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**Issuer:** Ellipsiz Ltd

**Security:** Ellipsiz Ltd

**Meeting details:**

Date: 18 October 2018

Time: 2.30 p.m.

Venue: 1 Orchid Club Road, Orchid Country Club, Emerald Suite, Singapore 769162

**Company Description**

Ellipsiz Ltd, an investment holding company, provides probe card, and distribution and service solutions to the semiconductor and electronics manufacturing industries in Singapore, Malaysia, China, Taiwan, the United States, Japan, Europe, and internationally. 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 provides equipment maintenance support engineering services, including systems integration to the semiconductor and electronics manufacturing services industry. This segment also provides facilities management services including chemicals, gas and abatement management, and turnkey wafer fabrication equipment relocation; and trades in consumable products for hospital, 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 solutions for in-circuit and functional testing; and sells and markets scientific and industrial products. 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://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=BIX](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BIX))

1. With the disposal of the probe card solutions business, the group recognised \$49.1 million in revenue from its remaining Distribution and Services Solutions (DSS) business. The 15% increase in revenue also led to the DSS segment result to improve from \$2.88 million to \$3.81 million, an improvement of 32%.

- (i) Would the company help shareholders understand the profile of its main customers in the DSS segment, including the customer type and location?**

In Note 19 (page 104 – Revenue), it is shown that sale of goods, service income and commission income accounted for \$37.8 million, \$7.0 million and \$4.4 million respectively.

- (ii) What is the breakdown of revenue in the sale of goods? Please disclose how much of the revenue is derived from the distribution of equipment and tools for semiconductor and electronics manufacturing, integrated circuit (“IC”) failure analysis, IC reliability testing and printed circuit board assembly testing and inspection; and the trading of consumable products?**

- (iii) What are the key factors that allowed the DSS segment to increase its revenue by 15% in the financial year? Can management update shareholders on the key opportunities for the DSS segment in the coming 1-2 years?**

- (iv) Given the current trade tension between the USA and its main trading partners, especially China, what is the impact, if any, on the group’s growth prospects?**

- (v) With the three General Managers of Taiwan & China/Singapore/Malaysia, can the company clarify if Mr Kelvin Lum, as chief executive officer and executive director, is actively involved in the day-to-day running of the DSS operations?**

- (vi) With the appointment of Mr Kelvin Lum as chief executive officer on 8 August 2018, would Mr Kelvin Lum be reconsidering his other commitments to allow him to focus on his executive appointment as the chief executive officer? In the SGX announcement dated 8 August 2018, Mr Kelvin Lum still holds other appointments such as Consultant to Lum Chang Holdings Limited and non-executive director of Lum Chang Holdings Limited.**

2. On 19 June 2018, the group invested \$10.0 million for a 50% stake in Kalms Investment Pte Ltd, which in turn owns a 90% stake in Kalms (Singapore) Pte Ltd (“Kalms SG”). As disclosed in the Operations review (page 12), Kalms SG is in the business of technology-enabled retail through the use of intelligent vending machines equipped with the latest technology and associated solutions. As at 30 June 2018, Kalms SG has deployed its intelligent vending machines across Singapore at locations such as Raffles City, International Plaza and Changi Airport.

Based on the company’s announcement on 25 May 2018, the net tangible asset value of Kalms Investment Pte Ltd as at 31 March 2018 was approximately S\$186,000.

As shown in Note 7 (page 90 – Joint ventures), a provisional amount of \$5,338,000 of goodwill arising from this acquisition has been recognised as at 30 June 2018.

- (i) Can the company help shareholders understand what was the level of commercial due diligence carried out prior to the investment into Kalms?**

For the period 20 June 2018 to 30 June 2018, Kalms recognised revenue of \$6,000. If one were to extrapolate the revenue, the annualised revenue is estimated to be \$220,000.

- (ii) When the group invested \$10 million for a 50% stake in Kalms, what were management’s estimates of its growth rates and profit margin?**
- (iii) Can the company help shareholders understand how many of such vending machines have been deployed so far and what are some of its targets in the next 6 months/12 months?**
- (iv) Would the audit committee consider it prudent to have an independent valuation of Kalms carried out prior to the investment?**
- (v) What was the role played by the independent directors in the due diligence and approval process?**
- (vi) As the company embarks on a new growth path following the sale of the probe card business, what are the safeguards put in place by the board/company to ensure that the acquisitions are not overly aggressive and the deals are structured to safeguard the interests of its stakeholders so that it leads to long term value creation for all shareholders?**

3. At the 23<sup>rd</sup> Annual General Meeting scheduled to be held on 18 October 2018, shareholders are asked to approve the payment of directors’ fees of \$297,000 for the financial year ending 30 June 2019, to be paid quarterly in arrears. This would be approximately 30% higher than the approved amount of \$230,000 for FY2017.

In addition, shareholders are also asked to approve the payment of additional directors’ fees of \$18,330 for the financial year ended 30 June 2018. As \$230,000 has been approved at the last AGM, the total directors’ fees approved for 2018 would add up to \$248,330.

In the footnote to the Notice of meeting, the increase was attributed to the appointments of Ms Iris Wu Hwee Tan and Mr Adrian Lum Wen-Hong on 8 January 2018 and partly offset by the retirement of Mr Jeffrey Staszak on 19 October 2017.

With the disposal of SV Group, the group’s operations have scaled down and consists mainly of the Distribution and services solutions segment. While the group looks for new opportunities, the oversight role of the board has scaled down correspondingly and the board now has a stronger focus in providing entrepreneurial leadership and in safeguarding shareholders’ interests when the group makes acquisitions.

- (i) Given that the group has divested a major segment and will be looking for investments into new areas, did the board and the nominating committee (NC) re-evaluate the board's profile and its competency matrix to understand the skills/competencies gaps in the board to support the group at this stage of its growth?**
- (ii) What is the search and nomination process for new directors, especially independent directors?**
- (iii) Ms Wu and Mr Adrian Lum are non-independent non-executive directors appointed to the board on 8 January 2018. Can the board and the NC help shareholders understand how the two appointments strengthen the board (especially in terms of industry experience) since the group's remaining core business is still related to the semiconductor and electronics manufacturer?**

In addition, it is noted that Mr Chng Hee Kok as the chairman and independent director of the company currently serves as independent director in the following 5 other listed companies:

- Samudera Shipping Line Ltd
- Full Apex (Holdings) Limited
- Luxking Group Holdings Limited
- United Food Holdings Limited
- Chaswood Resources Holdings Ltd.

Full Apex (Holdings) Limited has provisional liquidators appointed, United Food Holdings Limited is undergoing a major transaction and Chaswood Resources Holdings Ltd is facing litigations and has received letters of demand.

- (iv) Would Mr Chng help shareholders understand how he is able to devote sufficient time, energy, focus and attention to the group's matters especially when many of his other commitments are undergoing major restructuring/in distress?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 and 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Ellipsiz%20Ltd>

The company's response could be found here: -----