

ELLIPSIZ LTD

Company Registration No.: 199408329R
(Incorporated in the Republic of Singapore)

ACQUISITION OF AN ADDITIONAL 40% EQUITY INTEREST IN ISE CAPITAL MANAGEMENT PTE. LTD.

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of Ellipsiz Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements dated 18 November 2021, 30 June 2022 and 12 July 2022 in relation to the acquisition by its wholly-owned subsidiary, Ellipsiz Agro Investments Pte. Ltd. (“**EA IPL**”), of an aggregate interest of 40% in Ise Capital Management Pte. Ltd. (“**ICM**”) (such acquisition, the “**Initial Acquisition**”) and the extension of a shareholder loan by EA IPL to ICM (the Initial Acquisition and shareholder loan collectively, the “**Initial Transactions**”).

The Board wishes to announce that EA IPL has acquired, by way of share transfer, from Mr Ise Hikonobu (“**IH**”) (the instrument of transfer being the “**IH Share Transfer**”), an additional 40,000 ordinary shares in the capital of ICM (the “**Additional Shares**”), representing 40% of the issued and paid-up share capital of ICM (the “**Additional Acquisition**”). Completion of the Additional Acquisition took place today.

2. INFORMATION ON ICM AND IFH (AS DEFINED BELOW)

ICM is a company incorporated in Singapore on 20 July 2019 and is an investment holding company. As at the date of this announcement, ICM has an issued and paid-up share capital of S\$100,000 comprising 100,000 ordinary shares.

Following completion of the Additional Acquisition, the shareholders of ICM and their respective shareholdings are as follows:

- (a) EA IPL: 80%;
- (b) IH: 13.333%; and
- (c) Ms Yayoi Yoshikawa: 6.667%.

ICM holds 70% of the issued and paid-up share capital of ISE Foods Holdings Pte. Ltd. (“**IFH**”), a company incorporated in Singapore on 6 November 2020. The principal activities of IFH are relating to the production and distribution of fresh eggs (“**Egg Production Business**”). As at the date of this announcement, IFH has an issued and paid-up share capital of S\$20.0 million comprising 20.0 million ordinary shares. Vertex Ventures SEA Fund IV Pte. Ltd. and Vertex Exploratory Fund Pte. Ltd. hold in aggregate the remaining 30% of the issued and paid-up share capital of IFH.

3. INFORMATION ON THE 4TH EGG FARM

In September 2021, IFH and the Singapore Food Agency (“SFA”) signed a memorandum of understanding for IFH to develop and operate the 4th egg farm in Singapore. The 4th egg farm comprises (i) a commercial egg farm, (ii) a day-old-chick (“DOC”) hatchery, (iii) a parent layer farm and (iv) a parent pullet farm (collectively, the “Farms”). The Farms will be developed in phases starting with the construction of the commercial egg farm, followed by the DOC hatchery, parent layer farm and parent pullet farm.

Information on the Farms are set out below:

Facility	Commercial egg farm	DOC hatchery	Parent layer farm	Parent pullet farm
Location	Lim Chu Kang	Lim Chu Kang	Sungei Tengah	Tuas
Use	Hatches fertilised eggs from the parent layer farm and rears them as <i>egg-layer</i> hens for egg production:		Rears imported <i>parent stock</i> DOC into hens that lay eggs to be hatched at the DOC hatchery:	
	Grows DOCs until maturity and houses <i>egg-layer</i> hens for commercial production of hen shell eggs.	Incubates fertilised eggs which come from the parent layer farm. The DOCs will be transported to the commercial egg farm after they have been hatched.	Houses specialised brooding equipment to raise <i>parent stock</i> chicks from 18 weeks old. These chicks will grow and lay eggs that will be hatched at the DOC hatchery.	For raising of imported <i>parent stock</i> DOCs until they are ready to be transferred to the parent layer farm at about 18 weeks old.
Estimated Plot Size (ha)	10.0	0.6	1.5	1.0
Lease Duration	30 years			
Estimated Completion Date of the Farms	2024	2026		

In July 2022, SFA alienated 3 plots of land with a total approximate land area of 12.1 hectares to IFH and entered into a building agreement with IFH. The 3 plots of land are for the development of the commercial egg farm, DOC hatchery and parent layer farm. In August 2022, IFH took possession of the said 3 plots of land and received in-principle approval from SFA to construct the commercial egg farm. IFH will apply for the farm and import licences from SFA to carry out the Egg Production Business at the appropriate time.

Business operations of the Farms are to commence in phases. The commercial egg farm is expected to commence operations in 2024. The Farms are expected to be fully operational by end 2026 with the capacity to produce no less than 360 million hen shell eggs per year.

4. INFORMATION ON IH

IH was the chairman and honorary adviser of ISE Foods Inc., the top egg producer in Japan and one of the largest in the world. Founded in 1912, ISE Foods Inc has over 100 years of experience in the production and sale of high-quality eggs. It currently has 15 farms in Japan and has major operations in the US, China, Vietnam and Thailand.

IH had via a letter to the Company requested the Company to consider acquiring the said additional 40,000 ordinary shares in the capital of ICM from him.

5. RATIONALE FOR THE ADDITIONAL ACQUISITION

The Initial Acquisition presented a unique and attractive long-term investment opportunity to the Group. Following completion of the Initial Acquisition, ICM became a 40% associated company (as defined in the listing manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”)) of the Company and is treated as a subsidiary of EAIPL (in compliance with Singapore Financial Reporting Standards (International)) by virtue of EAIPL having board and management control of ICM. Given the foregoing, the Additional Acquisition represents an increase in the Group’s investment in its subsidiary, ICM. The rationale for the Additional Acquisition is similar to the Initial Acquisition as set out in the Company’s announcement dated 30 June 2022. In summary, the Additional Acquisition will provide the Group with additional source of income, enable the Group to broaden its operations and reduce its concentration of risks further in the semiconductor and electronics industry, and contribute positively to Singapore’s “30 by 30” food security goal.

6. SALIENT TERMS OF THE ADDITIONAL ACQUISITION

The aggregate consideration for the Additional Shares is S\$4.0 million (the “**Consideration**”).

The Consideration was arrived at after arm’s length negotiations between EAIPL and IH on a willing-buyer willing-seller basis taking into account, *inter alia*, IFH having been granted four plots of land to develop and operate the 4th egg farm in Singapore and the increase in the Group’s participation in the Egg Production Business. No valuation was commissioned on the Additional Shares.

The Consideration was satisfied in cash by the Group from its internal resources.

7. FINANCIAL EFFECTS OF THE ADDITIONAL ACQUISITION

7.1 Book value, Net tangible asset value and Net loss

The book value and net tangible asset value of the ICM group based on its unaudited consolidated management accounts as at 28 February 2023 were each approximately S\$4,199,000.

The net loss before income tax and non-controlling interests of the ICM group, based on its unaudited consolidated management accounts for the 8 months ended 28 February 2023 was approximately S\$1,392,000. Based on the Company’s 80% interest in ICM, the net loss attributable to the Company was approximately S\$1,113,600.

7.2 Pro forma Financial Effects

7.2.1 Pro forma Financial Effects of the Additional Acquisition

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Additional Acquisition on the Group set out below are purely for illustrative purposes only and are neither indicative of the actual financial effects of the Additional Acquisition on the Group's net tangible assets ("**NTA**") per ordinary share in the issued share capital of the Company ("**Share**") and the Group's earnings per Share ("**EPS**"), nor do they reflect the future financial performance and/or position of the Company and/or the Group after completion of the Additional Acquisition.

The following *pro forma* financial effects of the Additional Acquisition have been prepared based on the audited financial statements of the Group for the financial year ended 30 June 2022 (being the latest available full year audited financial statements as at the date of the Additional Acquisition) with the following assumptions:

- (i) for the purposes of illustrating the financial effects of the Additional Acquisition on the Group's NTA per Share, it is assumed that the Additional Acquisition had been completed on 30 June 2022;
- (ii) for the purposes of illustrating the financial effects of the Additional Acquisition on the Group's EPS, it is assumed that the Additional Acquisition had been completed on 1 July 2021; and
- (iii) the transaction costs in relation to the Additional Acquisition are disregarded for the purposes of computing the financial effects as they are immaterial.

7.2.2 NTA per Share

	Before Additional Acquisition (but after Initial Transactions)	After Additional Acquisition
NTA (S\$'000)	99,407	99,752
Number of Shares ('000)	166,668	166,668
NTA per Share (cents)	59.64	59.85

7.2.3 EPS

	Before Additional Acquisition (but after Initial Transactions)	After Additional Acquisition
Net profit attributable to shareholders (S\$'000)	2,586	1,916
Weighted average number of Shares ('000)	166,668	166,668

	Before Additional Acquisition (but after Initial Transactions)	After Additional Acquisition
EPS (cents)	1.55	1.15 ⁽¹⁾

Note:

- (1) The Farms have not commenced operations. The EPS is computed after adjusting for ICM group's net loss based on its unaudited consolidated management accounts for the 8 months ended 28 February 2023 extrapolated to 12 months.

8. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures for the Additional Acquisition as computed on the bases set out in Rule 1006 of the Listing Manual and the latest announced consolidated financial statements of the Group as at the date of the Additional Acquisition, being the Group's consolidated financial statements for the financial period ended 31 December 2022, are as follows:

Rule 1006	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable
(b)	The net profits attributable to the Additional Acquisition, compared with the Group's net profits.	Not applicable ⁽¹⁾
(c)	The aggregate value of the Additional Acquisition, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	10.2% ⁽²⁾
(d)	The number of equity securities issued by the Company as consideration for the Additional Acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽³⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not applicable ⁽⁴⁾

Notes:

- (1) Not applicable as the Group had consolidated 100% of ICM's group results with effect from 30 June 2022 (in compliance with Singapore Financial Reporting Standards (International)) by virtue of EAIPL having board and management control of ICM.
- (2) Based on (i) the aggregate consideration of S\$4.0 million for the Additional Shares; (ii) the volume weighted average price of S\$0.235 per Share on 6 April 2023, being the last trading day immediately preceding the date of the Additional Acquisition; and (iii) 166,668,285 Shares (excluding treasury shares).
- (3) Not applicable as no equity securities were issued by the Company in connection with the Additional Acquisition.

(4) Not applicable as the Company is not a mineral, oil and gas company.

Notwithstanding that the relative figure computed on the basis set out in Rule 1006(c) above exceeds 5% but does not exceed 20% and the Additional Acquisition constitutes only a discloseable transaction under Rule 1010 of the Listing Manual, the Company is seeking ratification of the Additional Acquisition together with the Initial Transactions at an extraordinary general meeting (“EGM”) of the Company to be convened.

9. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Additional Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDER

None of the Directors or the controlling shareholder and their respective associates has any interest, direct or indirect, in the Additional Acquisition (other than through their respective shareholdings in the Company, if any).

11. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the IH Share Transfer is available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the registered office of the Company at 54 Serangoon North Avenue 4, #05-02, Singapore 555854 (with prior appointment) for a period of three months from the date of this announcement.

12. CIRCULAR AND NOTICE OF EGM

A circular to shareholders containing further information on the Initial Transactions and the Additional Acquisition, together with a Notice of EGM will be made available to shareholders in due course.

BY ORDER OF THE BOARD

Chow Ching Sian
Company Secretary
10 April 2023