Ellipsiz Ltd
(Co. Reg. No. 199408329R)
and its subsidiaries

Financial Information and Dividend Announcement
For the second quarter and half year ended 31 December 2017

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.

Note: The Company entered into a conditional Sale and Purchase Agreement ("SPA") on 21 August 2017 to dispose its entire stake in its wholly-owned subsidiary group ("divestment project"), SV Probe Pte Ltd and certain of its subsidiaries ("SV Group"). The SPA was completed on 31 October 2017. For financial period from 1 July 2017 to 31 October 2017 reporting, the financial position and performance of SV Group, which approximates the financial position and performance of the Probe Card Solutions business segment are reported as discontinued operations; and consolidated statement of comprehensive income for the corresponding period of FY2017 (i.e.1 July 2016 to 31 December 2016) has been restated for comparative purpose. For further details, please refer to note 9 to the financial information.

Results of Operations

Revenue and gross profit

The revenue from continuing operations of the Group in the six months period ended 31 December 2017 was $21.9 million. This was an improvement of 8% from corresponding period of last year. Growth were mainly in Singapore, China and Taiwan operations. In addition, gross profit margin improved by 1% to 24% and gross profit increased by 12% from $4.7 million to $5.3 million.

Revenue for FY2018 2Q was an improvement of 3%, with an increase in gross profit margin from 23% in FY2017 2Q to 25% in FY2018 2Q.

Other income

Other income increased from $0.6 million in FY2017 1H to $14.2 million in FY2018 1H. The divestment project was completed on 31 October 2017 and accordingly, the Group recognised a gain on disposal of subsidiaries of $14.2 million during the period reported on.

Operating expenses

Total operating expenses increased by 115% from $6.5 million to $14.0 million.

In FY2018 1H, the Group incurred transaction costs of $3.5 million relating to the divestment project. Additionally, the Board approved ex-gratia totalling $4.1 million, payable to the Chief Executive Officer and Chief Financial Officer, on their retirements on 31 January 2018.

In FY2017 1H, the Company provided impairment loss of approximately $1.6 million on financial asset, recorded loss of $0.2 million on liquidation of a subsidiary and incurred additional professional fee expense of $0.2 million in respect of the mandatory cash offer exercise.

Excluding the one-off expenses, operating expenses in FY2018 1H increased by 42% from $4.5 million to $6.4 million, mainly due to incurrence of exchange loss of $2.3 million during FY2018 1H. The exchange exposure was due mainly to the USD denominated consideration received from the divestment project.

Finance income

Finance income increased by 15% in FY2018 1H when compared to FY2017 1H mainly due to increase in cash from the divestment project.

Share of results of associates

The disposal of interest in one of the associates in FY2017 3Q led to the lower share of results in FY2018 1H as compared to FY2017 1H.

Income taxes

In FY2018 1H, the Group recorded tax expense of $0.1 million, comprising of tax expenses in the current half year period and an adjustment for the net movement in deferred taxes. The amount was offset by an over provision in prior year.

Profit from discontinued operations, net of tax

Profit from discontinued operations, net of tax for FY2018 1H decreased by 32% to $2.6 million as it comprised 4 months results of the Probe Card Solutions business segment with the completion of the divestment project, while FY2017 1H profit comprised 6 months results of the said segment.

Net profit attributable to Owners of the Company

Continuing operations

The Group reported a profit, net of tax of $5.5 million from continuing operations for FY2018 1H as compared to a loss of $1.4 million for FY2017 1H.

In FY2018 1H, the Group recognised a one-off gain of $14.2 million on disposal of the SV Group, incurred certain one-off expenses amounting to $7.6 million and suffered an exchange loss of $2.3 million. In FY2017 1H, the Group recorded a one-off impairment provision of $1.6 million on financial asset, loss on liquidation of a subsidiary of $0.2 million, additional professional fee expense of $0.2 million to manage the mandatory cash offer exercise and an exchange gain of $0.4 million. Excluding these one-off items and exchange differences, the Group's net profit from its operating activities amounted to $1.2 million in FY2018 1H compared to net profit of $0.2 million in the corresponding period last year.

Overall

The Group reported a profit, net of tax of $8.1 million in FY2018 1H as compared to $2.3 million in FY2017 1H. Continuing operations contributed a net profit of $5.5 million in FY2018 1H, an improvement from the net loss of $1.4 million recorded in the corresponding period last year. Discontinued operations contributed a net profit of $2.6 million in FY2018 1H and $3.8 million in FY2017 1H.

Excluding the one-off items and exchange differences highlighted in earlier paragraphs, the Group's net profit from its operating activities in FY2018 1H was $3.8 million compared to FY2017 1H net profit of $3.9 million. This was notwithstanding that the Group recorded 4 months results from the SV Group in FY2018 1H versus 6 months in FY2017 1H.

Financial Position of the Group

Non-current assets

Non-current assets declined by 47% from $62.1 million as at 30 June 2017 to $33.2 million as at 31 December 2017. Property, plant and equipment, intangible assets and deferred tax assets had decreased mainly because of the divestment project. Financial assets increased by 19%, mainly due to movement in quoted prices of an available-for-sale financial asset. Other receivable of $9.3 million was in respect of the consideration held in an escrow account for the sale of the SV Group.

Current assets

Total current assets as at 31 December 2017 increased by 26%, mainly due to proceeds received from disposal of the SV Group which was partially offset by decreases in inventories and trade and other receivables as result of the said disposal.

Current and non-current liabilities

Total liabilities as at 31 December 2017 amounted to $16.9 million, a decrease of 37% from $26.9 million as at 30 June 2017 as result of the divestment project.

Cash and cash equivalents

The Group's cash and cash equivalents increased by $47.8 million from $53.7 million as at 30 June 2017 to $101.5 million as at 31 December 2017 due mainly to cash inflow on disposal of the SV Group of $62.1 million which was partially offset by payment of dividends of $10.9 million and payment of taxes of $2.1 million.

Non-controlling interests

The non-controlling interests as at 31 December 2017 amounted to $0.4 million.

(B) Where a forecast, or 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.

In January 2018, Singapore's factory activity rose for the seventeenth straight month against a background of synchronised global growth. Electronics manufacturing, however, saw growth easing for the second month in a row - but manufacturers remain optimistic. In the global landscape, Moody's released a positive 2018 outlook for the global manufacturing industry. Global economic expansion will continue, driving profit gains for most manufacturing sectors, and purchasing manager sentiment remains bullish. Reports and data from Gartner, SIA, Insights and SEMI are still showing that the global semiconductor is continuing on its upward trend for 2018.

On this backdrop of positive projections and the divestment of its Probe Card Solutions business segment, the Group is cautiously optimistic of our performance prospects for the second half of FY2018 in respect of the remaining Distribution & Services Solutions business segment. We will continue to be vigilant of our volatile operating environment, while exploring opportunities of growth inter-alia expanding our existing business to enhance shareholder value.

The Group successfully completed the divestment of its Probe Card Solutions business segment on 31 October 2017. Consequently, this business segment will no longer contribute to the Group's results.