Ellipsiz Ltd and its Subsidiaries
Registration Number: 199408329R

First Quarter Financial Information and Dividend Announcement for

three months ended

30 September 2017

Review and Commentary

(A) A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- **(i) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors;**
- **(ii) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on; and**
- **(iii) any factors leading to material changes in contributions to turnover and earnings by the business or geographical segments.**

The following discussion is based on and should be read in conjunction with, the consolidated financial information of Ellipsiz Ltd and its subsidiaries (the Group), including the notes thereto.

Note: The Company entered into a conditional Sale and Purchase Agreement (SPA) on 21 August 2017 to dispose its entire stake in its wholly-owned subsidiary group, SV Probe Pte Ltd and its subsidiaries (SV Group). The SPA was completed on 31 October 2017. For FY2018 Q1 reporting, the financial position and performance of SV Group (which approximates the financial position and performance of the Probe Card solutions business segment) are reported as discontinued operations and consolidated statement of comprehensive income for FY2017 Q1 are restated for comparative purpose. (For further details, please refer to note 6 to the financial information.)

<u>Results of Operations</u>

Revenue and gross profits

The revenue from the continuing operations of the Group in the three months ended 30 September 2017 (FY2018 Q1) was $11.4 million, an improvement of 13% from corresponding period of previous financial year. The growth came mainly from Taiwan and China.

Gross profit margin remains relatively flat at 23% and gross profits increased by 14% from $2.3 million to $2.7 million.

Other income

Other income decreased from $204,000 in FY2017 Q1 to $16,000 in FY2018 Q1. The non-recurrence of income from exchange gain and gain on disposal of plant and equipment in FY2018 Q1 was the main cause for the variance. Details of other income is disclosed in note 9 to the financial information.

Operating expenses

Total operating expenses decreased by 35% from $3.7 million to $2.4 million. During FY2017 Q1, the Company provided impairment loss of approximately $1.0 million on one of its quoted investments, recorded loss of $0.2 million on liquidation of a subsidiary and had also incurred further professional expenses of $0.2 million to manage the mandatory cash offer exercise. Excluding these one-time expenses in FY2017 Q1, operating expenses in FY2018 Q1 increased by 9% from $2.2 million to $2.4 million, mainly due to incurrence of exchange loss of $0.3 million during the financial period.

Finance income

Finance income increased by 29% from $17,000 in FY2017 Q1 to $22,000 in FY2018 Q1.

Share of results of associates and joint ventures

The Group recorded profits of $31,000 from share of results from its associate in FY2018 Q1. The disposal of interest in one of the associates in FY2017 Q3 led to the lower share of results in the quarter as compared to corresponding financial period of previous financial year.

Income taxes

In FY2018 Q1, the Group recorded tax expense of $0.1 million, comprised mainly the tax expense in the current quarter and an adjustment for the net movement in deferred taxes.

Profit/(Loss) from discontinued operations, net of tax

Profit from discontinued operations, net of tax, was an improvement of 15% to $2.1 million in FY2018 Q1. Improved gross profit margin was the main reason for the better results.

Net profit attributable to Owners of the Company

<u>Continuing operations</u>

The Group had net profits after taxes and non-controlling interests of $0.2 million from continuing operations for the financial period as compared to FY2017 Q1's loss of $1.2 million. In FY2017 Q1, the Group had a one-time impairment provision of $1.0 million on the financial asset, loss on liquidation of subsidiary of $0.2 million and additional professional fee expenses of $0.2 million to manage the mandatory cash offer exercise. Excluding the one-time income and expenses in FY2017 Q1, the Group's net profit from its operating activities of $0.2 million was a decline over FY2017 Q1's results of $0.3 million. The main cause for the decrease in performance was the incurrence of exchange loss of $0.3 million in FY2018 Q1 instead of the exchange gain of $0.1 million in FY2017 Q1.

<u>Overall</u>

Net profits after taxes and non-controlling interests, including contributions from discontinued operations, was at $2.3 million, an improvement of 242% comparing to FY2017 Q1's results of $0.7 million. Excluding the one-time income and expenses in FY2017 Q1 that were highlighted in earlier paragraph, the Group's net profit from its operating activities of $2.3 million was an improvement of 34% over FY2017 Q1's results of $1.7 million.

<u>Financial Conditions</u>

Non-current assets

The non-current assets decreased by 64% from $62.1 million as at 30 June 2017 to $22.4 million as at 30 September 2017. The decreases in property, plant and equipment, intangible assets and deferred tax assets were mainly due to the reclassification of the assets relating to the discontinued operations to assets held for sale.

Current assets

Total current asset as at 30 September 2017 was $136.5 million, an increase of 41% from $96.6 million as at 30 June 2017. Reclassification of assets from non-current assets, inventory, trade and other receivables as well as cash and cash equivalents to assets held for sale was the main reason for the various variances.

Current and non-current liabilities

Total liabilities as at 30 September 2017 stood at $26.2 million, a decrease of 2% from $26.9 million as at 30 June 2017. Although there is no material change to the total liabilities of the Group, there are significant movements in the various liabilities due to the reclassification of liabilities of the discontinued operations to liabilities of disposal group classified as held for sale.

Non-controlling interests

The non-controlling interests as at 30 September 2017 was at $404,000.

<u>Liquidity and Capital Reserves</u>

The net cash inflow of the Group for financial period ended 30 September 2017 was $3.0 million. This can be accounted by:

(a) cash inflow of $3.6 million for operating activities;
(b) cash outflow of $0.2 million for investing activities; and

(c) cash outflow of $0.4 million for financing activities.

The positive results in the quarter led to the cash inflow from operating activities of $3.6 million in FY2018 Q1.

Purchase of plant and equipment as well as intangible assets resulted in the net cash outflow for investing activities.

Net repayment of interest-bearing borrowings was the main cause for the cash outflow of $0.4 million for financing activities.

As at 30 September 2017, the Group's cash and cash equivalents position (including fixed deposits held as securities) was $43.0 million.

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

Not applicable.

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

We remain cautiously optimistic of our performance prospects for the rest of FY2018. Business activities at our continuing operations continue to be dependent on both the capital as well as operating expenditures of our customers, which is in turn affected by end-consumer spending. In view of the volatile macroeconomic conditions, the Group will continue to be vigilant of our operating environment while exploring opportunities for growth.