

THE PROPOSED DISPOSAL OF ALL THE SHARES IN THE ISSUED SHARE CAPITAL OF SV PROBE PTE. LTD.

1. INTRODUCTION

The Board of Directors (the "**Directors**") of Ellipsiz Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the announcement by the Company on 30 May 2017 on the execution of a non-binding letter of intent in relation to certain assets of the Group.

The Directors are pleased to announce that the Company has on 21 August 2017 (the "**Execution Date**") entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") with Nidec-Read Corporation (the "**Purchaser**", and together with the Company, the "**Parties**") in relation to the proposed disposal (the "**Proposed Disposal**") by the Company of 29,300,000 ordinary shares (the "**Sale Shares**"), representing 100% of the entire issued and paid-up capital of its wholly-owned subsidiary, of SV Probe Pte. Ltd. ("**SV Probe**").

2. THE PROPOSED DISPOSAL

2.1 Information regarding the Purchaser

The Purchaser, a global manufacturer of measuring and inspection equipment, is a wholly-owned subsidiary of Nidec Corporation, a global manufacturer of motors and electronic control systems with headquarters in Kyoto, Japan (collectively "**Nidec Group**"). Nidec Group comprises over 300 consolidated and affiliated subsidiaries in 43 countries with more than 107,000 employees.

2.2 Information regarding SV Probe

SV Probe is a wholly-owned subsidiary of the Company. It is incorporated in Singapore and together with its subsidiaries, SV Probe provides probe card designing, manufacturing, distribution, repair, maintenance support and related engineering solutions to the semiconductor industry.

2.3 Transfer of the SV Group Companies

SV Probe is currently the holding company of SV Probe Technology Taiwan Co., Ltd ("**SV Taiwan**"), SV Probe (SIP) Co., Ltd ("**SV China**"), SV TCL Kabushiki Kaisha, Hokko Electronics Co., Ltd, SV Probe Vietnam Co., Ltd. and SV Probe Inc. (collectively with SV Probe, the "**SV Group Companies**") and TCL Yamaichi Taiwan, Inc. ("**TCL TW**"), Tokyo Cathode Laboratory (Singapore) Pte. Ltd. and SV Technology Inc ("**SV Mauritius**") (the "**Excluded Affiliates**"). As a condition precedent to Completion (as defined in paragraph 4.2 below), the Excluded Affiliates will be transferred to the Company and will not form part of the SV Probe group to be transferred to the Purchaser pursuant to the Proposed Disposal.

Upon completion of the Proposed Disposal, the SV Group Companies will cease to be subsidiaries of the Company.

3. **RATIONALE FOR, BENEFITS OF AND USE OF PROCEEDS FROM THE PROPOSED DISPOSAL**

The Directors are of the view that the Proposed Disposal is in the interests of the Company and believe that the Proposed Disposal allows the Company to realise value in the probe card business, thus benefitting its shareholders and other stakeholders alike. The Proposed Disposal will also provide additional resources for the Group to explore other opportunities and expand its existing businesses that enhance shareholder value.

4. **SALIENT TERMS OF THE SALE AND PURCHASE AGREEMENT**

4.1 **Consideration**

Under the terms of the Sale and Purchase Agreement, the aggregate consideration for the Proposed Disposal is US\$65.0 million, on a cash free debt free basis, subject to agreed adjustments pursuant to the Sale and Purchase Agreement (the "**Consideration**"). The Purchaser and the Company shall undertake a review of the financial statements of the SV Group Companies after the Completion Date to determine the final adjustments (the "**Final Adjustments**") to be made to the Consideration as at the Completion Date.

The Consideration was arrived at pursuant to arm's length negotiations between the Company and the Purchaser on a willing-buyer and willing-seller basis, taking into account a number of factors including, *inter alia*, the historical performance and business prospects of the SV Group Companies.

The Consideration shall be satisfied by the Purchaser in the following manner:

- (a) 85% of the Consideration shall be payable by the Purchaser to the Company in cash upon Completion (as defined in paragraph 4.2 below) on the Completion Date¹;
- (b) 15% of the Consideration ("**Escrow Remaining Consideration**") shall be payable by the Purchaser in cash to an escrow agent (the "**Escrow Agent**") on the Completion Date to be dealt with in accordance with the terms of the Sale and Purchase Agreement and the escrow agreement to be entered into between the Escrow Agent and the Parties (the "**Escrow Agreement**"), in particular, to settle any claims for breaches of indemnities by the Company under the Sale and Purchase Agreement ("**Indemnities Claims**"). The Escrow Remaining Consideration will be held in escrow for a period of 24 months from the Completion Date, and subject to any applicable claims, be released to the Company as follows:
 - (i) one-third of the Escrow Remaining Consideration (less any amounts paid or claimed by the Purchaser pursuant to any Indemnities Claims) on the date falling 12 months from the Completion Date; and
 - (ii) two-thirds of the Escrow Remaining Consideration (less any amounts paid or claimed by the Purchaser pursuant to any Indemnities Claims) on the date falling 24 months from the Completion Date; and

¹ Being 31 October 2017 (or such other date as may be agreed by the Parties in writing, or such other date determined in accordance with the Sale and Purchase Agreement).

- (c) the Final Adjustments shall be settled by the relevant Party in cash within 10 business days from the finalisation of the Final Adjustments.

4.2 Conditions Precedent

Completion of the Proposed Disposal ("**Completion**") is conditional upon, *inter alia*, the fulfilment or waiver of the following conditions:

- (a) Irrevocable Undertaking and Corporate Approvals:
- (i) the Company having obtained from Bevrian Pte Ltd (being a major shareholder of the Company) a written irrevocable undertaking that it will vote in favour of the Proposed Disposal at a general meeting of the Company convened to approve the Proposed Disposal ("**GMS**"). As of the date of this Announcement, this condition has been fulfilled;
 - (ii) its shareholders (the "**Shareholders**") having, at the GMS, approved the Proposed Disposal; and
 - (iii) the Directors having approved of the Proposed Disposal and the transactions contemplated under the Sale and Purchase Agreement (the "**Transactions**");
- (b) Right to Use Office: SV Probe having the exclusive right to use and occupy certain office premises on terms reasonably satisfactory to the Purchaser, and all necessary approvals from the landlord having been obtained;
- (c) Related Party Transactions: related party transactions of the SV Group Companies and the Company (or its subsidiaries other than the SV Group Companies) and/or between the Group Companies being settled, terminated or dealt with to the reasonable satisfaction of the Purchaser;
- (d) Termination of Credit Facilities: certain existing loan and credit facilities and related securities obtained by the SV Group Companies from third party lender(s) as at the Execution Date having been terminated;
- (e) Third Party Consents: third party, governmental and regulatory consents or waivers necessary for the implementation of the Transactions ("**Third Party Consents**") having been obtained;
- (f) Employment: the Company having delivered to the Purchaser evidence reasonably satisfactory to the Purchaser that appropriate arrangements as regards certain key employees of the SV Group Companies as well as certain employees or officers of the SV Group Companies who are concurrently employed by, or appointed as officers of, the Company or any of the Company's affiliates, have been put in place;
- (g) Restructuring: (i) the Company having delivered to the Purchaser the restructuring agreement executed by the Company and SV Probe in relation to the transfer of the interest in the share capital of each of the Excluded Affiliates held by SV Probe to the Company and evidence that SV Probe and any other SV Group Company have ceased to hold any interest in each of the Excluded Affiliates, (ii) the Company having delivered to the Purchaser the executed agreement between SV Mauritius and SV Probe relating to the transfer by SV Mauritius to SV Probe of the ownership of certain intellectual property free of all encumbrances at a fair market value and (iii) restructuring of certain of the SV Group Companies' activities in Shanghai and Suzhou being completed to the reasonable satisfaction of the Purchaser;

- (h) SV Taiwan's Settlement of Retirement Benefits: SV Taiwan having paid to and settled with certain of its employees retirement benefits which they are entitled to receive;
- (i) SV Probe's Corporate Approvals: the board of directors of SV Probe having approved, *inter alia* and subject to Completion, the transfer of the Sale Shares from the Company to the Purchaser;
- (j) Escrow Account: the Escrow Agreement having been executed by the Company, the Purchaser and the Escrow Agent, and the escrow account having been duly opened; and
- (k) Purchaser Approval: the Purchaser having obtained all necessary corporate and governmental approvals to execute the the relevant transaction documents which it is a party to and carry out the Transactions.

If any of the above conditions is not fulfilled on or before 28 February 2018 or such other date as may be mutually agreed between the Parties in writing, the Sale and Purchase Agreement may be terminated in accordance with the terms of the Sale and Purchase Agreement.

5. **FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

- 5.1 Based on the unaudited financial statements of the Group for the financial year ended 30 June 2017 (the "**FY2017 Financial Statements**"), the book value of the Sale Shares (the "**Sale Shares Book Value**") and net tangible asset value of the Sale Shares as at 30 June 2017 are approximately S\$66.1 million and S\$40.1 million respectively.
- 5.2 Based on the FY2017 Financial Statements and the net proceeds from the Consideration of US\$65.0 million less introduction fees (the "**Net Proceeds**"), the Group would expect to realise an attributable net disposal gain of S\$9.9 million and an excess of the Net Proceeds over the Sale Shares Book Value of approximately S\$17.8 million.
- 5.3 The pro forma financial effects analysis of the Proposed Disposal set out in paragraph 5.4 below has been prepared on the following key bases and assumptions:
 - (a) the Consideration amount of US\$65.0 million or approximately S\$88.3 million (*based on US\$/S\$ exchange rate of 1.3590*);
 - (b) the financial effects of the Proposed Disposal on the net tangible assets ("**NTA**") per share and earnings per share ("**EPS**") of the Company are based on the FY2017 Financial Statements;
 - (c) for the purposes of illustrating the financial effects of the Proposed Disposal on the NTA per share of the Company, it is assumed that the Proposed Disposal had been completed on 30 June 2017;
 - (d) for the purposes of illustrating the financial effects of the Proposed Disposal on the EPS of the Company, it is assumed that the Proposed Disposal had been completed on 1 July 2016;
 - (e) the NTA per share of the Company is computed based on the 167,128,185 ordinary shares of the Company in issue (the "**Shares**") as at 30 June 2017, and the EPS of the

Company is computed based on the weighted average number of 167,128,185 Shares in issue as at 30 June 2017; and

- (f) the financial effects of the Proposed Disposal are purely for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Disposal on the NTA per share and EPS of the Company, nor do they represent the future financial performance and/or position of the Group and/or the Company immediately following Completion.

5.4 Effect of the Proposed Disposal on the NTA per share

On the bases and assumptions set out in paragraph 5.3 above, the pro forma effect of the Proposed Disposal on the NTA per share of the Company is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	90,059	133,911
NTA per share (Singapore cents)	53.89	80.12

5.5 Effect of the Proposed Disposal on EPS

On the bases and assumptions set out in paragraph 5.3 above, the pro forma effect of the Proposed Disposal on the EPS of the Company is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Profit after tax and minority interests attributable to shareholders (S\$'000)	8,501	10,078
EPS (Singapore cents)	5.09	6.03

6. RELATIVE FIGURES PURSUANT TO RULE 1006 OF THE LISTING MANUAL

In relation to the Proposed Disposal, based on the FY2017 Financial Statements, the relative figures computed on the bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual") are as shown below:

<u>Rule 1006</u>	<u>Bases</u>	<u>Relative Figures</u>
(a)	The net asset value (" NAV ") of the Sale Shares, compared with the Group's NAV	50.25% ¹
(b)	The net profits ² attributable to the Sale Shares, compared with the Group's net profits	90.11% ³
(c)	The aggregate value of the Consideration, compared with the Company's market capitalisation based on the total number of	80.03% ⁴

<u>Rule 1006</u>	<u>Bases</u>	<u>Relative Figures</u>
	Shares in issue (excluding treasury shares)	
(d)	The number of equity securities issued by the Company as consideration for the Proposed Disposal, compared with the number of equity securities of the Company previously in issue	Not applicable ⁵
(e)	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 ⁶

Notes:

1. Based on the aggregate NAV of the Sale Shares as at 30 June 2017 of S\$66,073,000, divided by the Group's NAV as at 30 June 2017 of S\$131,484,000.
2. Net profits refer to profit before income tax, minority interests and exceptional items.
3. Based on the aggregate unaudited net profits attributable to the Sale Shares for the financial year ended 30 June 2017 of S\$10,452,000, divided by the Group's unaudited net profit for the financial year ended 30 June 2017 of S\$11,599,000.
4. Market capitalisation of the Company as at 18 August 2017 (based on the volume weighted average price of S\$0.6604 per share of the Company on such date), being the last market day on which shares of the Company were traded on the SGX-ST prior to the date of signing of the Sale and Purchase Agreement, is S\$110.4 million.
5. Not applicable as this basis is not applicable to a disposal of assets, as is the case here.
6. Not applicable as the Company is not a mineral, oil and gas company.

As the relative figures computed on the basis set out in Rule(s) 1006 (a), (b) and (c) exceed 20%, the Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Listing Manual and is conditional upon the approval of the Shareholders at a general meeting to be convened.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED DISPOSAL

None of the Directors or controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

8. DIRECTORS' 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 is proposed to be entered into by the Company in connection with the Proposed Disposal.

9. SHAREHOLDERS' CIRCULAR AND DOCUMENTS AVAILABLE FOR INSPECTION

As stated in paragraph 6, the Company intends to obtain approval of the Shareholders for the Proposed Disposal. The circular to the Shareholders containing, *inter alia*, further details of the

Proposed Disposal and a notice of the special general meeting to be convened for the purpose of obtaining such approval, will be despatched to Shareholders in due course.

A copy of the Sale and Purchase Agreement may be inspected at the registered office of the Company at 54 Serangoon North Avenue 4 #05-02, Singapore 555854 during normal business hours for a period of three months from the date of this Announcement.

By Order of the Board
ELLIPSIZ LTD

Chan Wai Leong
Director and CEO
21 August 2017