



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

First Quarter Financial Information and Dividend Announcement for  
three months ended

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

## **Results of Operations**

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

The Group had revenue of \$25.3 million for the three months ended 30 September 2015 (1QFY2016), a decline of 18% from corresponding period of last financial year. Revenue from Distribution & Services Solution (DSS) and Probe Card Solutions (PCS) decreased by 30% and 9% respectively. Gross profits decreased by 17% from \$10.6 million to \$8.8 million.

There were slowdowns in most regions that the two business segments operate in, leading to decline in performance for 1QFY2016 in all geographical segments except for Taiwan. Equipment and tools sales saw a greater reduction due to more controlled capital spending by customers.

Despite the decrease in revenue and gross profits, the Group managed to improve its gross profit margin from 34% in 1QFY2015 to 35% in 1QFY2016.

### ***Other income***

Other income increased from \$0.3 million in 1QFY2015 to \$1.8 million in 1QFY2016. During the financial period, the Group was informed that it will be recovering 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 are expected to complete in October 2015 and the liquidator had informed the Group that the final payment to the Group is approximately \$1.4 million and the sum is expected to be received by end of October 2015.

Other than the above one-time income from recovery of bad debts, the Group had an exchange gain of \$0.3 million in 1QFY2016. The positive variances from the one-time income and exchange gain were partially offset by the lower gain from disposal of plant and equipment. Details of other income is disclosed in note 7 to the financial statements.

### ***Operating expenses***

Total operating expenses decreased by 8% from \$8.7 million to \$8.0 million. Included in other expenses in 1QFY2015 was loss of \$343,000 on disposal of investment of an associate. Excluding this one-time expenses in 1QFY2015, operating expenses declined by 4% from \$8.3 million to \$8.0 million.

### ***Net finance (expenses)/income***

The incurrance of lower finance expenses, partially offset by lower finance income, led to the decrease of net finance expenses from \$64,000 to \$33,000 in 1QFY2016.

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

The Group recorded profits of \$143,000 and \$40,000 from share of results from its associates and joint ventures, respectively, for 1QFY2016.

### **Income taxes**

In 1QFY2016, the Group recorded tax expense of \$0.5 million, mainly for the tax expense in the current quarter and an adjustment for the net movement in deferred taxes. Included in current quarter 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 \$2.3 million for the financial period as compared to 1QFY2015's profits of \$1.7 million. In 1QFY2016, the Group recorded one-time income from recovery of bad debts of \$1.2 million (net of tax) while in 1QFY2015, the Group had a one-time loss on disposal of investment in an associate of \$0.3 million. Excluding the one-time income and expenses, the Group had profits of \$1.1 million from its operating activities in 1QFY2016, a decrease of 49% over 1QFY2015's operating profits of \$2.1 million. The drop in operating results was mainly due to the lower revenue in 1QFY2016.

### **Financial Conditions**

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

The non-current assets increased by 1% from \$70.9 million as at 30 June 2015 to \$71.7 million as at 30 September 2015. The increase of \$0.8 million in non-current assets mainly attributable to the increase in intangible assets resulting from translation movement, higher investments in associates and joint ventures due to share of results during the financial period, partially offset by the decrease in carrying amount of financial assets as a results of movement in the market price of a quoted investment.

#### **Current assets**

Total current asset as at 30 September 2015 was \$85.9 million, an increase of 3% from \$83.0 million as at 30 June 2015. The assets classified as held for sale and inventories increased resulted mainly from the translation movement.

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

Total liabilities as at 30 September 2015 stood at \$31.2 million, a decrease of 3% from \$32.1 million as at 30 June 2015. The decrease was mainly due to the repayment of interest-bearing borrowings, partially offset by the increase in tax payable and deferred tax liabilities.

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

The non-controlling interests as at 30 September 2015 remained the same as at 30 June 2015.

### **Liquidity and Capital Reserves**

The net cash inflow of the Group for financial period ended 30 September 2015 was \$0.6 million. This can be accounted by:

- (a) cash inflow of \$2.8 million for operating activities;
- (b) cash outflow of \$0.1 million for investing activities; and
- (c) cash outflow of \$2.1 million for financing activities.

The positive results in the quarter, partially offset by net negative cash movement in working capital, led to the cash inflow from operating activities of \$2.8 million in 1QFY2016.

Purchase of plant and equipment partially offset by the dividend received from associates led to the net cash outflow of \$0.1 million for investing activities

Repayment of interest-bearing borrowings was the main cause for the cash outflow of \$2.1 million for financing activities.

As at 30 September 2015, the Group's cash and cash equivalents position (including fixed deposits held as securities) was \$41.7 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 maintains our cautious stance over our performance prospects for the rest of 2015. Global economic headwinds such as the slowing Chinese economy, global semiconductor consolidation and slowing demand, absence of a typical ramp up in sales of semiconductors in anticipation of the holiday season and further reduction in sales outlook for PCs, smartphones and tablets are expected to adversely impact capital expenditure and semiconductor revenue growth, in turn, our businesses. Nevertheless, the Group remains committed to leverage on our core strengths to sustain growth.