



ELLIPSIZ LTD

Company Registration No. 199408329R
(Incorporated in the Republic of Singapore)

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The board of directors (the “**Board**”) of Ellipsiz Ltd (the “**Company**”) refers to:

- (a) the annual report of the Company for the financial year ended 30 June 2022 (the “**Annual Report**”); and
- (b) the notice of annual general meeting of the Company (“**AGM**”) issued on 10 October 2022 informing shareholders that the AGM will be convened and held at 1 Orchid Club Road, Orchid Country Club, Emerald Suite, Singapore 769162 on Tuesday, 25 October 2022 at 3.00 p.m..

The Company has received questions from Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Annual Report.

Questions from SIAS and the Company’s responses to these questions are set out in Annex A of this announcement.

By Order of the Board
CHOW CHING SIAN
Company Secretary
24 October 2022

ANNEX A

RESPONSES TO QUESTIONS FROM SIAS

1. **Question(s):**

- (i) Can management confirm that the other shareholders of ICM (holding 60%) are not making their proportionate share of loan to ICM? What are the reasons for this arrangement?
- (ii) Has the Board identified the risks to the Group being the sole funder of the capital needs of ICM when the Group holds only 40% of ICM?
- (iii) What is the total amount earmarked to support this investment in eggs production in Singapore?
- (iv) Other than the contribution of capital, how is management able to value-add to this new agri-tech business given that the Board and the management team do not appear to have any agriculture expertise/experience?
- (v) What is the Group's level of involvement in the day-to-day operations of IFH?
- (vi) Does the investment in ICM significantly change the risk profile of the Group?

Company's responses:

As per the Company's announcement dated 30 June 2022, the Group acquired an aggregate interest of 40% in ICM for an aggregate consideration of \$4 million ("Acquisition"). The remaining 60% interest is currently held by Mr Ise Hikonobu ("IH") (53.333%) and Ms Yayoi Yoshikawa ("YY") (6.667%).

ICM holds a 70% interest in ISE Foods Holdings Pte Ltd ("IFH") which will be developing and operating the 4th egg farm in Singapore.

In its announcement dated 12 July 2022, the Company announced that it had agreed to extend a shareholder loan of up to \$28.5 million to ICM ("Shareholder Loan"), primarily for IFH to develop the egg farm. IH and YY did not to extend any loan to ICM. The Company was prepared to extend the entire amount of the Shareholder Loan in view of the extent of the Company's control over ICM provided for in the Shareholders' Agreement (as defined below).

Presently, a sum of approximately \$12.7 million had been extended to ICM, of which \$12.6 million was used by ICM to subscribe for additional shares in IFH. The other shareholders holding the remaining 30% interest in IFH had also subscribed for their proportionate share of equity in IFH contemporaneously. Funding for the development of the egg farm will be by a combination of equity, external financing and/or shareholders' loans to be extended proportionately by the shareholders of IFH.

The Shareholder Loan is interest bearing and is secured by (i) a first fixed charge over all present and future shares in the issued and paid-up share capital of ICM held by IH and YY and (ii) a first fixed charge over all present and future shares in the issued and paid-up share capital of IFH held by ICM. IH and YY have also given undertakings to procure and ensure, *inter alia*, the completion of the construction of the 4th egg farm within stipulated timelines.

A shareholders' agreement was entered into among ICM and its shareholders ("Shareholders' Agreement"), pursuant to which, a director nominated by Ellipsiz Agro Investments Pte Ltd ("EAIPL") will be appointed as the chairman of the board and the chairman shall have a casting

vote. The provisions in the Shareholders' Agreement give the Group control over the affairs and decisions of ICM despite it holding a 40% interest.

The Group is actively involved in the project management (including planning, design and development matters of the farm), procurement of external financing, strategising sales and marketing plans, amongst others. EAIPL has also onboard personnel with the relevant track record and experience in the local poultry industry.

The Group is currently engaged in the distribution and services solutions business, providing engineering and service solutions to customers in the semiconductor and electronics manufacturing industries. The Board believes that this investment would widen the Group's income streams to buffer business cycles stemming from the semiconductor and electronics industry. It would broaden the Group's operations and reduce its concentration of risks in the semiconductor and electronics industry.

2. **Question(s):**

The Company has been notified that the shareholder loan and the acquisition should be aggregated and treated as if they were one transaction. As such, this investment constitutes a major transaction which requires shareholders' approval.

Are the Board (especially the chairman and independent directors) and the senior executive management familiar with SGX listing rules? What was the reason for this oversight? Why isn't the Company holding an EGM after the AGM on 25 October 2022 to seek shareholders' approval of the transaction by ratification?

Company's responses:

The Board would like to emphasise that there is no oversight on the matter. The Company has complied with the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") in relation to its investment in ICM. It had sought appropriate advice from its legal counsel to ensure due compliance.

In the Company's announcement on 30 June 2022, it was clearly stated that the Acquisition constituted a discloseable transaction under Rule 1010 of the Listing Manual. Following the completion of the Acquisition, ICM became a 40% associated company (as defined in the Listing Manual) of the Company.

On 12 July 2022, the Company announced, pursuant to Chapter 7 of the Listing Manual, that the Shareholder Loan was extended to ICM. The completion of the Acquisition was not conditional upon the extension of the Shareholder Loan. The Shareholder Loan was extended to ICM only because it is a 40% associated company (as defined in the Listing Manual) of the Company. It should also be noted that arising from its rights under the Shareholders' Agreement, the Group has control over ICM and had accounted for its interest in ICM as an investment in a subsidiary. Rule 1002 of the Listing Manual excludes the provision of financial assistance to the issuer, or its subsidiary or associated company from the definition of "transaction".

The Company was subsequently notified by SGX-ST that pursuant to Rule 1005 of the Listing Manual, SGX-ST is of the view that both the Acquisition and the Shareholder Loan should be aggregated and treated as one single transaction. Rule 1005 of the Listing Manual provides: "*In determining whether a transaction falls into category (a), (b), (c) or (d) of Rule 1004, the Exchange may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction.*" When aggregated, the Acquisition and the Shareholder Loan constituted a major transaction under Rule 1014 of the Listing Manual. Accordingly, the Company had disclosed in the Letter to Shareholders in its Annual Report that it will be convening a general meeting to

seek Shareholders' approval by way of ratification. The Company will be issuing a circular for such purpose and the date of the general meeting will be announced in due course.

The Board would like to re-iterate that SGX-ST has taken a view to aggregate the two separate transactions, namely, the Acquisition and the Shareholder Loan (which were completed within a 12-month period), and treat them as if they were one transaction. There was no oversight on the part of the Company.

3. **Question(s):**

What is the impact of the new export controls to China imposed by the United States on the Group's DSS segment?

Company's responses:

The new export controls imposed by the US government are mainly on the export of advanced computing chips and machinery to China where Chinese foundries use them for the manufacturing of advanced semiconductors or semiconductor manufacturing equipment. The Group has one US based supplier. This supplier is supporting the backend or laboratory activities of the semiconductor manufacturing process. The business from this supplier is mainly consumables which are not impacted by the new export controls.

4. **Question(s):**

- (i) Would the Company/Nominating Committee ("NC") disclose the selection criteria and the search and nomination process that led to the appointment of Mr David Ong Kim Huat?
- (ii) What was the basis of the NC's recommendation of Mr David Ong Kim Huat to be the Chairman of the Company given his short stints as a director of listed companies?

Company's responses:

The NC had evaluated the needs of the Board taking into consideration the need for diversity including skills sets, expertise, experience and the value that the candidate can contribute to the Board. The NC is of the view that Mr Ong's wide experience in marketing, tourism and entrepreneurship would bring about an appropriate mix of expertise and experience to the Board. Mr Ong was a former Member of Parliament of Singapore and he held senior marketing positions in various international companies including Visa International, Reed Elsevier and Publicis. In 1997, he started Planet Marketing Inc which provided business and marketing consultancy to MNCs. He is currently the Managing Director for RedDot Media Inc, a company he founded in 1998 that specialises in providing media solutions to the tourism industry. He was a member of NTUC U-Care Board of Trustees from 2010 to 2022. Prior to making its recommendation to the Board, the NC Chair had interviewed Mr Ong and the NC collectively assessed Mr Ong's credentials, unanimously supporting its recommendation of Mr Ong to be appointed as Chairman of the Board.