Ellipsiz Ltd and its Subsidiaries
Registration Number: 199408329R

Financial Information and

Dividend Announcement for

the full year ended

30 June 2016

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.

Results of Operations

Revenue and gross profits

The Group had revenue of $118.7 million for the financial year ended 30 June 2016 (FY2016), a 6% increase when compared with the performance in the previous financial year (FY2015). Revenue in FY2016 Q4 increased by 10% from $27.4 million in FY2015 Q4 to $30.2 million. Strong revenue from Probe Card Solutions (PCS) in Q4 was the main reason for the overall better performance.

FY2016 revenue from PCS was an improvement of 15% while Distribution and Services solutions (DSS) had a decrease of 8% over FY2015. Slowdown in equipment and tools sales due to more controlled capital spending by customers led to the decline in revenue of DSS.

Gross profit for FY2016 was $41.9 million, an improvement of 4%, resulting from higher revenue achieved in the financial year. Gross profit margin dropped marginally by 0.4%.

Our PCS activities in Taiwan and USA had stronger FY2016 revenue while Europe saw a decline of 21%. Singapore and Malaysia had lower revenue due to the slowdowns in DSS activities.

Other income

Other income increased from $1.4 million in FY2015 to $2.9 million in FY2016. During the financial year, the Group recovered certain debts totalling $1.4 million, which were previously written off as the debtor was in bankruptcy proceedings and there was high level of uncertainty in the recovery of the debts. The bankruptcy proceedings was completed in October 2015 and the Group recovered part of the previously written off debts as final payment to creditors. Additionally, the Group had in the financial year, received dividend distribution of $673,000 from one of its quoted financial investment, when the investee delisted its shares and proceeded with liquidation process.

Other than the above mentioned one-time income, the Group recorded gain on disposal of asset classified as held for sale of $0.4 million but the exchange gain of $0.6 million in FY2015 did not recur in FY2016. Details of the other income are disclosed in note 10 to the financial information.

Operating expenses

Total operating expenses increased by 5% from $33.1 million to $34.8 million. Included in other expenses in FY2015 was loss of $343,000 on disposal of investment of an associate while in FY2016, there was an impairment loss of $401,000 on investment in other financial asset and loss of $143,000 from disposal of one of its joint ventures. Excluding these one-time expenses in both financial years, operating expenses was an increase of $1.5 million from $32.8 million to $34.3 million.

Distribution cost increased due to recording of higher commission in FY2016 resulting from higher revenue while the increase in administrative cost was mainly a result of the incurrence of relocation costs by our Japan operations for moving of offices and the recording of higher professional fees by the Group during the year.

Net finance (expenses)/income

The incurrence of lower finance expenses, and receipt of higher finance income, led to the decrease of net finance expenses from $167,000 to $64,000 in FY2016.

Share of results of associates and joint ventures

The Group recorded profits of $981,000 and $54,000 from share of results from its associates and joint ventures, respectively, for FY2016.

Income taxes

In FY2016, the Group recorded tax expense of $1.4 million, mainly for the tax expense in the current financial year and an adjustment for the net movement in deferred taxes. Included in current tax expenses was one-time tax expenses of $0.2 million incurred in relation to the recovery of bad debts that were explained earlier.

Net profit attributable to Owners of the Company

The Group had net profits after taxes and non-controlling interests of $9.6 million for the financial year as compared to FY2015's profits of $6.7 million. In FY2016, the Group recorded one-time income from recovery of bad debts of $1.2 million (net of tax), dividend income of $0.7 million from a quoted financial investment, whereby the investee delisted its shares and currently in the process of voluntary liquidation, impairment loss of $0.4 million on investment of other financial assets, and loss on disposal of a joint venture of $0.1 million. In FY2015, the Group had a one-time loss on disposal of investment in an associate of $0.3 million and recorded additional tax of $0.4 million assessed by authority on some insurance compensation received for a fire incident that took place in FY2009.

Excluding the one-time income and expenses, the Group had profits of $ 8.2 million from its operating activities in FY2016, an improvement of 11% over FY2015's operating profits of $7.4 million.

Net profits after taxes and non-controlling interests in FY2016 Q4 was $3.8 million, an increase of 94% over FY2015 Q4's profits of $2.0 million. Excluding loss on disposal of joint venture of $0.1 million, operating results after tax and non-controlling interests was $3.9 million, 65% higher than Q4 of last financial year.

Financial Conditions

Non-current assets

The non-current assets decreased by 1% from $70.9 million as at 30 June 2015 to $70.1 million as at 30 June 2016. The disposal of a joint venture and the decrease in carrying amount of financial assets, as a result of the adverse movement in the market price of a quoted investment and decrease in the fair value of a quoted investment arising from the payment of the first interim liquidating dividend; partially offset by the higher investment in associate resulting from the recording of share of results, were the main causes for the net 1% movement in non-current assets.

Current assets

Total current assets as at 30 June 2016 was $86.3 million, an increase of 4% as compared to the $83.0 million as at 30 June 2015. There was a 22% increase in receivables but this was partially offset by 19% decrease in inventories and the completion of the disposal of asset classified as held for sale during the financial year.

Current liabilities and non-current liabilities

Total liabilities as at 30 June 2016 stood at $28.3 million, a decrease of 12% from $32.1 million as at 30 June 2015. The decrease was mainly due to the repayment of interest-bearing borrowings and lower current tax payable as at 30 June 2016.

Non-controlling interests

There was no material movement in non-controlling interests.

Liquidity and Capital Reserves

The net cash outflow of the Group for financial year ended 30 June 2016 was $0.4 million. This can be accounted by:

(a) cash inflow of $8.4 million for operating activities;
(b) cash outflow of $0.5 million for investing activities; and
(c) cash outflow of $8.3 million for financing activities.

The positive results in the financial year, partially offset by net negative cash movement in working capital, led to the cash inflow from operating activities of $8.4 million in FY2016.

Purchase of plant and equipment and intangible assets, partially offset by the proceed from disposal of asset classified as held for sale as at 30 June 2015 and the cash dividend received from other financial assets led to the net cash outflow of $0.5 million for investing activities.

Net repayment of interest-bearing borrowings and payments of dividend were the main causes for the cash outflow of $8.3 million for financing activities.

As at 30 June 2016, the Group's cash and cash equivalents position (including fixed deposits held as securities) was $40.0 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.

The Group is cautious over its business and financial prospects across key markets that it operates in for the rest of 2016. Macroeconomic headwinds, soft demand, supply glut in the global memory chip market and controlled capital spending by our customers continued to create uncertainties to our business activities. In view of the volatile conditions, the Group would continue to adopt a prudent approach to ensure sustainability to our business model.