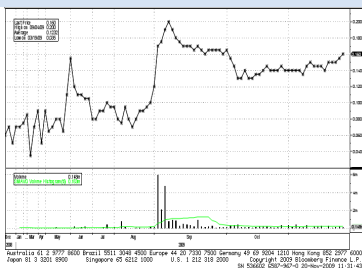


BUY
(Upgrade)

Current Price **S\$0.160**
23rd November 2009
Fair Value **S\$0.210**

Yeak Chee Keong, CFA
65-6236-6884
cheekeong.yeak@nracapital.com

Historical Chart



Source: Bloomberg

Stock Statistics

Market Cap	S\$35.36m
52-HI	S\$0.210
52-LOW	S\$0.035
Avg Vol (1 yr)	122,105
Shares	221.017m
Outstanding	
Free Float	91.99m

Key Indicators

ROE	-8.47%
ROA	-6.13%
P/BK	0.95x
Gearing	Net cash

Major Shareholders

MIT Technologies Pte Ltd	54.58%
Kwong Kim Mone	2.10%
Treasury Shares	1.56%

Entering a new stage of growth

Solar business to be a key driver. MIT shipped out its first laser scribe equipment to an Asian customer on 27 October 2009 after it formally launched its solar equipment business on 31 August 2009. Based on our back-of-envelope estimates, we think that gross earnings potential for this segment could reach as much as US\$4.7 – 8.6mil per year.

Opportunities in European and Chinese market. We believe that MIT has a value proposition that may be attractive to both the European and Chinese market. MIT offers high quality solar equipment at middle market prices. This bodes well for (1) European solar panel makers looking to compete with the Chinese in terms of cost and (2) Chinese solar panel makers looking to compete with the Europeans in terms of quality. However, we believe that the China market will be the main driver in the near term due to its close proximity and MIT's existing network in China as a semiconductor equipment manufacturer.

Worldwide semiconductor equipment spending to recover. Gartner expects semiconductor capital equipment spending to increase by 34.3% y-o-y in 2010. We believe this should translate down to increasing orders for MIT in its equipment business in 2010.

New orders received. MIT also announced newly secured orders of S\$6.7m for its semiconductor equipment and contract equipment manufacturing segments. This figure includes an order from a major semiconductor customer (which was not disclosed) for its high-end range die sorters used in IC manufacturing and assembly process. We expect the orders to contribute positively to results in 2010.

Valuation & recommendation. We have revised our revenue forecast upwards by ~ 48% – 59% for the next 2 years. EPS estimates are consequently higher. Anwell Technologies Ltd, which is also in the solar industry is trading at a forward P/E of 23.3x. Most semiconductor equipment manufacturers are still expected to incur a loss in FY10 and thus we do not have sufficient forward P/E data for them. However, historical P/E is about 12x. We are valuing MIT based on a blended **FY10 & FY11 P/E of 10.0x** which we think is undemanding. This translates to a fair value of **\$0.21**. We upgrade our recommendation to a **BUY**.

Key Financial Data	FY07	FY08	FY09F	FY10F	FY11F
FYE 31 Dec					
Sales	39.4	32.3	21.6	47.0	53.6
Gross Profit	11.5	9.8	3.3	14.5	17.1
Net Profit	1.6	-3.0	-4.1	2.6	4.6
EPS (cents)	0.61	-1.49	-1.80	1.13	2.03
EPS growth (%)	-81.7%	-345.0%	n.m.	n.m.	80.0%
PER	26.4	n.m.	n.m.	14.2	7.9
DPS (cents)	0.5	0.0	0.0	0.0	0.0
Div Yield (%)	3.1%	0.0%	0.0%	0.0%	0.0%

Source: Company, NRA estimates

Solar Business

China is a key market

China has expanded its spending plans for solar industry. According to a Wall Street Journal article, China's stimulus plan includes expanding the country's solar capacity to 10-20 GW by 2020, from about 20 MW in 2008. This will be done through subsidies for solar-energy plant constructions and rooftop installations.

The Golden Sun Program. China has launched the Golden Sun programme with incentives to achieve the target of 500MW of solar power pilot projects in 2-3 years. Key initiatives of the program include subsidies of 50% of investment for solar power projects. For independent PV power generating systems in remote regions without power supply, the subsidy will increase to 70%.

The Solar Roofs Program. This program is for smaller PV capacity program of less than 50 kW. Financial incentives of RMB 20/w will be given. This is a substantial amount and would mean that the price of the solar panels is effectively zero.

Europe feeling the heat

Cheap Chinese solar films a threat. Germany, being the pioneer in the solar industry is feeling the threat from cheaper Chinese competitors. Generous subsidies and incentives from the German government has been argued to benefit China's solar companies more than German companies. This is in particular to the *feed-in-tariffs* in which national electricity utilities are obligated to purchase renewable energy at above market prices set by the government. Germany thus evolved to be a significant market for the solar industry and this in turn drew competition from China's solar companies. China's solar manufacturers has a lower cost structure than its German counterparts are able to compete favourably in terms of price. This has resulted in German companies accusing Chinese companies of price dumping. In terms of quality, German solar makers still hold the leadership position although Chinese manufacturers are catching up fast.

The timing is right for MIT

Opportunities in European and Chinese market. We believe that MIT has a value proposition that may be attractive to both the European and China market. MIT offers high quality solar equipment at middle market prices. This bodes well for

- (1) European solar panel makers looking to compete with the Chinese in terms of cost and;
- (2) Chinese solar panel makers looking to compete with the Europeans in terms of quality.

However, we believe that the Chinese market will be the main driver in the near term due to its close proximity and MIT's existing network in China as a semiconductor equipment manufacturer.

First laser scriber shipped, expect more to follow. On 27 October 2009, MIT shipped out its first line of LS800 laser scriber to an Asian customer. Its solar business was formally launched on 31 August 2009. MIT has not revealed its orders figures. We believe that gross margins for such equipment could potentially be as high as 40% and selling price could range between \$0.9m to \$1.2m, based on similar equipments sold in the market today. However, it is possible that MIT may be selling its equipments at a lower price initially to penetrate the market and gain market share. Based on our back-of-envelope estimates, we figure that gross earnings potential could reach as much as US\$4.7 – 8.6mil.

Our back-of-envelope estimates on MIT's solar business

No. of lines that can be manufactured at any one time	3 lines
Est. manufacturing time required	~8 – 10 Wks
Est. No. of lines that can be manufactured in a year	~ 15 – 18 lines
Est. selling price per line	~ US\$0.9 – 12 mil
Est. Revenue Potential	US\$13.5 – 21.6mil
Assumed Gross Margin	~35 – 40 %
Est. Gross Profit Potential	US\$4.7 – 8.6mil

Source: NRA estimates

Semiconductor Equipment Business

New orders for semiconductor equipments. MIT also announced newly secured orders of S\$6.7m for its semiconductor equipment and contract equipment manufacturing segments. This orders include an order from a major semiconductor customer (which was not disclosed) for its high-end range die sorters used in IC manufacturing and assembly process. We expect the orders to contribute positively to results in 2010.

Worldwide semiconductor equipment spending set to rebound. According to Gartner, capital equipment spending bottomed in 2Q09 and is expected to rebound back strongly. Gartner forecasts growth of 34.3% y-o-y in 2010. We believe this should translate to increasing orders for MIT in its equipment business in 2010.

Worldwide Semiconductor Capital Equipment Spending Forecasts, 2008 – 2013 (Millions of Dollars)

	2008	2009	2010	2011	2012	2013
Semiconductor Capital Spending	43,983.9	22,866.3	30,700.0	42,855.8	50,309.8	44,997.7
Growth (%)	-30.5	-48.0	34.3	39.6	17.4	-10.6
Capital Equipment	30,659.3	15,978.8	22,228.0	30,909.8	36,461.3	31,351.0
Growth (%)	-31.7	-47.9	39.1	39.1	18.0	-14.0
Wafer Fab Equipment	24,213.9	12,150.2	16,799.6	23,983.0	28,606.1	25,388.2
Growth (%)	-32.8	-49.8	38.3	42.8	19.3	-11.2
Packaging & Assembly Equipment	3,999.8	2,275.3	3,195.9	4,055.8	4,576.5	3,490.0
Growth (%)	-24.5	-43.1	40.5	26.9	12.8	-23.7
Automated Test Equipment	2,445.5	1,553.3	2,232.5	2,871.0	3,278.6	2,472.8
Growth (%)	-31.2	-36.5	43.7	28.6	14.2	-24.6
Other Spending	13,324.7	6,887.5	8,472.0	11,946.0	13,848.5	13,646.6
Growth (%)	-27.8	-48.3	23.0	41.0	15.9	-1.5

Source: Gartner (Sept 2009)

Valuation & Recommendation

We have revised our revenue forecast upwards by ~ 48% – 59% for the next 2 years on potential contributions from its new solar business unit and our expectation of a recovery in the semiconductor equipment business. EPS estimates were consequently higher. We believe that MIT could return to the black in FY10 compared to an expected loss previously.

With the addition of its solar business, we see MIT gradually diversifying its risk away from the cyclical semiconductor sector and turning more towards an equipment manufacturer. In the long run, this should provide stability to its earnings figures.

Anwell Technologies Ltd, which is also in the solar industry is trading at a forward P/E of 23.3x. Most semiconductor equipment manufacturers are still expected to incur a loss in FY10 and thus we do not have sufficient forward P/E data for them. However, historical P/E is about 12x. We are valuing MIT based on a blended **FY10 & FY11 P/E of 10.0x** which we think is undemanding. This translates to a fair value of **\$0.21**. We upgrade our recommendation to a **BUY**.

	Mkt Cap (\$m)	Last Price S\$	P/E (X)			P/S (X)	P/B (X)	ROE (%)	Gross Margin (%)	Net Margin (%)
			Hist	Current	Fwd					
AEM Holdings Ltd	21.27	0.050	-	-	-	0.2	0.35	-20.7	-	-9.4
Adv. Sys. Automatn Ltd	30.91	0.025	-	-	-	2.1	-	-	10.5	-11.1
Rokko Holdings Ltd	15.00	0.100	15.4	-	-	0.8	0.81	5.2	42.5	4.9
Asti Holdings Ltd	45.83	0.080	-	-	-	0.1	0.45	-15.1	14.2	-2.8
UMS Holdings Ltd	74.81	0.190	-	-	-	1.4	0.42	0.9	-	1.9
Avi-Tech Electronics Ltd	56.06	0.160	10.0	9.4	7.3	1.8	0.86	8.5	33.5	17.3
Anwell Technologies Ltd	160.42	0.630	-	-	23.3	1.4	0.89	-8.8	17.5	-11.2
Average	57.76	0.176	12.7	9.4	15.3	1.1	0.63	-5.0	23.7	-1.5
Manufacturing Integration Technology Ltd	35.36	0.160	-	-	-	1.3	1.02	-8.5	28.5	-10.2

Source: Bloomberg

Income Statement Forecast

INCOME STATEMENT	FY07	FY08	FY09F	FY10F	FY11F
Revenue	39.4	32.3	21.6	47.0	53.6
Cost of Sales	(27.9)	(22.5)	(18.3)	(32.5)	(36.5)
Gross Profit	11.5	9.8	3.3	14.5	17.1
SG&A Expenses	(9.8)	(9.2)	(7.0)	(9.4)	(9.7)
Other Operating Income	1.3	0.4	1.1	0.5	0.5
Other Operating Expenses	(1.2)	(3.5)	(1.1)	(1.5)	(1.7)
EBITDA	1.9	(2.5)	(3.7)	4.1	6.3
Depreciation & Amortisation	(1.3)	(1.7)	(0.9)	(1.3)	(1.0)
EBIT	0.6	(4.2)	(4.6)	2.8	5.3
Interest Income	0.7	0.2	0.6	0.5	0.5
Interest Expense	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
EBT	1.3	(4.1)	(4.1)	3.2	5.8
Taxation	0.3	1.1	0.0	(0.6)	(1.2)
Net Income	1.6	(3.0)	(4.1)	2.6	4.6
Attributable to					
Equity Holders of Company	1.3	(3.3)	(3.9)	2.5	4.4
Minority Interest	0.3	0.3	(0.2)	0.1	0.2

Source: Company, NRA estimates

Balance Sheet Forecast

BALANCE SHEET	FY07	FY08	FY09F	FY10F	FY11F
ASSETS					
Inventories	13.4	12.4	8.8	15.6	17.5
Trade & Other Receivables	11.4	9.9	7.1	13.6	15.6
Cash & Cash Equivalents	27.3	18.2	18.8	16.1	20.0
Others	0.5	0.8	0.5	0.5	0.5
Current Assets	52.6	41.3	35.1	45.8	53.6
Property, Plant & Equipment	3.7	2.8	3.6	3.2	2.9
Development Property/Projects	1.4	2.0	2.0	2.6	2.9
Other Investments/Financial Assets	0.1	1.0	1.1	1.1	1.1
Intangible Assets	0.8	0.9	0.8	0.4	0.3
Non-current Other Receivables	0.2	0.0	0.0	0.0	0.0
Others	0.1	0.0	0.0	0.0	0.0
Non-Current Assets	6.3	7.0	7.6	7.3	7.2
Total Assets	58.8	48.3	42.7	53.1	60.8
LIABILITIES					
Short-term Loan	1.0	1.3	0.9	0.9	0.9
Trade & Other Payables	13.6	8.0	6.5	11.6	13.0
Income Tax Payable	1.2	0.0	0.0	0.0	1.1
Provisions	0.4	0.1	0.2	0.5	0.5
Current Liabilities	16.1	9.5	7.7	13.0	15.6
Finance Leases/Hire Purchase Creditors	0.1	0.1	0.1	0.1	0.2
Non Current Liabilities	0.1	0.1	0.1	0.1	0.2
Total Liabilities	16.3	9.6	7.8	13.1	15.7
SHAREHOLDERS' EQUITY					
Common Stock	46.2	45.8	45.9	45.9	45.9
Retained Earnings	(5.2)	(9.0)	(12.9)	(10.5)	(6.1)
Other Equity Account	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)
Total Shareholders' Equity	40.8	36.7	32.8	35.2	39.6
Minority Interest	1.8	2.0	2.2	4.7	5.4
Total Liabilities & Shareholders' Equity	58.8	48.3	42.7	53.1	60.8

Source: Company, NRA estimates

Cashflow Statement Forecast

CASHFLOW	FY07	FY08	FY09F	FY10F	FY11F
Net Income	1.6	(3.0)	(4.1)	2.6	4.6
Adjustments:					
Depreciation & Amortisation	1.3	1.7	0.9	1.3	1.0
Impairment loss	0.7	3.3	0.0	0.0	0.0
(Gain)/Loss on Sale of PPE	0.0	0.1	0.0	0.0	0.0
(Gain)/Loss on Disposals of Subsidiaries/Associates	(0.4)	0.0	0.0	0.0	0.0
Interest Income	(0.7)	(0.2)	(0.6)	(0.5)	(0.5)
Interest Expense	0.1	0.1	0.1	0.1	0.1
Income Tax Expenses	(0.3)	(1.1)	(0.0)	0.6	1.2
Other Adjustments	0.4	0.4	0.6	1.9	0.7
Op. Profit before Working Capital Charges	2.5	1.3	(3.1)	6.0	7.0
Change in Working Capital:					
Inventories	(2.9)	(2.1)	3.7	(6.8)	(1.9)
Trade & Other Receivables	1.0	1.6	2.8	(6.6)	(1.9)
Trade & Other Payables	0.7	(6.3)	(1.5)	5.0	1.4
Provision/others	0.6	0.2	0.0	0.0	0.0
Cash Generated from Operations	1.9	(5.3)	1.9	(2.3)	4.6
Income Tax paid	(2.7)	(0.3)	0.0	(0.6)	(1.2)
Interest paid	0.0	0.0	(0.1)	(0.1)	(0.1)
Interest received	0.0	0.0	0.6	0.5	0.5
Net Cash From Operations	(0.8)	(5.6)	2.4	(2.5)	3.9
Interest Received	0.8	0.2	0.6	0.5	0.5
Net CAPEX	(2.1)	(0.3)	(1.5)	(0.5)	(0.5)
Net Investments	(0.4)	(1.0)	0.0	0.0	0.0
Development Proj expenses	(1.5)	(1.5)	(0.5)	(0.2)	0.0
Net Cash From Investing	(3.2)	(2.6)	(1.4)	(0.2)	0.0
Interest paid	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Share Issue	0.1	0.0	0.1	0.0	0.0
Repurchase of Treasury Stock	(0.1)	(0.5)	0.0	0.0	0.0
Dividends Paid	(2.6)	(0.5)	0.0	0.0	0.0
Dividends to Minority Shareholders	(0.3)	(0.1)	0.0	0.0	0.0
Increase (Decrease) in Debt	0.5	0.3	(0.4)	0.1	0.0
Net Cash from Financing	(2.4)	(0.8)	(0.4)	0.0	(0.0)
Change in Cash & Cash Equivalent	(6.3)	(9.0)	0.6	(2.7)	3.9
Cash & Cash Equivalent at Bgn Year	33.6	27.3	18.2	18.8	16.1
Ex rate changes	(0.0)	(0.0)	0.0	0.0	0.0
Cash & Cash Equivalent at End Year	27.3	18.2	18.8	16.1	20.0

Source: Company, NRA estimates

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