.

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

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

9. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.
10. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act.
11. The Company shall be entitled to reject any instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Ltd to the Company.