

Issuer: Ellipsiz Ltd
Security: Ellipsiz Ltd

Meeting details:

Date: 19 Oct 2016

Time: 03:00 PM

Venue: 1 Orchid Club Road, Orchid Country Club (Octagon), Singapore 769162

Company description

Ellipsiz Ltd, an investment holding company, provides probe card, distribution, and service solutions to the semiconductor and electronics manufacturing industries. The company's Distribution and Services solutions segment distributes equipment and tools for semiconductor and electronics manufacturing, integrated circuit (IC) failure analysis, IC reliability testing, and printed circuit board assembly testing and inspection services; and provision of equipment maintenance support engineering services, including systems integration. This segment also provides facilities management services comprising turnkey facilities hook-up and turnkey wafer fabrication equipment relocation, as well as chemicals, gas, and abatement management services; test characterization services, such as qualification and reliability testing; and refurbishment services for pumps used in wafer fabs, as well as trading of consumable products for hospitals, pharmaceutical, electronic, and food processing industries. Its Probe Card solutions segment is involved in the design, manufacture, repair, and sale of probe cards, accessories, spare parts, and tools for the semiconductor manufacturing industry. The company also offers technology services, including technology transfer, training, technical, and consultancy services, as well as expert advice and technical assistance. It sells its products and services to customers in Singapore, Malaysia, China, the Philippines, Taiwan R.O.C., Vietnam, India, Japan, Europe, and the United States. The company was formerly known as SingaTrust Ltd. and changed its name to Ellipsiz Ltd in 2001. Ellipsiz Ltd was founded in 1992 and is headquartered in Singapore.

Source:http://sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BIX

1. With the benefit of hindsight, the move to divest the group’s investments in facilities and communication activities and to invest in the probe card business assets in FY2014 has worked out well. As with all technologies, the Probe Card market is constantly evolving. In the non-memory market, market share for MEMS has increased from about 5% in 2010 to 25% currently, while market share for cantilever has dropped correspondingly. **How strong is the group in MEMS since the industry expects this segment to grow the fastest? How sustainable is the group’s growth in the Probe Card solutions segment?** Research and development expenses amounted to \$3.6 million in FY2016. At 3% of revenue, it would appear to be on the low side. **How does the group innovate to come up with new technologies and better products? Also, can management help shareholders understand if the group’s competitive strengths could be leveraged for the memory probe card market?**

2. The group’s financial assets have been trimmed down gradually over the years of its unquoted securities, leaving \$4.97 million in “quoted equity securities available for sale”. Since the 2013 annual report, the company has not provided additional information in the notes to the financial statement (page 101, Note 8 - Financial Assets).

	FY2012 \$'000	FY2013 \$'000	FY2014 \$'000	FY2015 \$'000	FY2016 \$'000
Quoted equity securities available-for-sale	6,681	7,014	9,408	7,527	4,973

This should be the company’s interest in JEP Holding Ltd (“JEP”). Based on the latest disclosure by JEP, the company holds 175,364,808 shares or a 16.72% stake as at 28 March 2016. Based on the closing price of \$0.028 as at the end of the financial year, the stake is worth \$4.91 million, accounting for the bulk of the quote equity securities in the financial statements. The initial investment was made in October 2009 “to diversify the investment portfolio”. As this investment was made to diversify the investment portfolio, one would assume that JEP is not strategic to the group’s core operations. **If so, what is the board’s view of JEP as an investment? Given that the performance of JEP has been at best average, what are the company’s plans for JEP?**

Furthermore, on 11 October, JEP has announced a renounceable non-underwritten rights cum warrants issue, at the issue price of S\$0.020 for each Rights Share on the basis of one (1) Rights Share for every two (2) existing ordinary shares in the capital of the Company and one (1) Warrant for every two (2) Rights Shares subscribed for, at an exercise price of S\$0.020 for each New Share. The company has not given an undertaking to subscribe its pro-rata Rights Shares with Warrants entitlement. **Can shareholders get an update on the strategic value of this investment? How does the company plan to generate value from this investment made seven years ago as the company has to decide if it would put more money into JEP to maintain its stake or be diluted?**

3. Mr Chng Hee Kok was appointed as non-executive independent Chairman of the Board on 1 September 2015.

In the 2012 Corporate Governance Report, the company, in particular the Nominating Committee, has set the bar high and recommended the following:

To ensure that each director has sufficient and adequate time on affairs of the Company, the Board has set guidelines that each director shall not have more than five listed company board representations unless prior consent is obtained from the Chairman of the Board and the Nominating Committee, after considering the principal commitments of the director.

Mr Chng currently sits on a total of eight listed companies, of which he is also the audit committee chairman to six companies, audit committee member to one, nominating chairman to two, nominating committee member to one, and remuneration committee member of two. In total, Mr Chng sits on eight listed companies, which includes seven additional board committee chairmanships and four other board committee memberships.

	Listed Companies	
	Current year	Last three years
Mr. Chng Hee Kok	Independent director and Audit Committee chairman of: <ul style="list-style-type: none"> - Luxking Group Holdings Ltd - China Flexible Packaging Holdings Ltd - United Food Holdings Ltd Independent director, Nominating Committee and Audit Committee chairman of: <ul style="list-style-type: none"> - Chinasing Investment Holdings Ltd Independent director, Remuneration Committee and Audit Committee chairman of: <ul style="list-style-type: none"> - Infinio Group Ltd Independent director and Nominating Committee chairman of: <ul style="list-style-type: none"> - Full Apex Holdings Ltd Independent director of: <ul style="list-style-type: none"> - Samudera Shipping Line Ltd 	Executive director of LH Group Ltd. Independent director of <ul style="list-style-type: none"> - People's Food Holdings Ltd - Pacific Centruy Regional Developments Ltd

Source: Ellipsiz Annual Report 2016

Can the Nominating Committee explain how it was able to evaluate Mr Chng's principal commitments and on what basis did it arrive at the opinion that Mr Chng will be able to commit sufficient time and commitment on the affairs of the company?

Since the company has set a limit of not more than five board representations in its Corporate Governance Report, under what circumstances would the nominating committee decide that a director would not be able to effectively discharge his duties and/or commit sufficient time to the company?