Ellipsiz Ltd and its Subsidiaries
Registration Number: 199408329R

Financial Information and Dividend Announcement for

full year ended

30 June 2015

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 recorded full year's revenue of $112.5 million, a drop of 22% compared to last financial year. The 44% drop in revenue of the Distribution & Services (DSS) was the main reason for the lower revenue at group level. The Group divested two of its DSS activities, namely facilities and communication activities, towards the end of last financial year and the loss in revenue from the divestments accounted for the major part of the decrease in revenue of DSS.

The negative impact of the decrease in DSS revenue was partially offset by a 6% improvement in revenue of Probe Card Solution (PCS) to $66.7 million for the year ended 30 June 2015 (FY2015). The improved revenue from PCS had also led to higher revenue in China and Japan in FY2015. The decline in revenue of DSS, on the other hand, had adversely impacted the net revenue in Singapore and Taiwan, with negative variances of 47% and 51% respectively.

Despite the decrease in revenue, gross profit in FY2015 increased by 3% from $38.8 million to $40.1 million. The change in revenue mix brought a 9% improvement in gross profit margin for FY2015. Generally PCS has a higher gross profit margin than that generated by DSS. Therefore the replacement of revenue lost in DSS with improved PCS revenue led to the better margin.

Other income

Other income decreased significantly from $14.6 million in last financial year to $1.4 million in FY2015. Included in other income of last financial year were the negative goodwill from its acquisition of businesses of $13.2 million and dividend income from its financial investment of $0.4 million. The negative variance from the non-recurrence of these one-time items was negated by the recording of higher exchange gain in FY2015. Details of other income is disclosed in note 12 to the financial information.

Operating expenses

Total operating expenses decreased by 17% from $39.8 million to $33.1 million in FY2015. Included in other expenses of FY2014 were acquisition-related cost of $1.1 million, post-acquisition integration and restructuring costs of $4.6 million relating to the acquisition of businesses, loss on disposal of investments in subsidiaries of $0.1 million and certain retrenchment costs of $0.3 million to streamline its operational structure. The one-time costs in FY2015 were lower and consist only those relating to loss on disposal of investment in an associate of $0.3 million. Excluding the one-time costs, operating expenses decreased by 3% from $33.7 million to $32.8 million in FY2015. The decrease was mainly led by the decrease in distribution expenses, partially offset by the increase in administrative and research and development expenses during the year.

Net finance expenses

Due to the lower finance income in FY2015, partially offset by decrease in finance expenses, the net finance expenses increased from $116,000 in FY2014 to $167,000 in FY2015.

Share of results of associates and joint ventures

The Group recorded profits of $1.1 million from share of results from associates and had share of losses of $112,000 from its joint ventures for FY2015.

Income taxes

In FY2015, the Group recorded tax expense of $2.6 million, mainly for the tax expense in the current financial year and adjustment for the net movement in deferred taxes. During the year, the Group had also made an adjustment for the under-provision of tax of $417,000 for one of its business activities lost in a fire in FY2009. The under-provision arose from the additional assessment imposed by the local tax authority on certain insurance compensation received. The Group is in the process of appealing against this additional assessment.

Net profit attributable to Owners of the Company

In FY2015, the Group had net profits after taxes and non-controlling interests of $6.7 million, a 51% drop as compared to net profits of $13.5 million in FY2014. In the last financial year, the Group included one-time negative goodwill income of $13.2 million as well as post-acquisition integration and restructuring costs of $4.6 million, acquisition-related cost of $1.1 million, loss on disposal of investments in subsidiaries of $0.1 million and certain retrenchment cost of $0.3 million to streamline its operational structure. In FY2015, the Group had a one-time loss of $0.3 million arising from disposal of an associate and additional tax of $0.4 million assessed by tax authority on certain insurance compensation received for a fire incident that took place in FY2009.

Excluding the one-time income and expenses in both FY2014 and FY2015, the Group had net profits of $7.4 million from its operating activities in FY2015, an increase of 15% over FY2014's profits $6.4 million.

Financial Conditions

Non-current assets

The non-current assets decreased by 6% from $75.2 million in last financial year to $70.9 million as at 30 June 2015.

Property, plant and equipment decreased by 11% mainly due to the reclassification of a piece of land and a building to current assets held for sales. One of the wholly-owned subsidiaries in Japan had in June 2015, entered into an agreement to dispose its freehold land and building for cash. The completion of the transaction is expected to take place in October 2015. Hence the relevant assets were re-classified as current assets as at 30 June 2015.

The disposal of an associate during the year, the share of results, receipt of dividend and translation movement in associates led to a 21% drop in investments in associates. The share of losses from joint ventures on the other hand accounted for the 48% decrease in joint ventures.

The movement in the market price of a quoted investment was the main cause for the decrease in carrying amount of financial assets by 20%. The reclassification of the trade and other receivables to current assets as well as the 24% reduction in deferred tax assets had also contributed to the overall decrease in non-current assets.

Current assets

Total current asset as at 30 June 2015 was $83.0 million, an increase of 5% from $79.0 million as at 30 June 2014. The 26% increase in cash and cash equivalents resulting from positive cash flows from operating activities and recovery of its investment in an associate through dividend collected and sales proceeds, coupled with the reclassification of certain freehold land and building as current asset held for sales led to the overall increase in current assets. The impact of the increase was partially offset by the drop in inventories and the net collections of trade and other receivables as well as amounts due from related parties.

Current liabilities and non-current liabilities

Total liabilities as at 30 June 2015 stood at $32.1 million, a decrease of 13% from $37.0 million as at 30 June 2014. The lower trade and other payables, provisions, interest-bearing borrowings and deferred tax liabilities, partially offset by tax payable, led to the net decrease in total liabilities.

Non-controlling interests

The increase in the non-controlling interests was primarily due to share of profits as well as translation movements in FY2015.

Liquidity and Capital Reserves

During the financial year, the Group recorded net cash inflow of $9.0 million. This can be accounted by:

(a) cash inflow of $14.1 million for operating activities;
(b) cash outflow of $1.0 million for investing activities; and
(c) cash outflow of $4.1 million for financing activities.

The positive results in the year coupled with the net positive cash movement in working capital, led to the cash inflow from operating activities of $14.1 million in FY2015.

The capital expenditure of $3.7 million during FY2015, partially offset by the recovery of its investment of an associate through the collection of dividend and proceeds from disposal, collection of related party balances and proceed from disposal of property, plant and equipment, led to the net cash outflow of $1.0 million from its investing activities.

Dividend payment totalling $3.1 million during FY2015, coupled with the net repayment of interest-bearing borrowings were the main reasons for the cash outflow for the financing activities of the Group.

As at 30 June 2015, the Group's cash and cash equivalents position (including fixed deposits held as securities) was $40.3 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 remains cautious over our business and financial prospects for the rest of 2015 with a high inventory of semiconductor devices built up in the semiconductor industry during first half of the year amidst softness in electronic equipment purchases such as PCs, tablets and smartphones. In view of the macroeconomic uncertainties, the slowing demand in emerging markets and China as well as the cautious capital expenditure budget by our customers, we are expecting our business activities to be affected as a result. Nevertheless, the Group remains committed to leverage on our core strengths to sustain growth and shape the future with all of our stakeholders.