



Ellipsiz Ltd
(Co. Reg. No. 199408329R)
and its subsidiaries

Financial Statements and Dividend Announcement
For the first quarter ended 30 September 2019

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

The following definitions apply throughout this announcement:

- * 1Q – First quarter from 1 July to 30 September of the respective financial years.
- * FY – Financial year ended or ending 30 June, as the case may be.
- * NM – Not meaningful.

1(a) A statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income

	Note	1QFY2020 \$'000	1QFY2019 \$'000	+ / (-) %
Revenue		14,325	11,420	25
Cost of revenue		<u>(10,996)</u>	<u>(8,182)</u>	34
Gross Profit		3,329	3,238	3
Other income	1(a)-1	532	172	209
Distribution expenses	1(a)-2	(1,111)	(1,212)	(8)
Administrative expenses	1(a)-2	<u>(2,144)</u>	<u>(1,663)</u>	29
Results from operating activities		606	535	13
Finance income	1(a)-3	319	220	45
Finance expense	1(a)-4	<u>(12)</u>	<u>-</u>	NM
		913	755	21
Share of results of joint ventures (net of tax)		<u>(501)</u>	<u>(434)</u>	15
Profit before tax		412	321	28
Tax expense		<u>(247)</u>	<u>(223)</u>	11
Profit for the period		<u>165</u>	<u>98</u>	68
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Exchange differences arising from:				
- liquidation of a subsidiary		-	(13)	(100)
- translation of financial statements of foreign operations		25	(204)	NM
Tax effect		<u>-</u>	<u>-</u>	-
		25	(217)	NM
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net change in fair value of financial assets at fair value through other comprehensive income		(232)	(219)	6
Tax effect		<u>-</u>	<u>-</u>	-
Other comprehensive income for the period, net of tax		<u>(207)</u>	<u>(436)</u>	(53)
Total comprehensive income for the period		<u>(42)</u>	<u>(338)</u>	(88)
Profit attributable to:				
Owners of the Company		166	99	68
Non-controlling interests		<u>(1)</u>	<u>(1)</u>	-
Profit for the period		<u>165</u>	<u>98</u>	68
Total comprehensive income attributable to:				
Owners of the Company		(50)	(337)	(85)
Non-controlling interests		<u>8</u>	<u>(1)</u>	NM
Total comprehensive income for the period		<u>(42)</u>	<u>(338)</u>	(88)

Notes to the Consolidated Statement of Comprehensive Income

1(a)-1 Other income

	Group	
	1QFY2020	1QFY2019
	\$'000	\$'000
Dividend income from financial assets	74	34
Fair value changes of financial assets	-	72
Gain on liquidation of a subsidiary	-	13
Gain on disposal of plant and equipment	1	-
Exchange gain, net	428	47
Sundry income	29	6
	<u>532</u>	<u>172</u>

1(a)-2 Distribution and administrative expenses comprised mainly staff and staff related expenses, depreciation and amortisation, directors' fees, legal and professional fees and other office expenses.

1(a)-3 Finance income

	Group	
	1QFY2020	1QFY2019
	\$'000	\$'000
Interest income from:		
- financial institutions	289	220
- joint venture	30	-
	<u>319</u>	<u>220</u>

1(a)-4 Finance expense

	Group	
	1QFY2020	1QFY2019
	\$'000	\$'000
Interest expense on lease liabilities	<u>(12)</u>	<u>-</u>

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of Financial Position

	Note	Group		Company	
		30.09.2019 \$'000	30.06.2019 \$'000	30.09.2019 \$'000	30.06.2019 \$'000
Non-current assets					
Plant and equipment		1,193	1,276	15	15
Right-of-use assets	1(b)-1	1,102	-	-	-
Intangible asset and goodwill	1(b)-2	15,475	15,479	-	-
Subsidiaries		-	-	27,776	27,776
Joint ventures	1(b)-3	6,616	7,116	-	-
Financial assets	1(b)-4	5,084	5,316	5,084	5,316
Amounts due from related parties	1(b)-5	2,400	2,150	13,050	12,500
Deferred tax assets		61	67	-	-
		<u>31,931</u>	<u>31,404</u>	<u>45,925</u>	<u>45,607</u>
Current assets					
Inventories		2,736	3,902	-	-
Trade and other receivables	1(b)-6	21,159	18,735	9,864	9,544
Amounts due from related parties	1(b)-7	1,520	759	245	126
Cash and cash equivalents		75,490	75,465	55,330	56,229
		<u>100,905</u>	<u>98,861</u>	<u>65,439</u>	<u>65,899</u>
Total assets		<u>132,836</u>	<u>130,265</u>	<u>111,364</u>	<u>111,506</u>
Equity attributable to Owners of the Company					
Share capital		89,566	89,566	89,566	89,566
Reserves		(9,287)	(9,071)	2,596	2,828
Retained earnings		36,052	35,940	16,348	16,500
		<u>116,331</u>	<u>116,435</u>	<u>108,510</u>	<u>108,894</u>
Non-controlling interests		406	398	-	-
Total equity		<u>116,737</u>	<u>116,833</u>	<u>108,510</u>	<u>108,894</u>
Non-current liabilities					
Provisions		20	20	-	-
Lease liabilities	1(b)-1	746	-	-	-
Deferred tax liabilities		2	2	-	-
		<u>768</u>	<u>22</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade and other payables		13,760	12,401	1,647	1,230
Provisions		227	267	-	-
Amounts due to related parties		86	98	1,207	1,382
Lease liabilities	1(b)-1	429	-	-	-
Current tax payable		829	644	-	-
		<u>15,331</u>	<u>13,410</u>	<u>2,854</u>	<u>2,612</u>
Total liabilities		<u>16,099</u>	<u>13,432</u>	<u>2,854</u>	<u>2,612</u>
Total equity and liabilities		<u>132,836</u>	<u>130,265</u>	<u>111,364</u>	<u>111,506</u>

Notes to the Statements of Financial Position

- 1(b)-1 The Group adopted Singapore Financial Reporting Standards (International) (“SFRS(I)”) 16 *Leases* on 1 July 2019 and recognised right-of-use (“ROU”) assets and lease liabilities for those leases that were previously classified as operating leases, except for short-term leases and leases of low value assets. Please refer to paragraph 5 on page 9 for further details on the adoption of SFRS(I) 16.
- 1(b)-2 Balance comprised mainly goodwill of the Distribution and Services Solutions (“DSS”) segment.
- 1(b)-3 Balance comprised the Group’s investments in (i) Kalms Investment Pte Ltd and its subsidiaries (“Kalms”); and (ii) Adell Solutions Pte Ltd.
- 1(b)-4 Financial assets comprised the Group’s investments in quoted securities.
- 1(b)-5 The increase was mainly due to an interest-bearing loan of \$0.25 million extended to Kalms.
- 1(b)-6 Balance included the remaining 10% of the initial consideration of US\$6.9 million in relation to the sale of SV Probe Pte Ltd and certain of its subsidiaries held in an escrow account. The amount was released to the Company on 31 October 2019.
- 1(b)-7 The increase was mainly due to (i) an interest-bearing loan of \$0.3 million extended to Kalms; and (ii) an advance of approximately \$0.5 million to Adell Solutions Pte Ltd.

1(b)(ii) Aggregate amount of the Group’s borrowings and debts securities.

The Group had no borrowings or debts securities as at 30 September 2019 and 30 September 2018.

- 1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	1QFY2020 \$'000	1QFY2019 \$'000
Cash Flows from Operating Activities		
Profit for the period	165	98
Adjustments for:		
Amortisation of intangible assets	4	1
Depreciation of plant and equipment	99	59
Depreciation of right-of-use assets	124	-
Dividend income from financial assets	(74)	(34)
Fair value changes of financial assets	-	(72)
Gain on disposal of plant and equipment	(1)	-
Gain on liquidation of a subsidiary	-	(13)
Interest income	(319)	(220)
Interest expense	12	-
Share of results of joint ventures (net of tax)	501	434
Tax expense	247	223
Operating cash flows before working capital changes	<u>758</u>	<u>476</u>
Changes in:		
Amounts due from/to related parties	(25)	-
Inventories	1,166	(1,996)
Trade and other receivables	(2,405)	63
Trade and other payables	1,334	539
Cash generated from/(used in) operations	<u>828</u>	<u>(918)</u>
Interest received	323	220
Tax paid	(67)	(19)
Net cash from/(used in) operating activities	<u>1,084</u>	<u>(717)</u>
Cash Flows from Investing Activities		
Dividends received from financial assets	74	34
Loans to a joint venture	(550)	-
Advance to a joint venture	(458)	-
Purchase of intangible assets	-	(3)
Purchase of plant and equipment	(15)	(7)
Purchase of financial assets	-	(685)
Proceeds from disposal of plant and equipment	2	-
Net cash used in investing activities	<u>(947)</u>	<u>(661)</u>
Cash Flows from Financing Activity		
Payment of lease liabilities	(134)	-
Net cash used in financing activity	<u>(134)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	3	(1,378)
Cash and cash equivalents at beginning of period	75,465	73,244
Effect of exchange rate fluctuations on cash held	22	(149)
Cash and cash equivalents at end of period	<u>75,490</u>	<u>71,717</u>

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Changes in Equity
For the first quarter ended 30 September 2019

Group	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Translation reserve \$'000	Retained earnings \$'000	Total attributable to Owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance as at 1 July 2019	89,566	(11,648)	538	2,290	(251)	35,940	116,435	398	116,833
Effects of adopting SFRS(I) 16	-	-	-	-	-	(54)	(54)	-	(54)
Balance at 1 July 2019, restated	89,566	(11,648)	538	2,290	(251)	35,886	116,381	398	116,779
Total comprehensive income for the period									
Profit/(loss) for the period	-	-	-	-	-	166	166	(1)	165
Other comprehensive income									
Exchange differences arising from:									
- translation of financial statements of foreign operations	-	-	-	-	16	-	16	9	25
Net change in fair value of financial assets at fair value through other comprehensive income	-	-	(232)	-	-	-	(232)	-	(232)
Total other comprehensive income, net of tax	-	-	(232)	-	16	-	(216)	9	(207)
Total comprehensive income for the period	-	-	(232)	-	16	166	(50)	8	(42)
Balance as at 30 September 2019	89,566	(11,648)	306	2,290	(235)	36,052	116,331	406	116,737

Consolidated Statement of Changes in Equity (Cont'd)
For the first quarter ended 30 September 2018

Group	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Translation reserve \$'000	Retained earnings \$'000	Total attributable to Owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance as at 1 July 2018	89,566	(11,648)	5,245	2,290	(1,196)	40,461	124,718	404	125,122
Effects of adopting SFRS(I) 1									
Adjustment to foreign currency translation reserve	-	-	-	-	1,399	(1,399)	-	-	-
Balance as at 1 July 2018, restated	89,566	(11,648)	5,245	2,290	203	39,062	124,718	404	125,122
Total comprehensive income for the period									
Profit/(loss) for the period	-	-	-	-	-	99	99	(1)	98
Other comprehensive income									
Exchange differences arising from:									
- liquidation of a subsidiary	-	-	-	-	(13)	-	(13)	-	(13)
- translation of financial statements of foreign operations	-	-	-	-	(204)	-	(204)	-	(204)
Net change in fair value of financial assets at fair value through other comprehensive income	-	-	(219)	-	-	-	(219)	-	(219)
Total other comprehensive income, net of tax	-	-	(219)	-	(217)	-	(436)	-	(436)
Total comprehensive income for the period	-	-	(219)	-	(217)	99	(337)	(1)	(338)
Balance as at 30 September 2018	89,566	(11,648)	5,026	2,290	(14)	39,161	124,381	403	124,784

**Statement of Changes in Equity
For the first quarter ended 30 September 2019**

Company	Share capital \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2019	89,566	538	2,290	16,500	108,894
Total comprehensive income for the period					
Loss for the period	-	-	-	(152)	(152)
Other comprehensive income					
Net change in fair value of financial assets at fair value through other comprehensive income	-	(232)	-	-	(232)
Total other comprehensive income, net of tax	-	(232)	-	-	(232)
Total comprehensive income for the period	-	(232)	-	(152)	(384)
Balance as at 30 September 2019	89,566	306	2,290	16,348	108,510

**Statement of Changes in Equity
For the first quarter ended 30 September 2018**

Company	Share capital \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 July 2018	89,566	5,245	2,290	19,674	116,775
Total comprehensive income for the period					
Loss for the period	-	-	-	(364)	(364)
Other comprehensive income					
Net change in fair value of financial assets at fair value through other comprehensive income	-	(219)	-	-	(219)
Total other comprehensive income, net of tax	-	(219)	-	-	(219)
Total comprehensive income for the period	-	(219)	-	(364)	(583)
Balance as at 30 September 2018	89,566	5,026	2,290	19,310	116,192

- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the Company's share capital since the end of the previous period reported on up to the end of the current financial period.

There were no outstanding convertibles, shares held as treasury shares or subsidiary holdings as at 30 September 2019 and 30 September 2018.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	30.09.2019	30.06.2019
Total number of ordinary shares excluding treasury shares	167,128,185	167,128,185

- 1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures in this announcement have not been audited or reviewed by the Company's auditor.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of its financial statements for the current financial period as those of the audited financial statements for the year ended 30 June 2019.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group adopted SFRS(I) 16 *Leases* on 1 July 2019, using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption of the standard recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019, with no restatement of comparative information.

The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, at the date of initial application.

Accordingly, the Group recognised ROU assets of \$1,226,000, lease liabilities of \$1,298,000, and a decrease in retained earnings of \$54,000 as at 1 July 2019.

6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	1QFY2020	1QFY2019
Earnings per share (basic and diluted) (cents)	0.10	0.06
Weighted average number of shares	167,128,185	167,128,185

Diluted earnings per share was the same as basic earnings per share as there were no potentially dilutive ordinary shares for both the current financial period and the corresponding period of the immediately preceding financial year.

7. **Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30.09.2019	30.06.2019	30.09.2019	30.06.2019
Net asset value per ordinary share (cents)	69.61	69.67	64.93	65.16
Number of shares in issue at end of the financial period	167,128,185	167,128,185	167,128,185	167,128,185

Net asset is defined as total equity less non-controlling interests.

8. **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:**

- (a) 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; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Performance review

The Group recorded revenue of \$14.3 million in 1QFY2020, 25% higher than \$11.4 million in 1QFY2019. The increase in revenue was mainly driven by better equipment sales, which was partially offset by lower commission income and service income. Gross profit increased by 3% from \$3.2 million in 1QFY2019 to \$3.3 million in 1QFY2020, however, gross profit margin had declined from 28% in 1QFY2019 to 23% in 1QFY2020 due to change in revenue mix.

Increase in other income in 1QFY2020 was mainly due to higher net foreign exchange gain.

The increase in Group distribution and administrative expenses from \$2.9 million in 1QFY2019 to \$3.3 million in 1QFY2020 was attributable mainly to higher staff and staff-related expenses and higher legal and professional fees.

Higher finance income in 1QFY2020 was mainly due to higher placement of fixed deposits and higher interest rates.

Finance expense in 1QFY2020 pertained to deemed interest expense on lease liabilities recognised upon the adoption of SFRS(I) 16.

The Group's share of loss of joint ventures was substantially in respect of its investment in Kalms.

The Group's profit after tax of \$0.2 million in 1QFY2020 was 68% higher than \$0.1 million reported for 1QFY2019.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The actual results for Kalms was in line with the commentary provided in paragraph 10 of the Company's full year results announcement for FY2019 released on 26 August 2019.

10. 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.

IHS Markit predicted that global semiconductor market would rebound with a 5.9% growth in 2020, following a 12.8% plunge forecast for 2019, with revenues rising from US\$422.8 billion to US\$448.0 billion. The main factor propelling this recovery will be 5G technology, not just because of the renewed growth to the wireless industry, but also the impact the technology will have on global businesses and economies.

Based on a study published by Polaris Market in October 2019, the global electronic contract manufacturing services market is anticipated to reach US\$554.2 billion by 2026 as a result of rising competition in the electronics industry, increasing cost reduction pressure on OEMs, complexity of electronic products, and decreased product lifecycles globally.

The US-China trade war and recent US-Europe trade disputes had added volatility and uncertainty to the global economy. As such, the Group's DSS business may be affected in the near term. The Group will continue to monitor and review its strategies so as to adapt to these challenges in the global economy.

Kalms is in the midst of reviewing its business strategies including repositioning itself with new concepts to be launched regionally. This joint venture is expected to remain unprofitable in the near to mid-term. The Group is closely monitoring and assessing the status of Kalms.

The Group will continue to look for appropriate opportunities to expand its distribution platform and remain prudent in conducting its businesses.

11. Dividend.

(a) Current Financial Period Reported On.

No dividend has been declared for the current financial period report on.

(b) Corresponding Period of the Immediately Preceding Financial Year.

No dividend was declared for the corresponding period of the immediately preceding financial year.

(c) Date payable.

Not applicable.

(d) Book closure date.

No applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for 1QFY2020.

The Company had recommended a final tax-exempt (one-tier) dividend of 1 cent per ordinary share and a final special tax-exempt (one-tier) dividend of 1 cent per ordinary share for FY2019 which were approved by shareholders at the Annual General Meeting held on 25 October 2019.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

14. Confirmation by Board pursuant to Rule 705(5) of the Listing Manual.

The Directors of the Company hereby confirm to the best of their knowledge that nothing has come to the attention of the Board of Directors which may render the interim financial statements for the first quarter ended 30 September 2019 to be false or misleading in any material respect.

On behalf of the Board of Directors

Chng Hee Kok
Chairman

Kelvin Lum Wen-Sum
Chief Executive Officer

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual.

By order of the Board
KELVIN LUM WEN-SUM
Chief Executive Officer
7 November 2019