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Elec & Eltek 依利安達

Elec & Eltek International Company Limited

依利安達集團有限公司*

(Incorporated in the Republic of Singapore with Limited Liability)

Singapore Company Registration Number: 199300005H

(Hong Kong Stock Code: 1151)

(Singapore Stock Code: E16.SI)

AUDITED FINANCIAL RESULTS AND DIVIDEND ANNOUNCEMENT FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2015

This announcement is made by Elec & Eltek International Company Limited (the “**Company**”) pursuant to the disclosure obligation under Rules 13.09 and 13.10B of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**SEHK**”) (the “**Listing Rule**”). This announcement is originally prepared in English. In the case of any inconsistency between the English version and the Chinese version, the English version shall prevail.

This announcement is prepared in accordance with the relevant regulations of the Singapore Exchange Securities Trading Limited (“**SGX**”). The financial information, except for the consolidated results of the Group (as defined below) for the fourth quarter, set out in this announcement has been prepared in accordance with the Singapore Financial Reporting Standards (“**FRS**”) and has been audited by auditors. Shareholders of the Company and public investors should exercise caution when trading in the shares of the Company.

This announcement contains projections and forward-looking statements regarding the objectives and expectations of the Company and its subsidiaries (collectively referred to as the “**Group**”) with respect to its business opportunities and business prospects. Such forward-looking statements do not constitute guarantees of the future performance of the Group and are subject to factors that could cause the Company’s actual results, plans and objectives to differ materially from those expressed in the forward-looking statements. These factors include, but are not limited to, general industry and economic conditions, shifts in customer demands, customers and partners, and government and policy changes. The Group undertakes no obligation to update or revise any forward-looking statements contained in this announcement to reflect subsequent events or circumstances.

FINANCIAL HIGHLIGHTS			
	Twelve months ended 31 December		
	2015	2014	% Change
	US\$'000	US\$'000	
Revenue	452,983	517,075	-12%
EBITDA	45,105*	54,681**	-18%
EBITDA margin	10.0%*	10.6%**	
Underlying profit before tax	3,405*	9,397**	-64%
Net profit attributable to owners of the Company			
- Underlying net (loss) profit	(676)*	6,971**	-110%
- Reported (loss) profit	(4,837)	3,501	-238%
Basic (loss) earnings per share			
- Underlying net (loss) profit	(US0.36 cents)*	US3.73 cents**	-111%
- Reported (loss) profit	(US2.59 cents)	US1.87 cents	-239%
Full-year dividend per share			
- Interim dividend per share	—	US3.00 cents	-100%
- Proposed final dividend per share	US3.00 cents	US3.00 cents	0%
Dividend payout ratio	-115.9%	320.3%	
Net asset value per share	US\$1.99	US\$1.83	9%
Net gearing ratio	17.3%	19.4%	

* Excluding the addition provision for potential claims of approximately US\$4.2 million made in the quarter ended 31 March 2015.

** Excluding the restructuring provision of approximately US\$3.5 million made in the quarter ended 30 September 2014.

RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2015 (“**CY2015**”) together with the comparative figures for the year ended 31 December 2014 (“**CY2014**”).

Consolidated Statement of Profit or Loss

	Notes	CY2015 US\$'000	CY2014 US\$'000	% Change
Revenue	2	452,983	517,075	-12.4%
Cost of sales		<u>(416,608)</u>	<u>(472,323)</u>	-11.8%
Gross profit		36,375	44,752	-18.7%
<i>Gross profit margin</i>		<i>8.0%</i>	8.7%	
Other operating income and gains	3	4,677	3,131	49.4%
Distribution and selling costs		(13,908)	(14,257)	-2.4%
Administrative expenses		(24,058)	(20,398)	17.9%
Other operating expenses and losses		(1,886)	(5,746)	-67.2%
Finance costs	4	<u>(1,956)</u>	<u>(1,555)</u>	25.8%
(Loss) profit before taxation		(756)	5,927	-112.7%
Income tax expense	5	<u>(3,252)</u>	<u>(1,656)</u>	96.4%
(Loss) profit for the year		<u>(4,008)</u>	<u>4,271</u>	-193.8%
(Loss) profit attributable to:				
Owners of the Company		(4,837)	3,501	-238.2%
Non-controlling interests		<u>829</u>	<u>770</u>	7.7%
		<u>(4,008)</u>	<u>4,271</u>	-193.8%
(Loss) earnings per share				
(US cents)	7			
- Basic		<u>(2.59)</u>	<u>1.87</u>	-238.5%

Notes to Consolidated Statement of Profit or Loss:

	CY2015 US\$'000	CY2014 US\$'000	% Change
Depreciation	39,620	43,616	-9.2%
Amortisation of prepaid land use rights	164	164	0%
Allowance for doubtful debts	3,888	496	683.9%
Reversal of allowance for inventory obsolescence	(257)	(7)	3,571.4%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	CY2015 US\$'000	CY2014 US\$'000	% Change
(Loss) profit for the year	<u>(4,008)</u>	<u>4,271</u>	-193.8%
Other comprehensive income (expense):			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus of properties transferred to investment properties	39,744	—	n/m
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	<u>(887)</u>	<u>(97)</u>	814.4%
Other comprehensive income (expense) for the year, net of tax	<u>38,857</u>	<u>(97)</u>	-40,158.8%
Total comprehensive income for the year	<u>34,849</u>	<u>4,174</u>	734.9%
Total comprehensive income attributable to:			
Owners of the Company	34,020	3,404	899.4%
Non-controlling interests	<u>829</u>	<u>770</u>	7.7%
	<u>34,849</u>	<u>4,174</u>	734.9%

n/m - percentage not meaningful

Statements of Financial Position

		GROUP		COMPANY	
	Notes	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
ASSETS					
Current assets					
Cash and bank balances		10,950	22,303	117	67
Trade receivables	10	132,724	129,863	—	—
Bills receivables	10	268	518	—	—
Other receivables		14,263	21,203	1	1
Prepaid land use rights		211	399	—	—
Dividend receivables		—	—	—	27,100
Inventories	11	32,880	42,729	—	—
Total current assets		191,296	217,015	118	27,168
Non-current assets					
Property, plant and equipment	9	286,245	308,017	—	—
Prepaid land use rights		12,965	12,941	—	—
Deposits for acquisition of plant and equipment	9	1,833	6,263	—	—
Investment properties		98,834	46,592	—	—
Subsidiary companies		—	—	464,916	459,849
Deferred tax assets		83	84	—	—
Total non-current assets		399,960	373,897	464,916	459,849
Total assets		591,256	590,912	465,034	487,017
LIABILITIES AND EQUITY					
Current liabilities					
Bank overdraft and loans	13	41,022	44,962	—	—
Trade payables	12	105,262	119,891	—	—
Bills payables	12	7,069	4,745	—	—
Other payables		30,065	31,970	3,852	1,350
Amounts due to subsidiary companies		—	—	213,547	234,587
Provision for taxation		709	1,836	—	—
Total current liabilities		184,127	203,404	217,399	235,937
Non-current liabilities					
Bank loans	13	34,310	43,665	—	—
Deferred tax liabilities		1,428	1,169	—	—
Total non-current liabilities		35,738	44,834	—	—
Capital, reserves and non-controlling interests					
Share capital	14	113,880	113,880	113,880	113,880
Reserves		247,100	218,687	133,755	137,200
Equity attributable to owners of the Company		360,980	332,567	247,635	251,080
Non-controlling interests		10,411	10,107	—	—
Total equity		371,391	342,674	247,635	251,080
Total liabilities and equity		591,256	590,912	465,034	487,017

Statements of Changes in Equity

	Attributable to owners of the Company									
	Share Capital US \$'000	Capital reserve US \$'000 (Note i)	Statutory reserve US \$'000 (Note ii)	Revaluation reserve US \$'000 (Note iii)	Other reserve US \$'000 (Note iv)	Retained earnings US \$'000	Foreign currency translation reserve US \$'000	Total US \$'000	Non-controlling interests US \$'000	Total equity US \$'000
THE GROUP										
Balance at 1 January 2015	113,880	1,916	5,353	2,940	166	191,536	16,776	332,567	10,107	342,674
Total comprehensive income for the year										
(Loss) profit for the year	—	—	—	—	—	(4,837)	—	(4,837)	829	(4,008)
Revaluation of properties transferred to investment properties	—	—	—	39,744	—	—	—	39,744	—	39,744
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(887)	(887)	—	(887)
Other comprehensive income for the year, net of tax	—	—	—	39,744	—	—	(887)	38,857	—	38,857
Total	—	—	—	39,744	—	(4,837)	(887)	34,020	829	34,849
Transactions with owners, recognised directly in equity										
Transfer from retained earnings to statutory reserve	—	—	452	—	—	(452)	—	—	—	—
Dividend paid in respect of - previous year	—	—	—	—	—	(5,607)	—	(5,607)	(525)	(6,132)
Total	—	—	452	—	—	(6,059)	—	(5,607)	(525)	(6,132)
Balance at 31 December 2015	<u>113,880</u>	<u>1,916</u>	<u>5,805</u>	<u>42,684</u>	<u>166</u>	<u>180,640</u>	<u>15,889</u>	<u>360,980</u>	<u>10,411</u>	<u>371,391</u>
Balance at 1 January 2014	113,880	1,916	5,345	2,940	166	206,735	16,873	347,855	9,699	357,554
Total comprehensive income for the year										
Profit for the year	—	—	—	—	—	3,501	—	3,501	770	4,271
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(97)	(97)	—	(97)
Other comprehensive income for the year, net of tax	—	—	—	—	—	—	(97)	(97)	—	(97)
Total	—	—	—	—	—	3,501	(97)	3,404	770	4,174
Transactions with owners, recognised directly in equity										
Transfer from retained earnings to statutory reserve	—	—	8	—	—	(8)	—	—	—	—
Dividend paid in respect of - previous year	—	—	—	—	—	(13,085)	—	(13,085)	(362)	(13,447)
- current year	—	—	—	—	—	(5,607)	—	(5,607)	—	(5,607)
Total	—	—	8	—	—	(18,700)	—	(18,692)	(362)	(19,054)
Balance at 31 December 2014	<u>113,880</u>	<u>1,916</u>	<u>5,353</u>	<u>2,940</u>	<u>166</u>	<u>191,536</u>	<u>16,776</u>	<u>332,567</u>	<u>10,107</u>	<u>342,674</u>

Notes:

- i. Capital reserve represents amounts transferred from the share option reserve upon the exercise of share options.
- ii. Statutory reserve represents amounts set aside by subsidiary companies operating in the People's Republic of China (the "**PRC**") and Thailand for declaration of dividends as required under the laws of the PRC and Thailand.
- iii. The revaluation reserve of the Group represents the gain on revaluation of certain properties of the Group as a result of the transfer from property for own use to investment properties.
- iv. The amount credited to other reserve represents the difference between the fair value of consideration and the carrying amount of the net assets attributable to the additional interest in subsidiaries being acquired from non-controlling shareholders, which will be recognised to the profit and loss upon the disposal of the subsidiaries or the disposal by the subsidiaries.

Statements of Changes in Equity (continued)

	Share capital US\$'000	Capital reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
<u>THE COMPANY</u>				
Balance at 1 January 2015	113,880	1,916	135,284	251,080
Profit for the year, representing total comprehensive income for the year	—	—	2,162	2,162
Transactions with owners, recognised directly in equity				
Dividend paid in respect of				
- previous year	<u>—</u>	<u>—</u>	<u>(5,607)</u>	<u>(5,607)</u>
Balance at 31 December 2015	<u>113,880</u>	<u>1,916</u>	<u>131,839</u>	<u>247,635</u>
Balance at 1 January 2014	113,880	1,916	122,386	238,182
Profit for the year, representing total comprehensive income for the year	—	—	31,590	31,590
Transactions with owners, recognised directly in equity				
Dividend paid in respect of				
- previous year	<u>—</u>	<u>—</u>	<u>(13,085)</u>	<u>(13,085)</u>
- current year	<u>—</u>	<u>—</u>	<u>(5,607)</u>	<u>(5,607)</u>
Balance at 31 December 2014	<u>113,880</u>	<u>1,916</u>	<u>135,284</u>	<u>251,080</u>

Consolidated Statement of Cash Flows

	CY2015 US\$'000	CY2014 US\$'000
Operating activities		
(Loss) profit before taxation	(756)	5,927
Adjustments for:		
Allowance for doubtful debts	3,888	496
Finance costs	1,956	1,555
Depreciation of property, plant and equipment	39,620	43,616
Amortisation of prepaid land use rights	164	164
Loss on disposal of property, plant and equipment	104	1,828
Impairment loss recognised in respect of property, plant and equipment	—	2,374
Gain on fair value change of investment properties	(43)	(146)
Reversal of allowance for inventory obsolescence	(257)	(7)
Interest income	(40)	(51)
Operating income before movements in working capital	44,636	55,756
Decrease (increase) in inventories	10,106	(1,179)
Increase in trade and other receivables	(3,584)	(16,471)
(Decrease) increase in trade and other payables	(11,314)	10,844
Net cash generated from operations	39,844	48,950
Interest income received	40	51
Interest paid	(2,073)	(1,778)
Income taxes paid	(4,066)	(511)
Net cash from operating activities	33,745	46,712
Investing activities		
Proceeds from disposal of property, plant and equipment	976	209
Purchase of property, plant and equipment	(22,439)	(27,305)
Deposits paid for acquisition of property, plant and equipment	(3,825)	(13,996)
Net cash used in investing activities	(25,288)	(41,092)

	CY2015 US\$'000	CY2014 US\$'000
Financing activities		
Proceeds from bank borrowings	58,397	57,553
Repayment of bank borrowings	(71,691)	(41,713)
Dividends paid by the Company	(5,607)	(18,692)
Dividends paid by subsidiary companies to non-controlling shareholders	<u>(525)</u>	<u>(362)</u>
Net cash used in financing activities	<u>(19,426)</u>	<u>(3,214)</u>
Net (decrease) increase in cash and cash equivalents	(10,969)	2,406
Cash and cash equivalents at the beginning of the year	22,302	20,387
Effect of foreign exchange rate changes on the balances of cash held in foreign currencies, net	<u>(383)</u>	<u>(491)</u>
Cash and cash equivalents at the end of the year	<u>10,950</u>	<u>22,302</u>
Cash and cash equivalents consist of:		
Cash and bank balances	10,950	22,303
Bank overdrafts — unsecured	<u>—</u>	<u>(1)</u>
	<u>10,950</u>	<u>22,302</u>

Notes:

1. Basis of preparation and principal accounting policies

The same accounting policies and methods of computation have been applied in the preparation of the consolidated financial statements for the twelve months ended 31 December 2015 as the most recent audited financial statements as at 31 December 2014.

For the current financial period, the Group has applied the all new and revised FRS, as well as the amendments to and interpretation of FRS (“**INT FRS**”) that are relevant to its operations and effective for financial periods beginning on or after 1 January 2015.

The adoption of the above new and revised FRS does not result in changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current or prior financial periods.

The Group has not, for the current financial period, adopted the following new and revised standards or amendments to FRS, which would take effect for financial periods beginning on or after 1 January 2016:

- *FRS 109 Financial Instruments*
- *FRS 115 Revenue from Contracts with Customers*
- *Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative*

The Group is in the process of making an assessment of the impact of the above new and revised standards and amendments upon initial application but is not yet in a position to state whether the above new and the revised standards and amendments would have a significant impact on its results of operations and the financial position of the Group.

2. Revenue and segment information

The Group's operating activities are attributable to a single reporting and operating segment focusing on manufacture and distribution of printed circuit boards ("PCB"). This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies to conform with FRS, that are regularly reviewed by the Executive Directors of the Company in order to allocate resources to this reportable segment and to assess its performance. Accordingly, no analysis of this single reporting segment is represented.

Revenue by geographical area

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	CY2015	CY2014	CY2015	CY2014
	US\$'000	US\$'000	US\$'000	US\$'000
Asia				
The PRC (including Hong Kong)	201,246	248,496	377,115	350,512
South East Asia*	56,836	76,498	22,845	23,385
Others*	38,076	39,622	—	—
	296,158	364,616	399,960	373,897
Europe	118,080	104,945	—	—
North & Central America*	34,529	42,533	—	—
Rest of the world*	4,216	4,981	—	—
	452,983	517,075	399,960	373,897

* The revenue from external customers of the countries within these regions are individually less than 10% of the total revenue of the Group from external customers.

Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	CY2015	CY2014
	US\$'000	US\$'000
Customer A	87,933	83,493
Customer B*	47,520	—

* Revenue from this customer is less than 10% of the Group's revenue in 2014.

Breakdown of sales

	CY2015 US\$'000 (Unaudited)	CY2014 US\$'000 (Unaudited)	% change
(a) Sales reported for first half year	221,501	251,520	-12%
(b) Operating (loss) profit after tax before deducting non-controlling interests reported for first half year	(10,323)	5,467	-289%
(c) Sales reported for second half year	231,482	265,555	-13%
(d) Operating profit (loss) after tax before deducting non-controlling interests reported for second half year	6,315	(1,196)	628%

3. Other operating income and gains

	CY2015 US\$'000	CY2014 US\$'000
Interest income	40	51
Rental income from investment properties	3,747	2,645
Gain on fair value changes of investment properties	43	146
Gain on foreign exchange	—	289
Others	847	—
	<u>4,677</u>	<u>3,131</u>

4. Finance costs

	CY2015 US\$'000	CY2014 US\$'000
Interest on bank loans	2,073	1,778
Less: Amounts capitalised	<u>(117)</u>	<u>(223)</u>
	<u>1,956</u>	<u>1,555</u>

5. Income tax expense

	CY2015 US\$'000	CY2014 US\$'000
Current tax:		
Singapore income tax	2	2
PRC enterprise income tax	3,699	1,955
Hong Kong income tax	3	4
Other jurisdictions	<u>21</u>	<u>31</u>
	3,725	1,992
Over provision:		
PRC enterprise income tax	(1,002)	(418)
Hong Kong income tax	<u>—</u>	<u>(17)</u>
	(1,002)	(435)
Deferred tax	<u>529</u>	<u>99</u>
	<u>3,252</u>	<u>1,656</u>

The Group's profit is subject to taxation from the place of its operations where its profit is generated. Taxation arising in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

6. Dividend

	CY2015 US\$'000	CY2014 US\$'000
Dividend paid:		
In respect of current financial year		
No interim one-tier tax exempt dividend for 2015 (2014:		
US3.0 cents) per ordinary share	—	5,607
In respect of previous financial year		
Final one-tier tax exempt dividend for 2014 of US3.0 cents		
(2013: US7.0 cents) per ordinary share	<u>5,607</u>	<u>13,085</u>
	<u>5,607</u>	<u>18,692</u>
Dividend proposed:		
Proposed final one-tier tax exempt dividend for 2015 of		
US3.0 cents (2014: US3.0 cents) per ordinary share	<u>5,607</u>	<u>5,607</u>

The Directors have recommended a one-tier tax exempt final dividend of US3.0 cents per ordinary share (2014: US3.0 cents per ordinary share) to be payable in respect of the current year. This dividend will be recorded as a liability on the statement of financial position of the Company and the Group upon approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

7. (Loss) earnings per share

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following:

	Earnings	
	CY2015 US\$'000	CY2014 US\$'000
(Loss) profit attributable to owners of the Company	<u>(4,837)</u>	<u>3,501</u>
	Number of shares	
	CY2015 '000	CY2014 '000
Weighted average number of ordinary shares used to compute basic (loss) earnings per share	<u>186,920</u>	<u>186,920</u>
(Loss) earnings per share (US cents)		
- Basic	<u>(2.59)</u>	<u>1.87</u>

The group had not granted options over shares. There are no dilutive potential ordinary shares.

8. Net asset value

	Group		Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Net asset value (including non-controlling interests) per ordinary share based on total number of issued shares excluding treasury shares at the end of the period*	<u>1.99</u>	<u>1.83</u>	<u>1.32</u>	<u>1.34</u>

* Based on 186,919,962 issued shares as at 31 December 2015 (31 December 2014: 186,919,962 issued shares net of treasury shares).

9. Additions to property, plant and equipment

During the current reporting period, the Group spent approximately US\$30.4 million (CY2014: approximately US\$41.3 million) on acquisition of property, plant and equipment including deposits paid.

The deposits for acquisition of plant and equipment relate to down payments made when new plant and equipment are purchased for operational needs. The amount of down payment reported at each quarter end will depend on factors such as (but not limited to) timing of orders placed for respective equipment, the delivery and the commissioning of the equipment purchase.

10. Trade and bills receivables

	GROUP	
	2015	2014
	US\$'000	US\$'000
Trade receivables		
- Third parties	135,024	131,482
- Related parties (note)	3,212	3,413
Less: Allowance for doubtful debts	<u>(5,512)</u>	<u>(5,032)</u>
	132,724	129,863
Bills receivables	<u>268</u>	<u>518</u>
Total	<u>132,992</u>	<u>130,381</u>

Note: Related parties are subsidiaries of the ultimate holding company other than the Group.

The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the relevant invoice dates at the end of the reporting period:

	GROUP	
	2015	2014
	US\$'000	US\$'000
Within 90 days	112,331	116,037
91 to 180 days	16,320	13,293
Over 180 days	<u>4,073</u>	<u>533</u>
	<u>132,724</u>	<u>129,863</u>

At the end of the reporting period, the bills receivables were aged within 180 days (31 December 2014: within 180 days).

Trade receivables are non-interest bearing and generally on 30 to 120 days' credit terms.

11. Inventories

	GROUP	
	2015	2014
	US\$'000	US\$'000
Raw materials	6,165	12,051
Work-in-progress	15,430	21,185
Finished goods	11,285	9,493
	<u>32,880</u>	<u>42,729</u>

12. Trade and bills payables

	GROUP	
	2015	2014
	US\$'000	US\$'000
Trade payables		
- Third parties	56,621	70,258
- Related parties (note)	48,641	49,633
	105,262	119,891
Bills payables	7,069	4,745
Total	<u>112,331</u>	<u>124,636</u>

Note: Related parties are subsidiaries of the ultimate holding company other than the Group.

Trade payables are non-interest bearing and generally on 15 to 120 days' terms. The following is an ageing analysis of trade payables presented based on the relevant invoice dates at the end of the reporting period:

	GROUP	
	2015	2014
	US\$'000	US\$'000
Within 90 days	77,207	80,003
91 to 180 days	19,528	31,489
Over 180 days	8,527	8,399
	<u>105,262</u>	<u>119,891</u>

At the end of the reporting period, the bills payables were aged within 180 days (31 December 2014: within 180 days). The bills payables mainly related to the purchase of equipment via the payment mode of issuing irrevocable letters of credits.

13. Bank borrowings

	GROUP	
	2015	2014
	US\$'000	US\$'000
Unsecured:		
Bank loans	75,332	88,626
Bank overdraft	<u>—</u>	<u>1</u>
Bank loans - unsecured	<u>75,332</u>	<u>88,627</u>
Comprising amounts following due:		
- Within one year	41,022	44,962
- More than one year	<u>34,310</u>	<u>43,665</u>
	<u>75,332</u>	<u>88,627</u>

The Group's total external borrowings decreased by approximately 15% to approximately US\$75.3 million as at 31 December 2015 from 31 December 2014 due to repayment of loans in 2015.

14. Share capital

As at 31 December 2015, the Company had a total of 186,919,962 (31 December 2014: 186,919,962) issued ordinary shares excluding treasury shares.

15. Share options

There were no share options outstanding as at 31 December 2015 and 31 December 2014, respectively. No share option has been granted under the 2008 Elec & Eltek Employees' Share Option Scheme since its adoption by the Company on 9 May 2008 and as at the date of this announcement.

16. Capital commitments

	GROUP	
	CY2015	CY2014
	US\$'000	US\$'000
Capital expenditure not provided for in the consolidated financial statements:		
Commitments in respect of contracts placed for plant expansion	<u>7,270</u>	<u>18,265</u>

17. Net current assets and total assets less current liabilities

As at 31 December 2015, the Group's net current assets, defined as current assets less current liabilities, amounted to approximately US\$7.2 million (31 December 2014: approximately US\$13.6 million).

As at 31 December 2015, the Group's total assets less current liabilities amounted to approximately US\$407.1 million (31 December 2014: approximately US\$387.5 million).

18. Reconciliation between FRS and International Financial Reporting Standards ("IFRS")

For the year ended 31 December 2015, there were no material differences between the consolidated financial statements of the Group prepared under FRS and IFRS.

BUSINESS REVIEW

During the year under review, the Group was principally engaged in the distribution and manufacturing of PCB. The Group's customers mainly come from manufacturers and distributors of automotive products, communication and networking products (including mobile phones) and High Density Interconnect ("HDI") products with geographical locations spanning across Asia, Europe and North America.

Sales of the Group decreased by 12.4% to US\$453.0 million (CY2014: US\$517.1 million), a decrease of US\$64.1 million. The decrease was due to the intense competition in the PCB market and the impact from the uncertain global economic environment, which caused customers to be cautious in placing their orders.

The Group's gross profit declined by 18.7% to US\$36.4 million (CY2014: US\$44.8 million), a decrease of US\$8.4 million. The gross margin was trimmed down to 8.0% in CY2015 as compared with 8.7% in CY2014. The decline was primarily attributable to the average selling price remaining under pressure due to intense competition in the PCB market, lower plant output against a higher overhead absorption at the plants and rising operating costs. The net loss attributable to shareholders was US\$4.8 million (CY2014 : net profit of US\$3.5 million). Earnings before interest, tax, depreciation and amortization for the Group ("EBITDA") stood at US\$45.1 million (CY2014: US\$54.7 million). At the end of CY2015, the net gearing ratio was maintained at a level of 17.3% (end of CY2014 : 19.4%). The Group's financial position remained healthy and continued to generate steady operating cash flow.

The Group continued to maintain a balanced portfolio of PCB products manufactured with more focus on high profit margin and signature PCB products. During the year under review, sales of PCB for communication and networking industry (including mobile phones) accounted for about 37% of total sales (CY2014: about 47%) while automotive accounted for about 23% of total sales (CY2014: about 18%). Sales of High Density Interconnect ("HDI") accounted for about 37% of total sales (CY2014: about 33%). The change in percentage of product mix this year as compared with last year was due to the increase in average selling price for products sold to customers in automotive industry as a result of higher specification required by customers in this industry. It was also the management decision to gradually replace the orders of thin profit margin products, as a result of price pressure and fierce competition, by products with better profit margin.

Income tax expenses increased by 96.4% from approximately US\$1,656,000 in CY2014 to approximately US\$3,252,000 in CY2015 as a result of the increase in the Group's taxable profit in the PRC.

In appreciation of shareholders' long-standing support, the Board has recommended a final one-tier tax exempt dividend of US3.0 cents per share to shareholders of the Company, subject to the approval at the forthcoming annual general meeting of the Company.

To the best of the Board's knowledge, nothing has come to the attention of the Board which may render the audited financial results for the year ended 31 December 2015 to be false or misleading in any material respect.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2015, the Group's net current assets was US\$7.2 million (31 December 2014: US\$13.6 million), making the current ratio 1.04 as compared to 1.07 as at 31 December 2014.

The net working capital cycle was 26 days as at 31 December 2015 (31 December 2014: 15 days) on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 30 days (31 December 2014: 29 days).
- Trade receivables, in terms of debtors turnover days, increased to 104 days (31 December 2014: 83 days).
- Trade payables, in terms of creditors turnover days, increased to 108 days (31 December 2014: 97 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) as at 31 December 2015 was about 17.3% (31 December 2014: about 19.4%). The proportion of short-term and long-term bank borrowings stood at 54%: 46% (31 December 2014: 51%: 49%). The total equity of the Group as at 31 December 2015 was US\$371.4 million (31 December 2014: US\$342.7 million). As at 31 December 2015, the Group had cash on hand and undrawn loan facilities of approximately US\$11.0 million and US\$32.3 million respectively.

The Group's transactions and monetary assets are principally denominated in United States dollars, Renminbi and Hong Kong dollars. There was no material foreign exchange exposure to the Group during the year under review.

HUMAN RESOURCES

As at 31 December 2015, the Group had a workforce of approximately 8,900 (31 December 2014: approximately 9,300). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time. The Group awards discretionary bonuses to eligible employees based upon profit achievements of the Company and individual performance.

The Company has in place a share option scheme in order to attract and retain the best available personnel and to align the interests of the employees with the Group's interests.

PROSPECTS

Looking forward to 2016 and beyond, the Group expects the PCB market to remain challenging. Amid the uncertain global economic environment, apart from developing potential new customers, the Group will continue to strengthen its relationship with existing customers so as to maintain a consistent growth of a sizable and loyal customer base.

On the production side, the Group will continue to streamline its manufacturing processes so as to further improve its efficiency and effectiveness. Prudent cost control measures will be implemented in all production plants. The Group will continue to upgrade its production capabilities and product quality in order to keep up with customer demands and achieve consistent customer satisfaction. By doing so, the Group aims to strengthen its competitiveness over its rivals in the PCB market, generate sustainable returns and maximize shareholders' wealth.

CLOSURE OF REGISTER OF MEMBERS IN RESPECT OF SHAREHOLDERS' ENTITLEMENT TO ATTEND THE ANNUAL GENERAL MEETING AND TO FINAL DIVIDEND

The Company will make appropriate announcements at a subsequent date and time to be confirmed.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the SEHK.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and auditors, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2015.

COMPLIANCE WITH THE HONG KONG CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions ("**Code Provisions**") as stated in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "**CG Code**") as the code of the Company.

Currently, there are five Board Committees, namely, the Nomination Committee, the Remuneration Committee, the Employees' Share Option Scheme Committee, the Audit Committee and the Executive Committee. The respective terms of reference of the Board Committees, except the Employees' Share Option Scheme Committee and the Executive Committee are posted on the website of SEHK. The respective terms of reference of the Board Committees, except the Employees' Share Option Scheme Committee, are also posted on the Company's website.

During the year under review, the Company fully complied with the Code Provisions in the CG Code, save for the following:

1. Deviation from Code Provision A.4.1

Under Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

All the existing non-executive directors (except Mr. Larry Lai Chong Tuck ("Mr. Lai") for the reason disclosed in "2. Deviation from Code Provision A.4.2" below) of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with "Article 95 — Election of Directors" of the Articles of Association of the Company that one-third of its directors (prioritized by the length of service since a director's previous re-election or appointment) shall retire or offer themselves for re-election by shareholders at every annual general

meeting of the Company. This effectively means that no director (except Mr. Lai for the reason disclosed in “2. Deviation from Code Provision A.4.2” below) will remain in office for more than 3 years without being re-elected by the Company’s shareholders at the general meeting of the Company. The Company considers that sufficient measures have been taken to ensure the Company’s corporate governance practices are no less exacting than those in the CG Code.

2. Deviation from Code Provision A.4.2

Under Code Provision A.4.2 of the CG Code every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Companies Act of Singapore requires that company incorporated in Singapore shall have at least one director who is ordinarily resident in Singapore. Mr. Lai, the only Singapore resident director of the Company, is due to retire at the forthcoming annual general meeting of the Company. As advised by the Company’s Singapore legal adviser, Mr. Lai cannot be subject to retirement by rotation and re-election at the annual general meeting. If Mr. Lai chooses to retire and seek re-election at the annual general meeting, the Company would run the risk of violating the Companies Act of Singapore as there will be no Singapore resident director existing in the Company immediately following Mr. Lai’s retirement, even if he were to be re-elected afterwards by shareholders at the annual general meeting.

In order to comply with this Code Provision without violating the Companies Act of Singapore, the Company will consider adding one more Singapore resident director to the Board so that two Singapore resident directors can choose to retire alternatively to avoid the absence of a Singapore resident director at any one time.

3. Deviation from Code Provision E.1.2

Under Code Provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting of the Company.

The Chairman of the Board, Mr. Cheung Kwok Wing, was unable to attend the annual general meeting of the Company held on 24 April 2015 (“**2015 AGM**”) due to business reasons. He delegated the duty of answering and addressing questions raised by shareholders at the 2015 AGM to the Vice Chairman and Executive Director, Ms. Stephanie Cheung Wai Lin, who assumes the duty of chief executive officer of the Company.

Notwithstanding the aforesaid deviations, the Company considers that sufficient measures have been taken to ensure the Company’s corporate governance practices are no less exacting than those in the CG Code.

HONG KONG CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by its directors and relevant employees (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules. A copy of the internal memorandum is circulated to each director and relevant employees at least 30 days and 60 days respectively before the date of the board meeting to approve the Company’s quarterly results and annual results, with a reminder that the directors and relevant employees cannot deal in the securities of the Company until after such results have been published.

On specific enquiry made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and the Company’s code of conduct throughout the year ended 31 December 2015.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The figures for CY2015, prepared in accordance with Singapore FRS, have been audited by the Group’s auditors.

SCOPE OF WORK OF MESSRS. DELOITTE & TOUCHE LLP

The figures in respect of the Group’s statements of financial position, consolidated statement of profit or loss and other comprehensive income, statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte & Touche LLP, to the amounts set out in the Group’s audited consolidated financial statements for the year prepared for the purpose of statutory reporting in Singapore. The work performed by Messrs. Deloitte & Touche LLP in this respect did not constitute an assurance agreement in accordance with Singapore Standards on Auditing, Singapore Standards on Review Engagements or Singapore Standards on Assurance Engagements and consequently no assurance has been expressed by Messrs. Deloitte & Touche LLP on the preliminary announcement.

The auditors’ report on the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company as of and for the year ended 31 December 2015, prepared for the purpose of statutory reporting in Singapore, is attached as Appendix 1.

FORECAST STATEMENT

No forecast statement has been previously disclosed to shareholders.

DISCLOSURE ON THE WEBSITE OF THE EXCHANGES

This announcement shall be published on the website of SGX (<http://www.sgx.com>), the SEHK (<http://www.hkexnews.hk>) and on the Company's website (<http://www.eleceltek.com>).

INTERESTED PERSONS TRANSACTIONS

Interested persons transactions carried out during the reporting period which fall under Chapter 9 of the SGX Listing Manual are as follows:

Name of Interested Person US\$'000	Aggregate value of all interested person transactions during the period under review (including transactions less than S\$100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than S\$100,000)	
	CY2015	CY2014	CY2015	CY2014
Purchases of plant and equipment				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	7,355	8,093
永天機械設備製造(深圳)有限公司	—	—	528	0
	—	—	7,883	8,093
Purchases of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	63,542	118,523
Elec & Eltek Corporate Services Limited	75	190	—	—
Heng Yang Kingboard Chemical Co., Ltd.	—	—	1,745	2,174
Hong Kong Fibre Glass Company Limited	—	—	12,299	12,906
Huizhou Chung Shun Chemical Company Limited	—	—	996	725

Name of Interested Person US\$'000	Aggregate value of all interested person transactions during the period under review (including transactions less than S\$100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than S\$100,000)	
	CY2015	CY2014	CY2015	CY2014
Purchases of goods and services - continued				
Jiangmen Glory Faith PCB Company Limited	—	—	15	—
Jiangmen Kingboard High-tech Company Limited	—	—	16,091	—
Joyful Source Group Limited	24	27	—	—
Kingfai (Lian Zhou) Electronic Materials Company Ltd.	—	—	11,994	—
Techwise (Macao Commercial Offshore) Circuits Limited	—	—	2	—
Top Faith PCB Co. Ltd	—	—	3,325	—
	<u>99</u>	<u>217</u>	<u>110,009</u>	<u>134,328</u>
Provision of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	5,794	—
Elec & Eltek Computers Limited	—	37	—	—
Elec & Eltek Display Technology Limited	18	35	—	—
Express Electronics Limited	—	—	21	2,776
Express Electronics (Suzhou) Co., Ltd.	—	—	150	—
Jiangmen Glory Faith PCB Co., Ltd.	—	—	285	—
Heng Yang Kingboard Chemical Co., Ltd.	—	—	—	—
Techwise (Macao Commercial Offshore) Circuits Limited	—	—	5,467	2,190
Top Faith PCB Co., Ltd	—	—	3,828	—
	<u>18</u>	<u>72</u>	<u>15,545</u>	<u>4,966</u>

DISCLOSURE PURSUANT TO RULE 704(13) SGX LISTING MANUAL

Please refer to the Company's other announcement made on 26 February 2016.

By order of the Board
Elec & Eltek International Company Limited
Stephanie Cheung Wai Lin
Vice Chairman

Hong Kong, 26 February 2016

As of the date of this announcement, the Board of the Company comprises the following directors:

Executive Directors:-

Stephanie Cheung Wai Lin (Vice Chairman)
Chang Wing Yiu
Ng Hon Chung

Non-executive Directors:-

Cheung Kwok Wing (Chairman)

Independent Non-executive Directors:-

Larry Lai Chong Tuck
Raymond Leung Hai Ming
Stanley Chung Wai Cheong

** For identification purpose only*

Appendix 1

The auditors' report on the full financial statements of Elec & Eltek International Company Limited for the financial year ended 31 December 2015 is as follows:

“INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF ELEC & ELTEK INTERNATIONAL COMPANY LIMITED For the financial year ended 31 December 2015

Report on the Financial Statements

We have audited the accompanying financial statements of Elec & Eltek International Company Limited (the “Company”) and its subsidiary companies (the “Group”) which comprise the statements of financial position of the Group and the Company as at 31 December 2015; and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statements of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages ● to ●.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the “Act”) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

26 February 2016"