



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

Third Quarter Financial Statements and Dividend Announcement for  
period ended

**31 March 2011**

*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.*

## **Results of Operations**

### ***Revenue and gross profits***

For the nine months ended 31 March 2011 (3Q FY2011), the Group reported revenue of \$131.1 million, a 25% growth from \$104.8 million revenue attained in the corresponding period of the previous financial year (3Q FY2010). Probe Card solutions (PCS) was a marginal growth while Distribution & Services solutions (DSS) was 37% higher than its 3Q FY2010's performance. The improved market conditions had led to improved revenue for the Group's operations in most of the regions. Although there was significant improvement in the performance, the Group continues to have pressures from keen price competition and currency risk.

Gross profit attained in 3Q FY2011 was \$28.9 million, an increase of 17% over \$24.7 million in 3Q FY2010. As the growth in revenue was mainly from DSS which generally has lower gross profit margin, consolidated margin dropped from 24% in 3Q FY2010 to 22% in 3Q FY2011.

The Group attained a 17% growth in revenue in the third quarter of FY2011 (3<sup>rd</sup>Q FY2011) as compared to the corresponding quarter of the previous financial year (3<sup>rd</sup>Q FY2010). The gross profit margin in 3<sup>rd</sup>Q FY2011 was 20%.

### ***Other income***

Other income decreased by 89% from \$20.3 million in 3Q FY2010 to \$2.2 million in 3Q FY2011. In 3Q FY2010, the Group recorded one-time income of \$19.7 million from its insurance claim and job credit grant income in Singapore. In 3Q FY2011, it reported gain of \$1.7 million from disposal of property. These one-time incomes contribute to the variance in the other income for the two financial periods.

### ***Operating expenses***

Total operating expenses decreased by 2% from \$26.6 million to \$26.0 million. In line with the increase in revenue, distribution expenses increased by 11% while the non-recurrence of the provision of certain one-time expenses like retrenchment benefits and compensation to customers resulting from fire incident led to the decreases in other categories of expenses. The positive variance from the non-recurrence of certain one-time expenses was however partially offset by the higher exchange losses in 3Q FY2011.

### ***Share of results of associates and joint ventures***

The Group recorded profit of \$504,000 from share of results from associates but had \$87,000 losses from share of results of its joint ventures in 3Q FY2011.

### ***Income taxes***

In 3Q FY2011, the Group recorded tax expenses of \$0.9 million. This was however offset by recording of deferred tax assets of \$1.1 million, leading to an overall tax credit of \$0.2 million.

### **Net profit attributable to owners of the Company**

The Group had net profits after taxes and non-controlling interests of \$6.3 million for the financial period.

Excluding the one-time gain on disposal of property, the Group had a net profit after taxes and non-controlling interests of \$4.6 million for 3Q FY2011. This was a significant improvement over the net loss of \$0.3 million (exclude the one-time insurance claim income, related taxes, retrenchment benefits and other expenses relating to fire incident amounting to \$15.3 million) in 3Q FY2010. Higher revenue achieved in the period was the main reason for this improvement.

### **Financial Conditions**

#### **Non-current assets**

The non-current assets increased by 6% from \$55.9 million to \$59.3 million. Property, plant and equipment and intangible assets decreased by 27% and 5% respectively mainly due to the depreciation and amortisation expenses during the period. Other than decrease in the property, plant and equipment and intangible assets, financial assets had an increase of 30% as a result of the increase in the market prices of the quoted securities held while investment in associates increased by 16% due to the share of results from associates and the additional investments during the financial period. Furthermore, the addition of a \$5.0 million of trade receivable had also led to the overall increase in non-current assets.

#### **Current assets**

Total current asset as at 31 March 2011 was \$86.1 million, a drop of 9% from \$94.7 million as at 30 June 2010. This decrease in asset classified as held for sale and dividend payment of \$8.3 million, which is partially offset by the increases in project-in-progress and inventory, the receipt of proceeds from disposal of property, led to the decrease in current assets.

#### **Current liabilities and non-current liabilities**

Total liabilities as at 31 March 2011 stood at \$49.5 million, a 1% decrease from \$51.7 million as at 30 June 2010. The decline was mainly attributed to repayment of bank borrowings during the financial period, which led to a 40% decrease in interest-bearing loans, partially offset by the 13% increase in trade and other payables.

#### **Non-controlling interests**

The decrease in the non-controlling interests was due to the share of losses during the financial period.

### **Liquidity and Capital Reserves**

The net cash outflow of the Group for 3Q FY2011 was \$3.7 million. This can be accounted by:

- (a) cash inflow of \$5.6 million for operating activities;
- (b) cash inflow of \$2.9 million for investing activities; and
- (c) cash outflow of \$12.2 million for financing activities.

The positive results in the period, coupled with the receipt of insurance claim income of \$2.8 million, led to cash inflow from operating activities of \$5.6 million in 3Q FY2011.

The proceeds from disposal of property, plant and equipment led to the cash inflow for investing activities, while repayments of interest-bearing borrowings and payment of dividend during the financial period were the main reasons for the outflow of cash for financing activities.

As at 31 March 2011, the Group's cash and cash equivalents position (including fixed deposits held as securities) was \$32.8 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 continues to monitor development emanating from the recent natural disaster and nuclear crisis in Japan. We are also assessing the impact on our business operations and financial performance resulting from the supply chain disruption, taking into consideration that Japan is an important supplier country to the global electronics and semiconductor supply chain. While the industry is currently depleting inventories that were built up in the previous months to meet demand with supply impact likely to be felt from the end of second quarter of year 2011, fears gripped chip vendors to look for alternative sources as well as hasten their outsourcing decision to foundries to minimize impacts brought about by supply shortages. Amidst signs of order push outs and delayed product launches arising from supply shortages and constraint manufacturing capacity, we will continue to be vigilant in our supply chain management while seeking to ride on any opportunities provided by the outsourcing trend as well as the expected foundry, logic and NAND Flash spending strength to meet pent-up demand from 2008 and 2009 downturn.