



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

Third Quarter Financial Information and
Dividend Announcement for
the period ended

31 March 2016

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 had revenue of \$88.5 million for the nine months ended 31 March 2016 (9MFY2016), a 4% increase when compared with 9 months ended 31 March 2015 (9MFY2015). Revenue in FY2016 Q3 increased by 21% from \$25.6 million in FY2015 Q3 to \$30.9 million. Strong revenue from Probe Card Solutions (PCS) in Q3 was the main reason for the overall better performance.

9MFY2016 revenue from PCS was an improvement of 12% while Distribution and Services solutions (DSS) had a decrease of 8% in revenue when compared with the first nine months of last financial year. Slowdown in equipment and tools sales due to more controlled capital spending by customers led to the decline in revenue of DSS.

Gross profits for 9MFY2016 was \$30.6 million. Although the gross profit margin dropped by 1% from 36% to 35%, the improved revenue offset the impact from the decline in gross profit margin and gross profit was flat as compared to 9MFY2015.

Our PCS activities in Taiwan, China and USA had stronger 9MFY2016 revenue while Europe saw a decline of 23%. Singapore and Malaysia had lower revenue due to the slowdowns in DSS activities.

Other income

Other income increased from \$1.0 million in 9MFY2015 to \$2.8 million in 9MFY2016. During the financial period, the Group recovered 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 was completed in October 2015 and the Group recovered part of the previously written off debts as final payment to creditors. Additionally, the Group had in third quarter of the financial year, received dividend distribution of \$647,000 from one of its quoted financial investment, when the investee delisted its shares and proceeded with liquidation process.

Other than the above mentioned one-time income, the Group recorded gain on disposal of asset classified as held for sale but had lower exchange gain in 9MFY2016. Details of the other income are disclosed in note 7 to the financial information.

Operating expenses

Total operating expenses increased by 3% from \$25.5 million to \$26.3 million. Included in other expenses in 9MFY2015 was loss of \$343,000 on disposal of investment of an associate while in 9MFY2016, there was an impairment loss of \$401,000 on investment in other financial asset. Excluding these one-time expenses in both financial periods, operating expenses was an increase of \$0.7 million from \$25.2 million to \$25.9 million.

Distribution cost increased due to recording of higher commission in 9MFY2016 resulting from higher revenue while the increase in administrative cost was mainly a result of the incurrence of relocation costs by our Japan operations for moving of offices and the recording of higher professional fees.

Net finance (expenses)/income

The incurrence of lower finance expenses, and receipt of higher finance income, led to the decrease of net finance expenses from \$138,000 to \$71,000 in 9MFY2016.

Share of results of associates and joint ventures

The Group recorded profits of \$266,000 and \$54,000 from share of results from its associates and joint ventures, respectively, for 9MFY2016.

Income taxes

In 9MFY2016, the Group recorded tax expense of \$1.5 million, mainly for the tax expense in the current financial period and an adjustment for the net movement in deferred taxes. Included in current 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 \$5.8 million for the financial period as compared to 9MFY2015's profits of \$4.7 million. In 9MFY2016, the Group recorded one-time income from recovery of bad debts of \$1.2 million (net of tax), dividend income of \$0.6 million from a quoted financial investment whereby the investee delisted its shares and currently in the process of voluntary liquidation, and impairment loss of \$0.4 million on investment of other financial assets. In 9MFY2015, 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 \$ 4.4 million from its operating activities in 9MFY2016, a decrease of 14% over 9MFY2015's operating profits of \$5.0 million. The drop in gross profit margin and higher operating expenses were the main reasons for the lower operating results.

Net profits after taxes and non-controlling interests in FY2016 Q3 was \$2.2 million, an improvement of 78% over FY2015 Q3's profits of \$1.2 million. Excluding the one-time dividend income from the quoted financial investment, operating results after tax and non-controlling interests was \$1.6 million, 26% higher than Q3 of last financial year.

Financial Conditions

Non-current assets

The non-current assets decreased by 3% from \$70.9 million as at 30 June 2015 to \$68.6 million as at 31 March 2016. The decrease in carrying amount of financial assets, as a result of the adverse movement in the market price of a quoted investment and decrease in the fair value of a quoted investment arising from the payment of the first interim liquidating dividend, was the main cause for the 3% movement in non-current assets.

Current assets

Total current assets as at 31 March 2016 was \$82.9 million, relatively flat as compared to the \$83.0 million as at 30 June 2015. There was a 14% increase in receivables but this was partially offset by 19% decrease in inventories and the completion of the disposals of asset classified as held for sale during the financial period.

Current liabilities and non-current liabilities

Total liabilities as at 31 March 2016 stood at \$28.1 million, a decrease of 12% 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 deferred tax liabilities.

Non-controlling interests

The was no material movement in non-controlling interests.

Liquidity and Capital Reserves

The net cash outflow of the Group for financial period ended 31 March 2016 was \$1.1 million. This can be accounted by:

- (a) cash inflow of \$5.5 million for operating activities;
- (b) cash inflow of \$0.7 million for investing activities; and
- (c) cash outflow of \$7.3 million for financing activities.

The positive results in the financial period, partially offset by net negative cash movement in working capital, led to the cash inflow from operating activities of \$5.5 million in 9MFY2016.

Proceed from disposal of asset classified as held for sale and dividend income received from other financial assets, partially offset by purchase of plant and equipment during the financial period led to the net cash inflow of \$0.7 million for investing activities.

Repayment of interest-bearing borrowings and payment of dividend were the main causes for the cash outflow of \$7.3 million for financing activities.

As at 31 March 2016, the Group's cash and cash equivalents position (including fixed deposits held as securities) was \$39.1 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 its business and financial prospects across key markets that it operates in for the quarter ending on 30 June 2016. Slow and controlled equipment spending at our customers, economic headwinds and anaemic end-market demand in major segments of data processing and consumer electronics impacted our business activities. Nevertheless, the Group remains focused on scaling its success factors and pruning inefficiencies to sustain future growth.