



ELLIPSIZ LTD

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

INVESTMENT IN AXIS-TEC PTE LTD

1. INTRODUCTION

The board of directors (the “**Board**”) of Ellipsiz Ltd (the “**Company**”, together with its subsidiaries, referred to as the “**Group**”) wishes to announce that the Company has today entered into and completed an investment agreement (the “**Investment Agreement**”) with (a) Vincent Ong Sin Liang (“**Mr Ong**”), Loo Geak Kin and Chung Chiew Kit (collectively, the “**Vendors**”); and (b) Axis-Tec Pte Ltd (“**ATPL**”), to invest in 51% of the enlarged share capital of ATPL, by way of (i) acquisition of an aggregate of 60,000 ordinary shares in the share capital of ATPL (“**ATPL Shares**”), from the Vendors (the “**Sale Shares**”) and (ii) subscription of 33,674 newly issued ATPL Shares (the “**Subscription Shares**”) (collectively, the “**Investment**”). The remaining 49% equity interest of ATPL continues to be held by Mr Ong and an existing shareholder of ATPL, Low Chee Wee (“**Mr Low**”).

Following the completion of the Investment today, ATPL will be a subsidiary of the Company.

2. INFORMATION ON ATPL

ATPL is an exempt private company limited by shares incorporated in Singapore on 4 February 2004. ATPL is in the business of designing and manufacturing of precision engineering solutions for automation in the electronics industry. Following the completion of the Investment today, ATPL has an issued and paid up share capital of S\$1,447,122 comprising 183,674 ATPL Shares. ATPL does not have any subsidiaries or associated companies.

Based on the financial statements of ATPL for the financial year ended 31 March 2019, the book value and the net tangible asset value of ATPL was approximately S\$1.8 million. The open market value of ATPL is not available as the ATPL Shares are not publicly traded. No independent valuation was conducted in relation to ATPL.

Following the completion of the Investment, Mr Ong and Mr Low will remain as directors of ATPL and the Company shall appoint 3 directors to the board of ATPL. The chairman of the board of ATPL shall be appointed by the Company.

3. CONSIDERATION

The aggregate consideration for the Investment is approximately S\$3.6 million (the “**Consideration**”) and was fully satisfied by internal resources of the Company.

The Consideration was arrived at on a willing-buyer, willing-seller basis after taking into consideration (i) the net asset values of ATPL as at 31 March 2018 and 31 March 2019; (ii) the earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) of ATPL for the financial years ended 31 March 2018 and 31 March 2019; (iii) the strategic fit between the Company and ATPL; and (iv) the growth potential of ATPL.

4. SHAREHOLDERS’ AGREEMENT

The Company, Mr Ong, Mr Low and ATPL entered into a shareholders’ agreement (“**Shareholders’ Agreement**”) contemporaneously with the Investment Agreement today to regulate the rights and obligations of the shareholders of ATPL as well as the conduct of the business and affairs of ATPL.

Pursuant to the Shareholders’ Agreement, the Company provided an undertaking in favour of each of Mr Ong and Mr Low that in the event ATPL achieves the Targeted Earnings on the fifth year anniversary of the date of the Shareholders’ Agreement (the “**Relevant Date**”), the Company shall purchase from Mr Ong and/or Mr Low and Mr Ong and/or Mr Low shall sell such number of ATPL Shares (the “**Undertaking Shares**”) which will result in the Company’s equity interest in ATPL being 75%, where:

- (a) “**Targeted Earnings**” means annual revenue of at least S\$38.0 million and annual normalised EBITDA (“**Normalised EBITDA**”) of at least S\$6.0 million;
- (b) the Targeted Earnings shall be computed based on the average revenues reflected in and average Normalised EBITDA derived from the latest 2 years audited accounts of ATPL immediately preceding the Relevant Date; and
- (c) “Normalised EBITDA” refers to EBITDA excluding any one-off non-recurring income and/or expenses.

The consideration for the purchase of the Undertaking Shares shall be satisfied in cash and calculated based on (i) the value of 7 times of the Normalised EBITDA derived from the latest 2 years audited accounts of ATPL immediately preceding the Relevant Date; or (ii) such other valuation as agreed between the Company and Mr Ong.

5. RATIONALE FOR THE INVESTMENT

The Investment is in line with the Group’s strategy to strengthen and expand its foothold in the semiconductor and electronics industry through continuous development and offerings of innovative solutions to the market. This strategic Investment will enable the Group to broaden its existing distribution supply chain with the complementary capabilities from ATPL.

The Group will also be able to design and develop its own product portfolio to become an original equipment manufacturing solutions provider.

The Board believes that the Investment will provide the Group with an operational and income generating business with growth potential that would in turn enhance the returns for shareholders of the Company.

6. FINANCIAL EFFECTS

Pro forma Financial Effects

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Investment on the Group set out below are purely for illustrative purposes only and are neither indicative of the actual financial effects of the Investment on the Group net tangible assets (“**NTA**”) per ordinary share in the issued share capital of the Company (“**Share**”) and the Group 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 Investment.

The following *pro forma* financial effects of the Investment have been prepared based on the audited financial statements of the Group for the financial year ended 30 June 2019 (“**FY2019**”), being the most recently completed financial year, with the following assumptions:

- (a) for the purpose of computing the financial effects of the Investment on the Group NTA per Share, the Investment is assumed to have been completed on 30 June 2019;
- (b) for the purpose of computing the financial effects of the Investment on the Group EPS, the Investment is assumed to have been completed on 1 July 2018; and
- (c) the expenses in relation to the Investment are disregarded for the purposes of computing the financial effects.

NTA per Share

	Before the Investment	After the Investment
NTA (S\$'000)	100,956	98,926
Number of Shares ('000)	167,128	167,128
NTA per Share (cents)	60.41	59.19

EPS

	Before the Investment	After the Investment
Net loss attributable to shareholders (S\$'000)	(515)	(168)
Weighted average number of Shares ('000)	167,128	167,128
EPS (cents)	(0.31)	(0.10)

7. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures for the Investment computed on the applicable bases set out in Rule 1006 of the Listing Manual are set out below.

Listing Rule	Bases	Relative Figures (%)
Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable
Rule 1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	288.6% ⁽¹⁾
Rule 1006(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares.	5.2% ⁽²⁾
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽³⁾
Rule 1006(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) Based on ATPL's net profit of approximately S\$1.0 million for the financial year ended 31 March 2019 and the Group's net profit of approximately S\$0.3 million for FY2019.
- (2) Based on the Consideration of approximately S\$3.6 million and the Company's market capitalisation of approximately S\$69.4 million. The Company's market capitalisation is determined by multiplying 167,128,185 Shares by the volume weighted average price of the Shares on 15 October 2019 (being the market day immediately preceding the date of the Investment Agreement) of S\$0.4151 per Share.
- (3) No equity securities is issued by the Company as consideration for the Investment.
- (4) The Company is not a mineral, oil and gas company.

Pursuant to Chapter 10 of the Listing Manual, where any of the relative figures computed on the bases set out in Rule 1006 exceeds 20%, the transaction is classified as a major transaction which must be made conditional upon approval by shareholders. However, in the case of an acquisition of profitable assets where the only relative figure exceeding 20% is that computed based on Rule 1006(b), the net profits test, no shareholders' approval will be required. Accordingly, as none of the other relative figures for the Investment computed on the applicable bases set out in Rule 1006 exceeds 20%, the Investment constitutes a "disclosable transaction" under Chapter 10 of the Listing Manual and is not subject to approval of the shareholders of the Company.

8. SERVICE CONTRACTS

No person will be appointed as a director of the Company in connection with the Investment and accordingly, no service contract in relation thereto will be entered into between the Company and any such person.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or the controlling shareholder of the Company has any interest, direct or indirect, in the Investment, save for their respective shareholdings (if any) in the Company.

10. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Investment Agreement is available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the Company's registered office¹ at 54 Serangoon North Avenue 4, #05-02, Singapore 555854 for a period of 3 months from the date of this announcement.

By order of the Board
KELVIN LUM WEN-SUM
Chief Executive Officer
16 October 2019

¹ Prior appointment with the Company will be appreciated.