



**Ellipsiz Ltd and its Subsidiaries
Registration Number: 199408329R**

Full Year Financial Statements and
Dividend Announcement for the year ended

30 June 2009

Balance Sheets

	Note	Group			Company		
		2009 \$'000	2008 \$'000	Var. %	2009 \$'000	2008 \$'000	Var. %
Non-current assets							
Property, plant and equipment	3	13,660	30,672	(55)	8	15	(47)
Intangible assets	4	36,163	35,132	3	9	5	80
Subsidiaries	5	-	-	-	83,324	83,681	-
Associates	6	4,382	6,884	(36)	3,018	4,868	(38)
Joint ventures	7	209	12	1,642	-	-	-
Financial assets	8	-	5,929	(100)	-	5,929	(100)
Amounts due from related parties		-	-	-	1,652	-	100
Deferred tax assets		2,220	3,118	(29)	7	6	17
		<u>56,634</u>	<u>81,747</u>	(31)	<u>88,018</u>	<u>94,504</u>	(7)
Current assets							
Inventories		10,245	18,433	(44)	-	-	-
Project-in-progress		823	932	(12)	-	-	-
Convertible loan receivable	9	-	1,360	(100)	-	1,360	(100)
Trade and other receivables		26,796	38,119	(30)	42	127	(67)
Amounts due from related parties		160	634	(75)	11,374	5,306	114
Cash and cash equivalents	10	32,433	27,680	17	3,649	1,358	169
		<u>70,457</u>	<u>87,158</u>	(19)	<u>15,065</u>	<u>8,151</u>	85
Total assets		<u>127,091</u>	<u>168,905</u>	(25)	<u>103,083</u>	<u>102,655</u>	-
Equity attributable to equity holders of the Company							
Share capital	11	129,578	121,112	7	129,578	121,112	7
Reserves	12	(52,706)	(17,456)	(202)	(42,514)	(31,688)	(34)
		<u>76,872</u>	<u>103,656</u>	(26)	<u>87,064</u>	<u>89,424</u>	(3)
Minority interests							
		<u>2,614</u>	<u>3,589</u>	(27)	<u>-</u>	<u>-</u>	-
Total equity		<u>79,486</u>	<u>107,245</u>	(26)	<u>87,064</u>	<u>89,424</u>	(3)
Non-current liabilities							
Interest-bearing borrowings	13	5,604	2,413	132	3,442	-	100
Redeemable convertible preference shares		-	78	(100)	-	-	-
Other payables		-	15	(100)	-	-	-
Amounts due to related parties		-	-	-	-	3,581	(100)
Deferred tax liabilities		1,000	2,185	(54)	-	-	-
		<u>6,604</u>	<u>4,691</u>	41	<u>3,442</u>	<u>3,581</u>	(4)
Current liabilities							
Trade and other payables		27,380	33,744	(19)	2,035	2,180	(7)
Provisions		2,131	7,405	(71)	-	-	-
Amounts due to related parties		82	161	(49)	5,270	1,732	204
Interest-bearing borrowings	13	9,470	13,706	(31)	4,911	5,600	(12)
Redeemable convertible preference shares		78	-	100	-	-	-
Current tax payable		1,860	1,953	(5)	361	138	162
		<u>41,001</u>	<u>56,969</u>	(28)	<u>12,577</u>	<u>9,650</u>	30
Total liabilities		<u>47,605</u>	<u>61,660</u>	(23)	<u>16,019</u>	<u>13,231</u>	21
Total equity and liabilities		<u>127,091</u>	<u>168,905</u>	(25)	<u>103,083</u>	<u>102,655</u>	-

The accompanying notes form an integral part of these financial statements.

Consolidated Income Statement

Group	Note	2009 \$'000	2008 \$'000	Var. %
Revenue		149,598	196,765	(24)
Cost of revenue		<u>(143,933)</u>	<u>(160,822)</u>	(11)
Gross profit		5,665	35,943	(84)
Other income	14	2,557	678	277
Distribution expenses		(14,505)	(15,994)	(9)
Administrative expenses		(21,186)	(22,917)	(8)
Research and development expenses		(3,066)	(5,200)	(41)
Other expenses		<u>(9,565)</u>	<u>(9,317)</u>	3
Results from operating activities	14	<u>(40,100)</u>	<u>(16,807)</u>	(139)
Finance income		<u>151</u>	<u>423</u>	(64)
Finance expenses		<u>(819)</u>	<u>(782)</u>	5
Net finance expenses	15	(668)	(359)	86
Share of results of associates (net of tax)		(687)	639	(208)
Share of results of joint ventures (net of tax)		<u>(61)</u>	<u>(16)</u>	(281)
Loss before income tax		(41,516)	(16,543)	(151)
Income tax credit	16	<u>1,045</u>	<u>3,160</u>	(67)
Loss for the year		<u>(40,471)</u>	<u>(13,383)</u>	(202)
Attributable to:				
Equity holders of the Company		(38,908)	(12,327)	(216)
Minority interests		<u>(1,563)</u>	<u>(1,056)</u>	48
		<u>(40,471)</u>	<u>(13,383)</u>	(202)
Earnings per share	17			
- Basic (cents)		(10.66)	(4.82)	(121)
- Diluted (cents)		<u>(10.66)</u>	<u>(4.82)</u>	(121)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Group	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Compensation reserve \$'000	Exchange translation reserve \$'000	Accumulated profits/(loss) \$'000	Total attributable to equity holders of the Company \$'000	Minority interests \$'000	Total equity \$'000
At 1 July 2007	121,112	(11,720)	-	464	(4,460)	17,515	122,911	1,759	124,670
Translation differences relating to financial statements of foreign operations	-	-	-	-	(5,990)	-	(5,990)	(78)	(6,068)
Exchange differences on monetary items forming part of net investments in foreign operations	-	-	-	-	(978)	-	(978)	-	(978)
Change in fair value of available-for-sale financial assets	-	-	40	-	-	-	40	-	40
Net gain/(losses) recognised directly in equity	-	-	40	-	(6,968)	-	(6,928)	(78)	(7,006)
Loss for the year	-	-	-	-	-	(12,327)	(12,327)	(1,056)	(13,383)
Total recognised income and expenses for the year	-	-	40	-	(6,968)	(12,327)	(19,255)	(1,134)	(20,389)
Arising from an associate becoming a subsidiary	-	-	-	-	-	-	-	107	107
Capital contribution by minority shareholders of subsidiaries	-	-	-	-	-	-	-	2,927	2,927
Net dilution gain arising from issue of shares in subsidiaries to minority shareholders	-	-	-	-	-	-	-	(70)	(70)
At 30 June 2008	121,112	(11,720)	40	464	(11,428)	5,188	103,656	3,589	107,245
At 1 July 2008	121,112	(11,720)	40	464	(11,428)	5,188	103,656	3,589	107,245
Translation differences relating to financial statements of foreign operations	-	-	-	-	4,718	-	4,718	(3)	4,715
Exchange differences on monetary items forming part of net investments in foreign operations	-	-	-	-	(1,020)	-	(1,020)	-	(1,020)
Change in fair value of available-for-sale financial assets	-	-	(40)	-	-	-	(40)	-	(40)
Net gain/(losses) recognised directly in equity	-	-	(40)	-	3,698	-	3,658	(3)	3,655
Loss for the year	-	-	-	-	-	(38,908)	(38,908)	(1,563)	(40,471)
Total recognised income and expenses for the year	-	-	(40)	-	3,698	(38,908)	(35,250)	(1,566)	(36,816)
Issuance of shares pursuant to the rights issue	8,794	-	-	-	-	-	8,794	-	8,794
Share issuance expenses	(329)	-	-	-	-	-	(329)	-	(329)
Issuance of shares pursuant to exercise of warrants	1	-	-	-	-	-	1	-	1
Arising from acquisition of remaining interest from minority shareholder of a subsidiary	-	-	-	-	-	-	-	(163)	(163)
Capital contribution by minority shareholders of subsidiaries	-	-	-	-	-	-	-	784	784
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	(30)	(30)
At 30 June 2009	129,578	(11,720)	-	464	(7,730)	(33,720)	76,872	2,614	79,486

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

Company	Share capital \$'000	Fair value reserve \$'000	Compensation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 July 2007	121,112	-	464	(36,722)	84,854
Change in fair value of available-for-sale financial assets	-	40	-	-	40
Net gain recognised directly in equity	-	40	-	-	40
Profit for the year	-	-	-	4,530	4,530
Total recognised income for the year	-	40	-	4,530	4,570
At 30 June 2008	121,112	40	464	(32,192)	89,424
At 1 July 2008	121,112	40	464	(32,192)	89,424
Change in fair value of available-for-sale financial assets	-	(40)	-	-	(40)
Net loss recognised directly in equity	-	(40)	-	-	(40)
Loss for the year	-	-	-	(10,786)	(10,786)
Total recognised expenses for the year	-	(40)	-	(10,786)	(10,826)
Issuance of shares pursuant to the rights issue	8,794	-	-	-	8,794
Share issuance expenses	(329)	-	-	-	(329)
Issuance of shares pursuant to exercise of warrants	1	-	-	-	1
At 30 June 2009	129,578	-	464	(42,978)	87,064

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

	Group	
	2009	2008
	\$'000	\$'000
Operating activities		
Loss for the year	(40,471)	(13,383)
Adjustments for:		
Allowance for:		
- inventory obsolescence	2,942	1,543
- doubtful debts from trade and other receivables	101	1,146
- doubtful convertible loan receivable	1,598	-
Amortisation of intangible assets	491	467
Bad debts written off	164	-
Depreciation of property, plant and equipment	8,349	9,832
Reversal of grant income/(Grant income)	122	(120)
Government grant - Jobs Credit Scheme	(447)	-
(Gain)/Loss on disposals of:		
- an associate	(13)	-
- other financial assets	(13)	-
- property, plant and equipment	54	2
Interest income	(151)	(423)
Interest expenses	819	782
Plant and equipment written off:		
- others	347	465
- arising from fire incident	7,495	-
Inventories written off:		
- others	777	558
- arising from fire incident	3,238	-
Impairment losses on property, plant and equipment:		
- others	3,313	551
- arising from fire incident	1,322	-
Impairment losses on:		
- intangible assets	136	-
- investment in associate	1,850	-
- other financial assets	5,899	-
Impairment of goodwill	384	-
Provision for restructuring cost	459	7,577
Provision for retrenchment cost	90	-
Provision for other liabilities arising from fire incident	847	-
Share of results of associates and joint ventures (net of tax)	748	(623)
Net dilution gain on issue of shares in subsidiaries to minority shareholders	-	(70)
Income tax credit	(1,045)	(3,160)
	(595)	5,144
Changes in working capital:		
Inventories	1,369	1,331
Project-in-progress	1,317	(323)
Trade and other receivables	10,751	(1,791)
Amounts due from related parties (trade)	486	749
Trade and other payables	(8,131)	2,716
Amounts due to related parties (trade)	(16)	(613)
Restructuring cost paid	(6,278)	-
Release/(Placement) of pledged deposits with financial institutions	2,391	(320)
Cash generated from operations	1,294	6,893
Interest received	151	423
Interest paid	(628)	(744)
Tax credit received	1,806	3,274
Income taxes paid	(445)	(1,790)
Cash flows from operating activities	2,178	8,056

The accompanying notes form an integral part of these financial statements.

	Note	Group	
		2009 \$'000	2008 \$'000
Investing activities			
Amounts due from related parties (non-trade)		(3)	101
Investments in associates		-	(2,320)
Investment in a joint venture		(261)	-
Acquisition of additional interest in subsidiary	5	(163)	-
Net cash outflow on acquisitions of subsidiaries and business		-	(43)
Partial settlement of deferred consideration and contingent consideration for acquisition of interests in subsidiaries in prior financial year		-	(568)
Proceeds from disposals of:			
- an associate		616	-
- other financial assets		18	-
- property, plant and equipment		277	1,051
Purchase of:			
- intangible assets		(818)	(505)
- other financial assets		(15)	(5,889)
- property, plant and equipment ⁽¹⁾		(2,903)	(7,113)
Cash flows used in investing activities		<u>(3,252)</u>	<u>(15,286)</u>
Financing activities			
Amounts due to related parties (non-trade)		(62)	(917)
Capital injection from minority shareholders of subsidiaries		784	955
Dividends paid to minority shareholder of a subsidiary		(30)	-
Grant received		162	4
Government grant - Jobs Credit Scheme received		447	-
Interest paid		(191)	(38)
Issuance of shares		8,466	-
Repayment of bank loans		(19,343)	(11,737)
Repayment of hire purchase and finance lease creditors		(631)	(789)
Proceeds from bank loans		18,317	20,807
Cash flows from financing activities		<u>7,919</u>	<u>8,285</u>
Net increase in cash and cash equivalents		6,845	1,055
Cash and cash equivalents at beginning of year		24,167	24,207
Effect of exchange rate fluctuations on cash held		154	(1,095)
Cash and cash equivalents at end of year	10	<u>31,166</u>	<u>24,167</u>

Significant non-cash transaction

⁽¹⁾ Property, plant and equipment amounting to \$243,000 (2008: \$125,000) were acquired through hire purchase arrangements and finance leases.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The announcement was authorised for issue by the directors on 12 August 2009.

1. Basis of Preparation

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting year as those used in the audited financial statements for the year ended 30 June 2008.

The financial statements were not audited or reviewed by the auditors.

2. Changes in the Accounting Policies, Methods of Computation and Accounting Standards

The Group has adopted new/revised FRS that have become effective for the financial year beginning 1 July 2008. The adoption of the new/revised FRS does not have any material impact on the financial statements for the year ended 30 June 2009.

3. Property, Plant and Equipment

Group	Leasehold land and building \$'000	Leasehold improve- ments \$'000	Furniture and fittings \$'000	Office equipment \$'000	Computers \$'000	Motor vehicles \$'000	Plant and machinery \$'000	Mechanical and electrical facilities \$'000	Assets under construct- ion \$'000	Total \$'000
Cost										
At 1 July 2007	2,970	7,489	736	1,117	5,528	431	56,318	394	679	75,662
Additions	89	556	100	407	596	75	4,334	9	1,072	7,238
Assets acquired in business combination	-	2	21	3	34	-	2,287	-	-	2,347
Disposals/Write off	-	(212)	(101)	(46)	(491)	(36)	(3,008)	-	(25)	(3,919)
Reclassification	1,548	18	-	-	-	-	85	-	(1,651)	-
Translation difference on consolidation	(149)	(330)	(44)	(58)	(355)	(18)	(3,097)	-	(33)	(4,084)
At 30 June 2008	4,458	7,523	712	1,423	5,312	452	56,919	403	42	77,244
Additions	-	176	36	75	391	20	2,223	-	225	3,146
Disposals/Writeoff	-	(3,505)	(161)	(455)	(175)	(28)	(24,593)	(19)	(45)	(28,981)
Translation difference on consolidation	138	175	23	16	162	15	1,652	-	2	2,183
At 30 June 2009	4,596	4,369	610	1,059	5,690	459	36,201	384	224	53,592
Accumulated depreciation and impairment losses										
At 1 July 2007	1,052	2,256	531	780	4,017	239	30,420	192	-	39,487
Depreciation charge for the year	108	1,060	77	186	781	75	7,515	30	-	9,832
Assets acquired in business combination	-	-	7	1	28	-	1,238	-	-	1,274
Impairment losses	-	162	24	297	-	-	68	-	-	551
Disposals/Write off	-	(148)	(79)	(42)	(339)	(29)	(1,764)	-	-	(2,401)
Translation difference on consolidation	(2)	(114)	(33)	(54)	(236)	(9)	(1,723)	-	-	(2,171)
At 30 June 2008	1,158	3,216	527	1,168	4,251	276	35,754	222	-	46,572

Group	Leasehold land and building \$'000	Leasehold improve- ments \$'000	Furniture and fittings \$'000	Office equipment \$'000	Computers \$'000	Motor vehicles \$'000	Plant and machinery \$'000	Mechanical and electrical facilities \$'000	Assets under construct- ion \$'000	Total \$'000
Accumulated depreciation and impairment losses										
At 30 June 2008	1,158	3,216	527	1,168	4,251	276	35,754	222	-	46,572
Depreciation charge for the year	116	941	75	204	659	62	6,258	34	-	8,349
Impairment losses	1,322	240	24	(117)	65	71	3,030	-	-	4,635
Disposals/Write off	-	(1,339)	(135)	(401)	(137)	(25)	(18,729)	(42)	-	(20,808)
Translation difference on consolidation	2	59	17	7	116	8	975	-	-	1,184
At 30 June 2009	<u>2,598</u>	<u>3,117</u>	<u>508</u>	<u>861</u>	<u>4,954</u>	<u>392</u>	<u>27,288</u>	<u>214</u>	<u>-</u>	<u>39,932</u>
Carrying amount										
At 1 July 2007	<u>1,918</u>	<u>5,233</u>	<u>205</u>	<u>337</u>	<u>1,511</u>	<u>192</u>	<u>25,898</u>	<u>202</u>	<u>679</u>	<u>36,175</u>
At 30 June 2008	<u>3,300</u>	<u>4,307</u>	<u>185</u>	<u>255</u>	<u>1,061</u>	<u>176</u>	<u>21,165</u>	<u>181</u>	<u>42</u>	<u>30,672</u>
At 30 June 2009	<u>1,998</u>	<u>1,252</u>	<u>102</u>	<u>198</u>	<u>736</u>	<u>67</u>	<u>8,913</u>	<u>170</u>	<u>224</u>	<u>13,660</u>

Leasehold land and building and plant and machinery of the Group with carrying amounts of \$1,911,000 (2008: \$3,198,000) and \$509,000 (2008: \$255,000), respectively, have been pledged to banks as securities for certain bank loans (Note 13).

The carrying amount of property, plant and equipment includes amounts totalling \$1,023,000 (2008: \$2,075,000) for the Group in respect of assets acquired under hire purchase agreements and finance leases (Note 13).

Company	Furniture and fittings \$'000	Office equipment \$'000	Computers \$'000	Total \$'000
Cost				
At 1 July 2007	72	61	1,508	1,641
Additions	-	-	3	3
Disposals	(10)	(17)	(50)	(77)
At 30 June 2008	<u>62</u>	<u>44</u>	<u>1,461</u>	<u>1,567</u>
Additions	-	3	1	4
At 30 June 2009	<u>62</u>	<u>47</u>	<u>1,462</u>	<u>1,571</u>
Accumulated depreciation				
At 1 July 2007	71	58	1,485	1,614
Depreciation charge for the year	1	2	12	15
Disposals	(10)	(17)	(50)	(77)
At 30 June 2008	<u>62</u>	<u>43</u>	<u>1,447</u>	<u>1,552</u>
Depreciation charge for the year	-	2	9	11
At 30 June 2009	<u>62</u>	<u>45</u>	<u>1,456</u>	<u>1,563</u>
Carrying amount				
At 1 July 2007	<u>1</u>	<u>3</u>	<u>23</u>	<u>27</u>
At 30 June 2008	<u>-</u>	<u>1</u>	<u>14</u>	<u>15</u>
At 30 June 2009	<u>-</u>	<u>2</u>	<u>6</u>	<u>8</u>

Depreciation for the year was included in the following line items of the income statements:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cost of revenue	7,192	8,523	-	-
Distribution expenses	181	307	-	-
Administrative expenses	813	879	11	15
Research and development expenses	163	123	-	-
	<u>8,349</u>	<u>9,832</u>	<u>11</u>	<u>15</u>

Impairment losses/property, plant and equipment written off

During the year, the Group recognised impairment losses totalling \$4,635,000 (2008: \$551,000) on property, plant and equipment.

Having regard to the current economic conditions, the Group carried out a review on the recoverable amounts of certain property, plant and equipment during the year. The review led to the recognition of impairment losses of \$2,766,000 and \$547,000 on property, plant and equipment of Distribution and Services solutions and Probe Cards solutions, respectively, in the income statement for the year.

The recoverable amounts of the property, plant and equipment were based on their value in use, and the discount rate used was 7.5%.

Due to a fire incident in March 2009, the leasehold building, in which the wafer reclaim facility resides, needs significant improvement works to restore to its working condition. Hence, an impairment loss of \$1,322,000 was recognised to write down the carrying amount of the damaged leasehold building to its recoverable amount of \$Nil.

In 2008, impairment losses resulting from rationalisation of Probe Cards production operations in United States of America and France were recorded in the income statement. The identified assets were deemed obsolete and of no recoverable value. The assets impaired in United States of America and France were \$7,000 and \$544,000, respectively.

Impairment losses for the year were included in the following line items of the income statement:

	Group	
	2009	2008
	\$'000	\$'000
Cost of revenue	4,073	-
Administrative expenses	562	-
Other expenses	-	551
	4,635	551

Property, plant and equipment with total carrying amount of \$7,495,000 were written off during the year due to the fire incident. \$6,827,000 and \$668,000 were recorded in cost of revenue and administrative expenses respectively.

4. Intangible Assets

Group	Computer software	Development expenditure	Technology licence	Intellectual property	Goodwill	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
At 1 July 2007	1,967	3,920	1,844	6,273	29,591	43,595
Additions	28	-	72	405	-	505
Assets acquired in business combination	182	-	-	-	404	586
Adjustment to the acquisition cost of subsidiary	-	-	-	-	(260)	(260)
Disposals	(3)	-	-	-	-	(3)
Translation difference on consolidation	(1)	-	(217)	(746)	(1,529)	(2,493)
At 30 June 2008	2,173	3,920	1,699	5,932	28,206	41,930
Additions	79	-	517	222	-	818
Write off	-	(3,920)	-	-	-	(3,920)
Translation difference on consolidation	-	-	46	418	828	1,292
At 30 June 2009	2,252	-	2,262	6,572	29,034	40,120
Accumulated amortisation and impairment losses						
At 1 July 2007	1,860	3,920	289	364	-	6,433
Amortisation for the year	72	-	87	308	-	467
Disposals	(3)	-	-	-	-	(3)
Translation difference on consolidation	-	-	(39)	(60)	-	(99)
At 30 June 2008	1,929	3,920	337	612	-	6,798

Group	Computer software \$'000	Development expenditure \$'000	Technology licence \$'000	Intellectual property \$'000	Goodwill \$'000	Total \$'000
Accumulated amortisation and impairment losses						
At 30 June 2008	1,929	3,920	337	612	-	6,798
Amortisation for the year	76	-	87	328	-	491
Impairment losses	136	-	-	-	384	520
Write off	-	(3,920)	-	-	-	(3,920)
Translation difference on consolidation	1	-	24	43	-	68
At 30 June 2009	<u>2,142</u>	<u>-</u>	<u>448</u>	<u>983</u>	<u>384</u>	<u>3,957</u>
Carrying amount						
At 1 July 2007	107	-	1,555	5,909	29,591	37,162
At 30 June 2008	<u>244</u>	<u>-</u>	<u>1,362</u>	<u>5,320</u>	<u>28,206</u>	<u>35,132</u>
At 30 June 2009	<u>110</u>	<u>-</u>	<u>1,814</u>	<u>5,589</u>	<u>28,650</u>	<u>36,163</u>

Company	Computer software \$'000
Cost	
At 1 July 2007	1,823
Disposals	(2)
At 30 June 2008	<u>1,821</u>
Additions	8
At 30 June 2009	<u>1,829</u>
Accumulated amortisation and impairment losses	
At 1 July 2007	1,815
Amortisation for the year	3
Disposals	(2)
At 30 June 2008	<u>1,816</u>
Amortisation for the year	4
At 30 June 2009	<u>1,820</u>
Carrying amount	
At 1 July 2007	<u>8</u>
At 30 June 2008	<u>5</u>
At 30 June 2009	<u>9</u>

Amortisation for the year was included in the following line items of the income statements:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cost of revenue	466	444	-	-
Distribution expenses	2	2	-	-
Administrative expenses	23	21	4	3
	<u>491</u>	<u>467</u>	<u>4</u>	<u>3</u>

Annual impairment tests for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units (CGU) identified according to business segment as follows:

	Group	
	2009 \$'000	2008 \$'000
Probe Cards solutions	12,895	12,067
Distribution and Services solutions	15,755	16,139
	<u>28,650</u>	<u>28,206</u>

The recoverable amount of a CGU is determined annually based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering periods within one to five years.

Key assumptions used for value-in-use calculations

For the purpose of analysing each CGU, management used the following key assumptions:

	Group	
	Growth rate	Discount rate
	%	%
2009		
Probe Cards solutions	2.4 – 8.0	10.1
Distribution and Services solutions	1.3 – 8.2	7.5
2008		
Probe Cards solutions	14.1	11.6
Distribution and Services solutions	5.0	12.3

The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. Cash flows beyond the periods covered by the financial budgets are projected on assumptions of constant revenue growth and gross margin.

The Group believes that any reasonably possible change in the above key assumptions is not likely to materially cause the recoverable amount to be lower than its carrying amount.

Arising from the fire incident at the wafer reclaim facility, the goodwill relating to the wafer reclaim business, part of Distribution and Services solutions, of \$384,000 is deemed to be impaired, as the recoverable value of the CGU to which the goodwill is allocated cannot be determined with virtual certainty.

Impairment losses for other intangible assets

During the year, an impairment loss of \$136,000 was recognised to write down the carrying value of computer software attributable to certain manufacturing activities within the Distribution and Services solutions. The recoverable amount of the computer software was based on its value-in-use, and the discount rate used was 7.5%.

Impairment losses of all intangible assets for the year were included in the following line items of the income statement:

	Group	
	2009	2008
	\$'000	\$'000
Cost of revenue	123	-
Administrative expenses	13	-
Other expenses	384	-
	520	-

5. Subsidiaries

(a) Incorporation of subsidiary

On 14 July 2008, the Company's wholly-owned subsidiary, SV Probe Pte. Ltd., established a wholly-owned subsidiary, SV Probe Korea Co., Ltd. (SV Probe Korea), in the Republic of Korea. SV Probe Korea has an initial registered and paid-up capital of KRW50,000,000, approximately US\$50,000 (equivalent to \$68,000). The principal activities of the subsidiary are manufacturing, trading and after sales support of probe cards.

(b) Additional interest in subsidiary

On 16 April 2009, the Company acquired the remaining 7.53% equity interest in FMB Industries Pte. Ltd. (FMB) from its minority shareholder for a cash consideration of \$163,000. FMB is now a wholly-owned subsidiary of the Company. The consideration approximates the fair value of interest acquired.

6. Associates

On 17 November 2008, the Company's wholly-owned subsidiary, Ellipsiz Semiconductor Technology (Shenzhen) Ltd, entered into an agreement with a third party to sell its entire 33.33% interest in Shenzhen IC Design Incubation Co. Ltd., a corporation existing under the laws of the People's Republic of China, for a total cash consideration of RMB3,006,700 (approximately \$628,000), before deducting selling costs of \$12,000.

During the year, an allowance for impairment loss amounting to \$1,850,000 was made to reduce the carrying amount of an investment in an associate to its recoverable amount.

7. Joint Ventures

On 18 August 2008, the Company's wholly-owned subsidiary, iNETest Resources Pte. Ltd. (iNETest Resources), jointly entered into an agreement with a third party to incorporate a new company, iNETest-NewTek Co., Ltd. in Vietnam. Under the terms of agreement, the subsidiary and the third party provided 46% and 54% of the initial capital of US\$400,000 (equivalent to \$567,000), payable in cash into the entity, respectively. The principal activities of the joint venture are those relating to sale and servicing of electronic manufacturing, test and inspection equipment, test and measurement equipment, semiconductor and related equipment, and application engineering services and system integration services.

8. Financial Assets

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cost				
Unquoted equity securities available-for-sale	2,313	2,313	2,313	2,313
Unquoted debt securities available-for-sale	5,603	5,603	-	5,603
Quoted equity securities available-for-sale	296	326	296	326
	8,212	8,242	2,609	8,242
Less: Impairment losses				
Unquoted equity securities available-for-sale	(2,313)	(2,313)	(2,313)	(2,313)
Unquoted debt securities available-for-sale	(5,603)	-	-	-
Quoted equity securities available-for-sale	(296)	-	(296)	-
	(8,212)	(2,313)	(2,609)	(2,313)
	-	5,929	-	5,929

Debt securities are denominated in US dollars. The equity securities are denominated in Sterling pound and Singapore dollars.

During the year, the Company transferred the unquoted debt securities available-for-sale, amounting to US\$4,000,000 (\$5,603,000), to a subsidiary.

The Group and the Company recognised impairment losses of \$5,899,000 and \$296,000, respectively, on financial assets during the year due to uncertainty over the future business prospects of the investees.

9. Convertible Loan Receivable

The unsecured convertible loan, denominated in US dollars, extended to a third party bears interest charged at 1% per annum. Pursuant to the terms of the agreement, the Company has the option to convert the loan into equity shares of the third party at the conversion rate prescribed in the agreement.

The convertible loan receivable was impaired during the year as there is uncertainty in the recoverability of the loan.

10. Cash and Cash Equivalents

	Note	Group		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at banks and in hand		30,190	22,146	3,449	1,358
Deposits with financial institutions		2,243	5,534	200	-
		32,433	27,680	3,649	1,358
Bank overdraft	13	(145)	-		
Deposits held as securities by financial institutions	13	(1,122)	(3,513)		
Cash and cash equivalents in the consolidated cash flow statement		31,166	24,167		

11. Share Capital

	Group and Company	
	No. of shares	No. of shares
	2009	2008
	'000	'000
Fully paid ordinary shares, with no par value:		
Ordinary shares		
At 1 July	255,658	255,658
Issuance of shares pursuant to the rights issue	251,245	-
Issuance of shares pursuant to the exercise of warrants	37	-
At 30 June	506,940	255,658

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, unless voting by show of hands is applied according to the Company's Articles of Association. All shares rank equally with regards to the Company's residual assets.

Rights issue and warrants

In January 2009, the Company completed its exercise of renounceable non-underwritten rights issue and warrants, on basis of 6 rights shares with 1 free detachable warrant for every 5 existing ordinary shares of the Company.

Pursuant to this exercise, the Company had:

- (a) on 23 January 2009, issued approximately 251,245,000 new ordinary shares at an issue price of \$0.035 per rights share and hence, the share capital of the Company increased by approximately \$8,470,000 after deducting costs approximating \$329,000 incurred for the exercise; and
- (b) on 28 January 2009, issued 41,874,000 warrants. Each warrant holder is entitled to subscribe one new ordinary share of the Company at the exercise price of \$0.035 per share, at any time during the exercise period of three years from date of issue.

At balance sheet date, 41,837,000 warrants were outstanding.

Use of proceeds from rights issue

The Company had deployed approximately \$6,500,000 and \$2,000,000 of the net proceeds from the issuance of rights shares as working capital for the Probe Cards solutions and Distribution and Services solutions businesses of the Group, respectively, *via* injection of additional share capital into the relevant wholly-owned subsidiaries of the Group.

Others

The Group had not acquired any treasury shares during the year. Hence, there were no treasury shares held by the Group at the balance sheet dates.

Options granted to eligible employees and directors under the Ellipsiz Share Option Plan had expired in March 2009. No options were exercised during the year. In 2008, there were outstanding options to subscribe 490,000 ordinary shares at the subscription price of \$0.64 at balance sheet date.

12. Reserves

	Group		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Capital reserve	(11,720)	(11,720)	-	-
Fair value reserve	-	40	-	40
Compensation reserve	464	464	464	464
Exchange translation reserve	(7,730)	(11,428)	-	-
Accumulated (losses)/profits	(33,720)	5,188	(42,978)	(32,192)
	(52,706)	(17,456)	(42,514)	(31,688)

The capital reserve comprises goodwill arising on acquisition of subsidiaries written off against shareholders' equity.

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments held until the investments are derecognised.

The compensation reserve comprises the cumulative value of employee services received for the issue of share options and share awards. When the option is exercised or the award is vested, the amount from the compensation reserve is transferred to share capital. At balance sheet date, there were no (2008: 490,000) outstanding options and awards.

The exchange translation reserve of the Group comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Company and the exchange differences on monetary items which form part of the Group and Company's net investments in foreign operations, provided certain conditions are met.

The accumulated (loss)/profits of the Group includes losses of \$393,000 (2008: profits of \$304,000) attributable to associates and joint ventures.

13. Interest-Bearing Borrowings

Interest-bearing borrowings consist of the following:

	Note	Group		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current liabilities					
Secured bank loans		517	853	-	-
Unsecured bank loans ⁽³⁾		4,392	450	3,442	-
Obligations under hire purchase agreements and finance leases		695	1,110	-	-
		<u>5,604</u>	<u>2,413</u>	<u>3,442</u>	<u>-</u>
Current liabilities					
Bank overdraft ⁽¹⁾	10	145	-	-	-
Secured bank loans		1,469	7,403	-	-
Unsecured bank loans ⁽²⁾⁽³⁾		7,155	5,720	4,911	5,600
Obligations under hire purchase agreements and finance leases		701	583	-	-
		<u>9,470</u>	<u>13,706</u>	<u>4,911</u>	<u>5,600</u>

⁽¹⁾ At balance sheet date, a subsidiary did not satisfy a financial covenant of a banking facility relating to an unsecured bank overdraft of \$145,000. The bank has been informed of the breach and is in the process of evaluating the facility extended to the subsidiary. The Group would be able to repay the bank overdraft of \$145,000 should the banker withdraw the facility.

⁽²⁾ At balance sheet date, the Group and the Company did not satisfy a financial covenant of a banking facility. As a result, an amount of \$1,867,000 (2008: \$3,733,000) relating to the non-current portion of the bank loan has been classified as current liability. Subsequent to the balance sheet date, the bank revised the covenant and continued to extend the loan to the Group and the Company. There is no reclassification as at balance sheet date as it is a non-adjusting event.

⁽³⁾ The unsecured bank loans of the Company are guaranteed by certain subsidiaries of the Company.

Maturity of liabilities (excluding finance lease liabilities)

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Within 1 year	8,769	13,123	4,911	5,600
After 1 year but within 5 years	4,909	1,303	3,442	-
	<u>13,678</u>	<u>14,426</u>	<u>8,353</u>	<u>5,600</u>

The secured bank loans are secured on the following assets:

	Note	Group		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Leasehold land and building	3	1,911	3,198	-	-
Plant and machinery	3	509	255	-	-
Deposits with financial institutions	10	1,122	3,513	-	-
Total carrying amount		<u>3,542</u>	<u>6,966</u>	<u>-</u>	<u>-</u>

Obligations under hire purchase agreements and finance leases:

Group	2009			2008		
	Principal \$'000	Interest \$'000	Payment \$'000	Principal \$'000	Interest \$'000	Payment \$'000
Within 1 year	701	79	780	583	103	686
After 1 year but within 5 years	695	43	738	1,110	96	1,206
	<u>1,396</u>	<u>122</u>	<u>1,518</u>	<u>1,693</u>	<u>199</u>	<u>1,892</u>

14. Results from Operating Activities

Group	Note	2009	2008
		\$'000	\$'000
Other income			
Rental income		410	275
Sundry income		577	213
(Reversal of grant income)/Grant income ⁽¹⁾		(122)	120
Government grant - Jobs Credit Scheme		447	-
Gain on disposals of:			
- an associate		13	-
- other financial assets		13	-
Net dilution gain on issue of shares in subsidiaries to minority shareholders		-	70
Exchange gain, net		1,219	-
		<u>2,557</u>	<u>678</u>
Other expenses			
Allowance for:			
- inventory obsolescence		2,942	1,543
- doubtful debts from trade and other receivables		101	1,146
- convertible loan receivable		1,598	-
Amortisation of intangible assets	4	491	467
Bad debts written off		164	-
Depreciation of property, plant and equipment	3	8,349	9,832
Plant and equipment written off:			
- others		347	465
- arising from fire incident		7,495	-
Inventories written off:			
- others		777	558
- arising from fire incident		3,238	-
Impairment losses on property, plant and equipment			
- others	3	3,313	551
- arising from fire incident		1,322	-
Impairment losses on:			
- intangible assets		136	-
- investment in associate		1,850	-
- other financial assets		5,899	-
Impairment of goodwill		384	-
Provision for restructuring cost		459	7,577
Provision for retrenchment cost		90	-
Provisions for other liabilities arising from fire incident		847	-
Expenses arising from fire incident:			
- retrenchment benefits		352	-
- expenses incurred in the disaster recovery process		333	-
Loss on disposal of property, plant and equipment		54	2
Exchange loss, net		-	1,116

⁽¹⁾ At balance sheet date, it was established that certain conditions in relation to research grant income from Economic Development Board are not probable to be met, hence leading to the reversal of income recognised in 2008.

15. Net Finance Expenses

Group	2009	2008
	\$'000	\$'000
Finance income		
Interest income from:		
- financial institutions	141	389
- third parties	10	34
	<u>151</u>	<u>423</u>
Finance expenses		
Interest expenses to:		
- hire purchase arrangements and finance leases	(167)	(245)
- financial institutions	(629)	(364)
- affiliates	(4)	(169)
- third parties	(19)	(4)
	<u>(819)</u>	<u>(782)</u>
Net finance expenses recognised in the income statement	<u>(668)</u>	<u>(359)</u>

16. Income Tax Credit

Group	2009 \$'000	2008 \$'000
<i>Current tax expense</i>		
- current year	669	939
- withholding tax	58	6
- refund for tax loss carry-back	(1,372)	(2,306)
- group relief	(31)	-
- (over)/under provision in prior years	(157)	951
	<u>(833)</u>	<u>(410)</u>
<i>Deferred tax expense</i>		
- original and reversal of temporary differences	(212)	(1,587)
- under/(over) provision in prior years	80	(1,163)
- change in tax rate	(80)	-
	<u>(212)</u>	<u>(2,750)</u>
Total income tax credit	<u>(1,045)</u>	<u>(3,160)</u>

17. Earnings Per Share

Group	2009 \$'000	2008 \$'000
Basic earnings per share is based on:		
Loss for the year attributable to equity holders of the Company	<u>(38,908)</u>	<u>(12,327)</u>
	No. of shares '000	No. of shares '000
Weighted average number of:		
- shares outstanding during the year	255,658	255,658
- share issued during the year		
- pursuant to the rights issue	109,446	-
- pursuant to the exercise of warrants	2	-
	<u>365,106</u>	<u>255,658</u>

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options and warrants with the potential ordinary shares weighted for the year outstanding.

The effect of the exercise of share options and warrants on the weighted average number of ordinary shares in issue is as follows:

Group	2009 No. of shares '000	2008 No. of shares '000
Weighted average number of shares issued, used in calculation of basic earnings per share	365,106	255,658
Dilutive effect of share options	-	1
Weighted average number of ordinary shares (diluted)	<u>365,106</u>	<u>255,659</u>

Warrants to purchase 41,837,000 new ordinary shares at \$0.035 per share were outstanding during the year but were not included in the computation of diluted earnings per share because these warrants were antidilutive for period of 5 months. These warrants, which expire on 27 January 2012, are still outstanding as at balance sheet date.

There were no share options outstanding as at 30 June 2009.

18. Net Asset and Tangible Asset Values Per Ordinary Share

	Group cents	Company cents
Net asset value per ordinary share based on issued share capital of the Company as at		
(a) 30 June 2009	15.16	17.17
(b) 30 June 2008	<u>40.54</u>	<u>34.98</u>

	Group cents	Company cents
Net tangible asset value per ordinary share based on issued share capital of the Company as at		
(a) 30 June 2009	8.03	17.17
(b) 30 June 2008	26.80	34.98

19. Breakdown of Revenue and (Loss)/Profit After Tax Before Minority Interests

Group	2009 \$'000	2008 \$'000	Variance %
Revenue reported for first half year	85,422	101,599	(16)
Operating (loss)/profit after tax before deducting minority interests for first half year	(6,428)	2,858	(325)
Revenue reported for second half year	64,176	95,166	(33)
Operating loss after tax before deducting minority interests for second half year	(34,043)	(16,241)	(110)

20. Dividends

There was no dividend declared or recommended for the current financial year reported on or the corresponding period of the immediately preceding financial year.

21. Significant Related Party Transactions

Significant transactions with related parties comprised mainly the following:

Group	2009 \$'000	2008 \$'000
Sales to:		
- associates	9	244
- other affiliates	2,537	4,213
Purchases from:		
- associates	-	(59)
- other affiliates	-	(4)
Service fee income from:		
- associate	31	32
- affiliate ⁽¹⁾	-	1
Service fee expense paid to other affiliates	-	(69)
Interest expenses paid to:-		
- affiliate ⁽¹⁾	(4)	(78)
- other affiliates	-	(91)
Rental expense paid to:		
- director	(128)	(58)
- other affiliate	-	(59)
Purchase of plant and equipment from other affiliates	-	(48)

⁽¹⁾ This relates to a corporation which a director of the Company had an interest during the year.

22. Interested Person Transactions

There was no significant interested person transaction during the year and the previous year.

23. Commitments

Lease Commitments

At balance sheet date, commitments of the Group and the Company for minimum lease receivables and payments under non-cancellable operating leases are as follows:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Receivable:				
Within 1 year	112	17	-	-
After 1 year but within 5 years	158	9	-	-
	270	26	-	-
Payable:				
Within 1 year	3,282	2,408	-	29
After 1 year but within 5 years	4,111	3,061	-	67
After 5 years	548	643	-	-
	7,941	6,112	-	96

Operating lease commitments of the Group include a commitment in relation to a piece of land on which a subsidiary's wafer reclaim facilities are constructed. The lease will expire on 16 January 2027 with an option to renew for another 29 years. The land rent for the piece of land is subject to review every year with a maximum increase in rent not exceeding 5.5% of the annual rent of the preceding year to reflect market rentals.

Capital commitments

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Capital commitments contracted but not provided for	239	1,080	-	-

Corporate guarantees

At balance sheet date, the Company provided corporate guarantees amounting to \$19,609,000 (2008: \$21,370,000) to banks for banking facilities of \$19,621,000 (2008: \$21,090,000) made available to its subsidiaries, of which the subsidiaries have utilised \$2,602,000 (2008: \$4,211,000).

24. Contingent Assets

A fire incident took place at the Group's wafer reclaim facility on 27 March 2009 that led to the impairment provisions and write downs of the carrying amounts of property, plant and equipment and inventories during the year totalling \$12,055,000.

Recognition of insurance claim receivable is only made when insurance claims are virtually certain to be receivable by the Group. The Group has filed insurance claims for the losses incurred and the claim process is still in progress at balance sheet date. Accordingly, no corresponding income is recognised.

25. Segment Results

Business Segments

Group	Distribution and Services solutions		Probe Cards solutions		Eliminations		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Revenue and Expense</i>								
Total revenue from external customers	101,630	118,755	47,968	78,010			149,598	196,765
Inter-segment revenue	662	344	7	-	(669)	(344)	-	-
	<u>102,292</u>	<u>119,099</u>	<u>47,975</u>	<u>78,010</u>			<u>149,598</u>	<u>196,765</u>
Segment results	<u>(19,968)</u>	<u>(2,849)</u>	<u>(18,429)</u>	<u>(14,901)</u>	-	-	(38,397)	(17,750)
Unallocated corporate results							(1,703)	943
							<u>(40,100)</u>	<u>(16,807)</u>
Share of results of associates and joint ventures								
- allocated to business segments	(29)	125	(699)	522	-	-	(728)	647
- unallocated corporate & other							(20)	(24)
Loss before interest income/(expenses) and taxation							(40,848)	(16,184)
Interest income							151	423
Interest expense							(819)	(782)
Income taxes							1,045	3,160
Minority interests							1,563	1,056
Loss for the year							<u>(38,908)</u>	<u>(12,327)</u>
<i>Assets and Liabilities</i>								
Segment assets	60,333	88,087	54,936	60,738	-	-	115,269	148,825
Unallocated corporate assets							4,862	9,402
Investments in associates								
- allocated to business segments	933	871	3,449	5,423	-	-	4,382	6,294
- unallocated corporate & other							-	590
Investments in joint ventures								
- allocated to business segments	209	-	-	-	-	-	209	-
- unallocated corporate & other							-	12
Tax receivables							149	664
Deferred tax assets							2,220	3,118
Total assets							<u>127,091</u>	<u>168,905</u>
Segment liabilities	22,123	25,421	6,599	14,900	-	-	28,722	40,321
Unallocated corporate liabilities							949	1,082
Interest-bearing borrowings							15,074	16,119
Income tax liabilities							2,860	4,138
Total liabilities							<u>47,605</u>	<u>61,660</u>
Capital expenditure								
- allocated to business segments	1,510	3,497	2,442	4,243	-	-	3,952	7,740
- unallocated corporate expenses							12	3
							<u>3,964</u>	<u>7,743</u>

Group	Distribution and Services solutions		Probe Cards solutions		Eliminations		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Other non-cash items								
Depreciation of property, plant and equipment:								
- allocated to business segments	2,677	3,293	5,661	6,524	-	-	8,338	9,817
- unallocated corporate expenses							11	15
							<u>8,349</u>	<u>9,832</u>
Amortisation of intangible assets								
- allocated to business segments	72	69	415	395	-	-	487	464
- unallocated corporate expenses							4	3
							<u>491</u>	<u>467</u>
Loss/(Gain) on disposals of property, plant and equipment								
- allocated to business segments	4	109	50	(106)	-	-	54	3
- unallocated corporate expenses							-	(1)
							<u>54</u>	<u>2</u>
Property, plant and equipment written off								
- allocated to business segments	168	82	179	383	-	-	347	465
- arising from fire incident	7,495	-	-	-	-	-	7,495	-
							<u>7,842</u>	<u>465</u>
Allowance for inventory obsolescence								
- allocated to business segments	863	608	2,079	935	-	-	2,942	1,543
Inventory written off								
- allocated to business segments	190	192	587	366	-	-	777	558
- arising from fire incident	3,238	-	-	-	-	-	3,238	-
							<u>4,015</u>	<u>558</u>
Allowance for doubtful trade and other receivables								
- allocated to business segments	10	426	69	720	-	-	79	1,146
- unallocated corporate expenses							22	-
							<u>101</u>	<u>1,146</u>
Allowance for doubtful convertible loan receivable								
- unallocated corporate expenses							1,598	-
Impairment losses on property, plant and equipment								
- allocated to business segments	2,766	-	547	551	-	-	3,313	551
- arising from fire incident	1,322	-	-	-	-	-	1,322	-
							<u>4,635</u>	<u>551</u>

Group	Distribution and Services solutions		Probe Cards solutions		Eliminations		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Impairment loss on intangible assets								
- allocated to business segment	136	-	-	-	-	-	136	-
Impairment of goodwill								
- allocated to business segment	384	-	-	-	-	-	384	-
Impairment loss on investment in associate								
- allocated to business segment	-	-	1,850	-	-	-	1,850	-
Impairment loss on other financial assets								
- allocated to business segment	-	-	5,603	-	-	-	5,603	-
- unallocated corporate expenses							296	-
							<u>5,899</u>	<u>-</u>

Geographical segments

Group	Singapore		Other Asean Countries		China & Taiwan		USA		Europe		Other Regions		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total revenue from external customers	52,359	55,008	25,190	32,954	29,516	41,223	29,328	47,115	5,166	8,262	8,039	12,203	149,598	196,765
Segment assets	62,053	73,320	12,920	15,624	18,007	27,641	20,735	28,424	1,672	6,825	4,744	6,393	120,131	158,227
Investments in associates	-	-	933	871	-	590	-	-	-	-	3,449	5,423	4,382	6,884
Investments in joint ventures	-	-	209	-	-	12	-	-	-	-	-	-	209	12
Tax receivables													149	664
Deferred tax assets													2,220	3,118
	<u>62,053</u>	<u>73,320</u>	<u>14,062</u>	<u>16,495</u>	<u>18,007</u>	<u>28,243</u>	<u>20,735</u>	<u>28,424</u>	<u>1,672</u>	<u>6,825</u>	<u>8,193</u>	<u>11,816</u>	<u>127,091</u>	<u>168,905</u>
Capital expenditures	1,384	3,126	1,398	2,413	234	781	275	329	115	947	558	147	3,964	7,743



**Ellipsiz Ltd and its Subsidiaries
Registration Number: 199408329R**

Full Year Financial Statements and
Dividend Announcement for
year ended

30 June 2009

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 statements of Ellipsiz Ltd and its subsidiaries (the Group), including the notes thereto.

One-time charges

In the financial year ended 30 June 2009 (FY2009) and 30 June 2008 (FY2008), there were a few one-time charges that had significantly affected the results of the Group. Details of the charges were as follows:

Events	FY2009 S\$'000	FY2008 S\$'000
<i>Included in cost of revenue</i>		
1) Provision for impairment losses on certain property, plant and equipment and intangible assets	(3,270)	-
2) Provision for inventory obsolescence	(2,942)	(1,543)
3) Arising from a fire incident that took place at our Singapore wafer reclaim facility, the Group recorded:		
- Write off of/ provision for impairment for property, plant and equipment	(7,753)	-
- Write off of inventory	(3,238)	-
- Others	(352)	-
4) Provision of retrenchment benefits in respect of a retrenchment plan of a business unit to streamline its operational team.	(90)	-
<i>Included in administrative expenses</i>		
5) Arising from the fire incident mentioned in item 3, the Group recorded:		
- Write off of / provision for impairment for property, plant and equipment	(1,064)	-
- Other expenses incurred in the disaster recovery process	(333)	-
6) Provision for doubtful convertible loan receivable	(1,598)	-
7) Provision for impairment losses on certain property, plant and equipment and intangible assets	(179)	-
<i>Included in other operating expenses</i>		
8) Arising from the rationalisation exercise of the Group's production operations in United States of America and France undertaken in FY2008, the Group recorded:		
- Impairment on property, plant and equipment	-	(551)
- Provision for restructuring costs	(459)	(7,577)
9) Arising from the fire incident mentioned in item 3, the Group recorded:		
- Provision for other liabilities	(847)	-
- Impairment of goodwill	(384)	-
10) Provision for impairment losses on other financial assets	(5,899)	-
11) Provision for impairment loss on investment in associate	(1,850)	-
<i>Included in tax expenses</i>		
12) Reversal of deferred tax assets arising from the facility rationalisation exercise in France	-	(1,324)
Net impact on results of the Group	(30,258)	(10,995)

Results of Operations

Excluding the abovementioned non-recurring events, the consolidated income statement of the Group and the variance explanations were as follows:

	FY2009	FY2008	Var.
	S\$'000	S\$'000	%
Revenue	149,598	196,765	(24)
Cost of revenue	(126,288)	(159,279)	(21)
Gross profit	23,310	37,486	(38)
Other income	2,557	678	277
Distribution expenses	(14,505)	(15,994)	(9)
Administrative expenses	(18,012)	(22,917)	(21)
Research and development expenses	(3,066)	(5,200)	(41)
Other expenses	(126)	(1,189)	(89)
Results from operating activities	(9,842)	(7,136)	(38)
Net finance expenses	(668)	(359)	86
Share of results of associates & joint ventures (net of tax)	(748)	623	(220)
Loss before income tax	(11,258)	(6,872)	(64)
Income tax credit	1,045	4,484	(77)
Loss for the year	(10,213)	(2,388)	(328)
Attributable to:			
Equity holders of the Company	(9,458)	(1,332)	(610)
Minority interests ⁽¹⁾	(755)	(1,056)	(29)
	(10,213)	(2,388)	(328)

⁽¹⁾ Minority interests for FY2009 were adjusted for minority shareholders' share of the one time charges.

Revenue

Revenue of the Group decreased by 24% from \$197 million in financial year ended 30 June 2008 (FY2008) to \$150 million in the financial year ended 30 June 2009 (FY2009).

Probe Cards solutions (PCS) reported revenue of \$48 million in FY2009, a 39% decrease as compared to FY2008. The softening of market environment due to the financial turbulence (particularly in USA), pricing pressure and increased competition led to lower revenue for PCS.

Revenue for Distribution & Services solutions (DSS) decreased by 14% year-on-year (y-o-y) to \$102 million for FY2009. This is in spite of an improvement in revenue from communications network assurance and facilities businesses. The decrease was largely attributable to lower revenue from manufacturing activities amid weaker market demand, triggered by the slowdown in the semiconductor industry. In addition, the Group's revenue from the wafer reclaim activities was negligible in the last quarter of FY2009 as a result of the fire that took place at the Singapore wafer reclaim facility in March 2009.

The slow down in the performance of PCS led to poorer performance reported in USA, Europe and Other Regions; and lower trading activities in Other Asean Countries contributed lower revenue to the Group. Taiwan and China are not spared from the slowdown in semiconductor industry, thus leading to lower revenue. In Singapore region, the decline in revenue from DSS manufacturing activities negated the revenue growth from the facilities business.

Gross profit and gross profit margin

The Group reported a 38% decrease in gross profit from \$37 million in FY2008 to \$23 million in FY2009 and gross profit margin declined from 19% to 16%.

The decrease in gross profit margin was mainly due to the decline in manufacturing activities of PCS and DSS segments without a proportionate decrease in cost of revenue as a major portion of the manufacturing expenses are fixed in nature.

Other income

The Group had a higher other income of \$2.6 million for FY2009 as compared to \$0.7 million for FY2008. Foreign exchange gain of \$1.2 million and job credit income of \$0.4 million subsidised by the government in FY2009 were the key reasons for the increase in other income.

Operating expenses

Operating expenses decreased by 21% from \$45 million in FY2008 to \$36 million for FY2009.

The reduction in operating expenses was mainly due to

- (i) Lower manufacturing cost with the completion of the various phases of the facilities rationalisation exercise carried out by PCS since the fourth quarter of FY2008 (Q4 FY2008).
- (ii) The positive impact from the costs-control measures put in place by the Group since second quarter of the financial year; and
- (iii) Non-recurrence of exchange loss in FY2009. The Group had exchange loss of \$1 million in FY2008.

Share of results of associates and joint ventures

During the financial year, the Group recorded net losses of \$687,000 and \$61,000 from the shares of results of its associates and joint ventures respectively.

Income taxes

The Group had tax credit of \$1,045,000 for FY2009. The reversal of deferred tax liabilities resulting from the movement in temporary differences and refund of tax loss carry-back in current financial year led to the tax credit.

Net loss attributable to equity holders of the Company

Net loss after taxes and minority interests for FY2009 was \$9 million as compared to FY2008 net loss of \$1 million.

Lower revenue due to decreasing demands and the poorer gross profit margin attained in the financial year, partially offset by the lower operating expenses, were the main reasons for the increase in net loss of the Group.

With the inclusion of the one-time charges and provisions, the Group had net losses of \$39 million for FY2009.

Financial Conditions

Non-current assets

As at 30 June 2009, total non-current assets was \$57 million, a drop of 31% from \$82 million as at 30 June 2008.

The 55% decrease in property, plant and equipment was mainly from the impairment provision for and write off of certain assets damaged in the fire incident at a subsidiary's manufacturing facility, as well as impairment charges recorded for certain plant and machinery of the Group. Financial assets decreased by 100% and investments in associates decreased by 36% as the Group recorded impairment losses on these assets during the financial year. Deferred tax assets decreased 29%.

Current assets

Total current assets decreased by 19% from \$87 million as at 30 June 2008 to \$70 million as at 30 June 2009. The improved collections from trade and other receivables, lower inventory held as at 30 June 2009 and allowance made for the doubtful convertible loan receivable resulted in a decline in current assets. The impact of the decreases was, however, partially offset by a \$5 million increase in cash and cash equivalents.

Total liabilities

Total liabilities stood at \$48 million as at 30 June 2009, a decrease of 23% from \$62 million as at 30 June 2008. The 71% drop in provisions is mainly due to payments amounting to \$6 million made by the Group during the financial year for restructuring costs for PCS's facilities rationalisation exercise. The decrease is partially offset by an \$847,000 increase in provisions for other liabilities arising from the fire incident. Additionally, trade and other payables decreased by \$6 million or 19%; and deferred tax liabilities decreased 54% or \$1 million.

Minority interests

The decrease in minority interests resulted mainly from their share of results during the financial year.

Liquidity and Capital Reserves

The net cash inflow of the Group for year ended 30 June 2009 was \$7 million. This can be accounted by:

- (a) cash inflow of \$2 million from operating activities;
- (b) cash outflow of \$3 million for investing activities; and
- (c) cash inflow of \$8 million from financing activities.

Despite a loss of \$40 million for FY2009, the Group had positive cash flow from operating activities of \$8 million, after excluding the \$6 million payment made during the financial year for restructuring costs with respect to the PCS rationalisation exercise. The restructuring costs were incurred and recorded as an expense in Q4 FY2008 to rationalise the facilities of PCS.

The acquisition of property, plant and equipment led to the cash outflow for investing activities, while proceeds from issuance of rights shares, partially offset by the net repayment of interest-bearing borrowings, were the main reasons for the positive cash flow from financing activities.

As at 30 June 2009, the Group's cash and cash equivalents position (including fixed deposits held as securities) was \$32 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.

Amid news of inventory replenishment, improving facility utilisation and better than expected Q2 2009 guidance at semiconductor and semiconductor-related companies, our businesses continued to be susceptible to seasonality and developments in the markets we operate in.

While three consecutive months of chip sales growth to May 2009 (source: Semiconductor Industry Association, SIA) had been encouraging, global chip sales for 2009, according to various research outfits during their mid-year updates, remained in the negative territory following a dismal Q1 2009.

Gartner had revised its worldwide semiconductor revenue forecast from -24.1% to -22.4% at US\$198 billion for 2009. On the other hand, iSuppli had turned less sanguine and trimmed its forecast from -21.5% to -23% to achieve global chip sales of US\$199 billion for the year amid declining consumer electronics equipment sales. SIA, too, had projected double-digit contraction of 21.3% for the global semiconductor market to US\$196 billion for 2009.

Meanwhile, at the chip equipment spending front, sharper declines are expected for 2009 on broad declines across all major categories of equipment. Semiconductor capital equipment spending, according to Gartner, is forecast to suffer 45.8% fall to US\$16.6 billion. SEMI had forecast a steeper 52% cut in worldwide semiconductor equipment sales to US\$14.1 billion for 2009. At the probe card market, contraction of 24.5% is projected by VLSI Research (April 2009) as a result of very sharp drop in chip demand in Q4 of 2008 and chip production cut-back as well as the shutting of old capacity.

Overall, we remained cautious over our business prospects for the rest of 2009, and expect meaningful growth and sustainable recovery in the semiconductor and electronics equipment industries to emerge only in the second half of 2010.