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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)

**UNAUDITED FINANCIAL RESULTS
FOR THE THIRD QUARTER AND NINE MONTHS ENDED
30 SEPTEMBER 2016**

This announcement is made by Elec & Eltek International Company Limited (the “**Company**”) pursuant to Rule 13.10B of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**SEHK**”). 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 set out in this announcement has been prepared in accordance with the Singapore Financial Reporting Standards (“**FRS**”) and has not been audited nor reviewed 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 the Group’s 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 Group’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 economics 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.

* For identification purpose only

FINANCIAL HIGHLIGHTS

	Nine months ended		
	30 September 2016 (“YTD 3QCY16”) US\$’000	30 September 2015 (“YTD 3QCY15”) US\$’000 (Restated)	% Change
Revenue[#]	360,861	340,700	5.9%
EBITDA*	43,879	29,405	49.2%
EBITDA margin*	12.2 %	8.6%	3.6%
Underlying profit (loss) before tax*	15,197	(277)	5,586.3%
Net profit (loss) attributable to owners of the Company			
- Underlying net profit (loss)*	11,807	(3,934)	400.1%
- Reported net profit (loss)	6,807	(8,095)	184.1%
Basic earnings (loss) per share			
- Underlying net profit (loss)*	US6.32 cents	(US2.10 cents)	400.1%
- Reported net profit (loss)	US3.64 cents	(US4.33 cents)	184.1%
	30 September 2016	31 December 2015	
Net asset value per share	US\$1.98	US\$1.99	-0.5%
Net gearing ratio	13.1 %	17.3%	-4.2%

* Excluding the additional provision for property, plant and equipment of approximately US\$5.0 million made in the quarter ended 30 June 2016 (YTD 3QCY15: Nil) and potential claims of approximately US\$4.2 million made in the quarter ended 31 March 2015 (YTD 3QCY16: Nil).

The amount is restated for reclassification of rental income for approximately US\$3.4 million from other operating income and gains to revenue because property investments become a stand-alone reportable segment to the chief operating decision makers of the Group in the current period.

RESULTS

The board of directors (“**Directors**” and each a “**Director**”) of the Company (the “**Board**”) is pleased to announce the unaudited consolidated results of the Group for the third quarter (“**3QCY16**”) and nine months ended 30 September 2016 (“**YTD 3QCY16**”) together with the comparative figures for the third quarter (“**3QCY15**”) and nine months ended 30 September 2015 (“**YTD 3QCY15**”).

Consolidated Statement of Profit or Loss

	Notes	3QCY16 US\$'000 (Unaudited)	3QCY15 US\$'000 (Unaudited) (Restated)	% Change	YTD 3QCY16 US\$'000 (Unaudited)	YTD 3QCY15 US\$'000 (Unaudited) (Restated)	% Change
Revenue	2	121,908	117,043	4.2%	360,861	340,700	5.9%
Cost of sales		<u>(109,992)</u>	<u>(105,261)</u>	4.5%	<u>(322,717)</u>	<u>(313,511)</u>	2.9%
Gross profit		11,916	11,782	1.1%	38,144	27,189	40.3%
<i>Gross profit margin</i>		<i>9.8%</i>	<i>10.1%</i>	-0.3%	<i>10.6%</i>	<i>8.0%</i>	2.6%
Other operating income and gains		249	141	76.6%	2,115	171	1,136.8%
Distribution and selling costs		(2,955)	(3,022)	-2.2%	(8,870)	(10,067)	-11.9%
Administrative expenses		(5,077)	(4,508)	12.6%	(18,716)	(18,436)	1.5%
Other operating expenses and losses		(177)	(20)	785.0%	(1,236)	(1,954)	-36.7%
Finance costs	3	<u>(425)</u>	<u>(453)</u>	-6.2%	<u>(1,240)</u>	<u>(1,341)</u>	-7.5%
Profit (loss) before taxation		3,531	3,920	-9.9%	10,197	(4,438)	329.8%
Income tax expense	4	<u>(1,116)</u>	<u>(1,292)</u>	-13.6%	<u>(2,856)</u>	<u>(3,257)</u>	-12.3%
Profit (loss) for the period		<u>2,415</u>	<u>2,628</u>	-8.1%	<u>7,341</u>	<u>(7,695)</u>	195.4%
Profit (loss) attributable to:							
Owners of the Company		2,311	2,362	-2.2%	6,807	(8,095)	184.1%
Non-controlling interests		<u>104</u>	<u>266</u>	-60.9%	<u>534</u>	<u>400</u>	33.5%
		<u>2,415</u>	<u>2,628</u>	-8.1%	<u>7,341</u>	<u>(7,695)</u>	195.4%
Earnings (loss) per share (US cents)	6						
- Basic		<u>1.24</u>	<u>1.26</u>	-2.2%	<u>3.64</u>	<u>(4.33)</u>	184.1%

Notes to Consolidated Statement of Profit or Loss:

	3QCY16	3QCY15		YTD	YTD	
	US\$'000	US\$'000	% Change	3QCY16	3QCY15	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Depreciation	9,338	9,248	1.0%	27,669	28,255	-2.1%
Amortisation of prepaid land use rights	41	41	0%	123	123	0%
Allowance (reversal of allowance) for doubtful debts	34	(159)	121.4%	729	4,058	-82.0%
Allowance for inventory obsolescence	483	522	-7.5%	1,656	1,053	57.3%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	3QCY16	3QCY15		YTD	YTD	
	US\$'000	US\$'000	% Change	3QCY16	3QCY15	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Profit (loss) for the period	<u>2,415</u>	<u>2,628</u>	-8.1%	<u>7,341</u>	<u>(7,695)</u>	195.4%
Other comprehensive (expenses) income:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations	<u>(299)</u>	<u>815</u>	-136.7%	<u>(3,331)</u>	<u>(740)</u>	350.1%
Other comprehensive (expenses) income for the period, net of tax	<u>(299)</u>	<u>815</u>	-136.7%	<u>(3,331)</u>	<u>(740)</u>	350.1%
Total comprehensive income (expenses) for the period	<u>2,116</u>	<u>3,443</u>	-38.5%	<u>4,010</u>	<u>(8,435)</u>	147.5%
Total comprehensive income (expenses) attributable to:						
Owners of the Company	2,012	3,177	-36.7%	3,476	(8,835)	139.3%
Non-controlling interests	<u>104</u>	<u>266</u>	-60.9%	<u>534</u>	<u>400</u>	33.5%
	<u>2,116</u>	<u>3,443</u>	-38.5%	<u>4,010</u>	<u>(8,435)</u>	147.5%

Statements of Financial Position

		THE GROUP		THE COMPANY	
		30 September 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)	30 September 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Notes					
ASSETS					
Current assets					
Cash and bank balances		28,877	10,950	162	117
Trade receivables	9	143,137	132,724	—	—
Bills receivables	9	740	268	—	—
Other receivables		13,890	14,263	—	1
Prepaid land use rights		399	211	—	—
Inventories	10	37,060	32,880	—	—
Total current assets		224,103	191,296	162	118
Non-current assets					
Property, plant and equipment	8	266,430	286,245	—	—
Prepaid land use rights		12,654	12,965	—	—
Deposits for acquisition of plant and equipment	8	1,672	1,833	—	—
Investment properties		98,834	98,834	—	—
Subsidiary companies		—	—	454,643	464,916
Deferred tax assets		84	83	—	—
Total non-current assets		379,674	399,960	454,643	464,916
Total assets		603,777	591,256	454,805	465,034
LIABILITIES AND EQUITY					
Current liabilities					
Bank overdraft and loans	12	64,265	41,022	—	—
Trade payables	11	118,567	105,262	—	—
Bills payables	11	4,743	7,069	—	—
Other payables		31,525	30,065	1,534	3,852
Amounts due to subsidiary companies		—	—	212,013	213,547
Provision for taxation		571	709	—	—
Total current liabilities		219,671	184,127	213,547	217,399
Non-current liabilities					
Bank loans	12	12,830	34,310	—	—
Deferred tax liabilities		1,807	1,428	—	—
Total non-current liabilities		14,637	35,738	—	—
Capital, reserves and non-controlling interests					
Share capital	13	113,880	113,880	113,880	113,880
Reserves		244,969	247,100	127,378	133,755
Equity attributable to owners of the Company		358,849	360,980	241,258	247,635
Non-controlling interests		10,620	10,411	—	—
Total equity		369,469	371,391	241,258	247,635
Total liabilities and equity		603,777	591,256	454,805	465,034

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital	Capital reserve	Statutory reserve	Revaluation reserve	Other reserve	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
		(Note i)	(Note ii)	(Note iii)	(Note iv)					
THE GROUP										
3QCY16										
Balance at 1 July 2016 (unaudited)	113,880	1,916	5,805	42,684	166	179,529	12,857	356,837	10,516	367,353
Change in equity for 3QCY16										
Profit for the period	—	—	—	—	—	2,311	—	2,311	104	2,415
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(299)	(299)	—	(299)
Other comprehensive expenses for the period, net of tax	—	—	—	—	—	—	(299)	(299)	—	(299)
Total comprehensive income (expenses) for the period	—	—	—	—	—	2,311	(299)	2,012	104	2,116
Balance at 30 September 2016 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>5,805</u>	<u>42,684</u>	<u>166</u>	<u>181,840</u>	<u>12,558</u>	<u>358,849</u>	<u>10,620</u>	<u>369,469</u>
3QCY15										
Balance at 1 July 2015 (unaudited)	113,880	1,916	5,353	2,940	166	175,472	15,221	314,948	9,920	324,868
Change in equity for 3QCY15										
Profit for the period	—	—	—	—	—	2,362	—	2,362	266	2,628
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	815	815	—	815
Other comprehensive income for the period, net of tax	—	—	—	—	—	—	815	815	—	815
Total comprehensive income for the period	—	—	—	—	—	2,362	815	3,177	266	3,443
Balance at 30 September 2015 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>5,353</u>	<u>2,940</u>	<u>166</u>	<u>177,834</u>	<u>16,036</u>	<u>318,125</u>	<u>10,186</u>	<u>328,311</u>

	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										
YTD 3QCY16										
Balance at 1 January 2016 (audited)	113,880	1,916	5,805	42,684	166	180,640	15,889	360,980	10,411	371,391
Change in equity for YTD 3QCY16										
Profit for the period	—	—	—	—	—	6,807	—	6,807	534	7,341
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(3,331)	(3,331)	—	(3,331)
Other comprehensive expenses for the period, net of tax	—	—	—	—	—	—	(3,331)	(3,331)	—	(3,331)
Total comprehensive income (expenses) for the period	—	—	—	—	—	6,807	(3,331)	3,476	534	4,010
Transactions with owners, recognised directly in equity										
Dividend paid in respect of previous year	—	—	—	—	—	(5,607)	—	(5,607)	(325)	(5,932)
Total comprehensive expenses for the period	—	—	—	—	—	(5,607)	—	(5,607)	(325)	(5,932)
Balance at 30 September 2016 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>5,805</u>	<u>42,684</u>	<u>166</u>	<u>181,840</u>	<u>12,558</u>	<u>358,849</u>	<u>10,620</u>	<u>369,469</u>
YTD 3QCY15										
Balance at 1 January 2015 (audited)	113,880	1,916	5,353	2,940	166	191,536	16,776	332,567	10,107	342,674
Change in equity for YTD 3QCY15										
Loss for the period	—	—	—	—	—	(8,095)	—	(8,095)	400	(7,695)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(740)	(740)	—	(740)
Other comprehensive expenses for the period, net of tax	—	—	—	—	—	—	(740)	(740)	—	(740)
Total comprehensive (expenses) income for the period	—	—	—	—	—	(8,095)	(740)	(8,835)	400	(8,435)
Transactions with owners, recognised directly in equity										
Dividend paid in respect of previous year	—	—	—	—	—	(5,607)	—	(5,607)	(321)	(5,928)
Total comprehensive expenses for the period	—	—	—	—	—	(5,607)	—	(5,607)	(321)	(5,928)
Balance at 30 September 2015 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>5,353</u>	<u>2,940</u>	<u>166</u>	<u>177,834</u>	<u>16,036</u>	<u>318,125</u>	<u>10,186</u>	<u>328,311</u>

Notes:

- (i) Capital reserve represents amounts transferred from 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 of assets by the subsidiaries.

	Share capital US\$'000	Capital reserve US\$'000 (Note i)	Retained earnings US\$'000	Total equity US\$'000
<u>THE COMPANY</u>				
3QCY16				
Balance at 1 July 2016 (unaudited)	113,880	1,916	125,737	241,533
Loss for the period, representing total comprehensive income for the period	—	—	(275)	(275)
Balance at 30 September 2016 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>125,462</u>	<u>241,258</u>
3QCY15				
Balance at 1 July 2015 (unaudited)	113,880	1,916	129,165	244,961
Loss for the period, representing total comprehensive income for the period	—	—	(239)	(239)
Balance at 30 September 2015 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>128,926</u>	<u>244,722</u>
YTD 3QCY16				
Balance at 1 January 2016 (audited)	113,880	1,916	131,839	247,635
Loss for the period, representing total comprehensive income for the period	—	—	(770)	(770)
Transactions with owners, recognised directly in equity				
Dividend paid in respect of previous year	—	—	(5,607)	(5,607)
Balance at 30 September 2016 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>125,462</u>	<u>241,258</u>
YTD 3QCY15				
Balance at 1 January 2015 (audited)	113,880	1,916	135,284	251,080
Loss for the period, representing total comprehensive income for the period	—	—	(751)	(751)
Transactions with owners, recognised directly in equity				
Dividend paid in respect of previous year	—	—	(5,607)	(5,607)
Balance at 30 September 2015 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>128,926</u>	<u>244,722</u>

Note:

- (i) Capital reserve represents amounts transferred from share option reserve upon the exercise of share options.

Consolidated Statement of Cash Flows

	3QCY16 US\$'000 (Unaudited)	3QCY15 US\$'000 (Unaudited)	YTD 3QCY16 US\$'000 (Unaudited)	YTD 3QCY15 US\$'000 (Unaudited)
Operating activities				
Profit (loss) before taxation	3,531	3,920	10,197	(4,438)
Adjustments for:				
Allowance (reversal of allowance) for doubtful debts	34	(159)	729	4,058
Finance costs	425	453	1,240	1,341
Depreciation of property, plant and equipment	9,338	9,248	27,669	28,255
Amortisation of prepaid land use rights	41	41	123	123
(Gain) loss on disposal of property, plant and equipment	(7)	(78)	(13)	483
Impairment loss recognised in respect of property, plant and equipment	—	—	5,000	—
Allowance for inventory obsolescence	483	522	1,656	1,053
Interest income	(119)	(7)	(350)	(37)
Operating income before movements in working capital	13,726	13,940	46,251	30,838
Decrease (increase) in inventories	(1,112)	185	(5,752)	2,368
(Increase) decrease in trade and other receivables	7,841	1,523	(11,309)	1,582
Increase (decrease) in trade and other payables	144	7,410	12,483	(4,232)
Net cash generated from operations	20,599	23,058	41,673	30,556
Interest income received	119	7	350	37
Interest paid	(453)	(482)	(1,478)	(1,449)
Income taxes paid	(1,005)	(876)	(2,656)	(3,029)
Net cash generated from operating activities	19,260	21,707	37,889	26,115
Investing activities				
Proceeds from disposal of property, plant and equipment	144	125	4,094	446
Purchase of property, plant and equipment	(5,054)	(9,728)	(17,014)	(16,701)
Deposits paid for acquisition of property, plant and equipment	(1,005)	(1,146)	(3,396)	(2,583)
Net cash used in investing activities	(5,915)	(10,749)	(16,316)	(18,838)

	3QCY16	3QCY15	YTD	YTD
	US\$'000	US\$'000	3QCY16	3QCY15
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Financing activities				
Proceeds from bank borrowings	5,181	4,197	23,243	23,158
Repayment of bank borrowings	(2,085)	(8,039)	(21,480)	(25,376)
Dividends paid by the Company	—	—	(5,607)	(5,607)
Dividends paid by subsidiary companies to non-controlling shareholders	—	—	(325)	(321)
Net cash used in financing activities	<u>3,096</u>	<u>(3,842)</u>	<u>(4,169)</u>	<u>(8,146)</u>
Net increase (decrease) in cash and cash equivalents	16,441	7,116	17,404	(869)
Cash and cash equivalents at the beginning of the period	11,532	14,257	10,950	22,302
Effect of foreign exchange rate changes on the balances of cash held in foreign currencies, net	<u>904</u>	<u>(249)</u>	<u>523</u>	<u>(309)</u>
Cash and cash equivalents at the end of the period	<u>28,877</u>	<u>21,124</u>	<u>28,877</u>	<u>21,124</u>

Cash and cash equivalents consist of:

	30 September	30 September
	2016	2015
	US\$'000	US\$'000
Cash and bank balances	28,877	21,130
Bank overdrafts - unsecured	—	(6)
	<u>28,877</u>	<u>21,124</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 quarterly consolidated financial statements for the third quarter ended 30 September 2016 as the most recent audited financial statements as at 31 December 2015.

For the current period, the Group has applied all the new and revised FRS, as well as amendments to and interpretation of FRS that are relevant to its operations and effective for financial periods beginning on or after 1 January 2016:

The adoption of these 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 early adopted the following new and revised standards or amendments to FRS, which would take effect from financial periods beginning on or after 1 January 2017:

- *FRS 115 Revenue from Contracts with Customers*
- *FRS 109 Financial Instruments*
- *FRS 116 Leases*
- *Amendment to FRS 115 classifications to FRS 115 Revenue from Contract with Customers*
- *Amendment to FRS 7 Statements of Cash Flows: Disclosure Initiative*
- *Amendments to FRS12 Income Taxes, Recognition of Deferred Tax Assets for Unrealised Losses*

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

2. **Revenue and segment information**

The Group's operating activities are attributable to two single reporting and operating segments on (i) fabrication and distribution of printed circuit boards ("**PCB**"); (ii) property investments. These segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to FRS that are regularly reviewed by the executive Directors.

Nine months period ended 30 September 2016	Fabrication and distribution of PCB <i>US\$'000</i>	Property investments <i>US\$'000</i>	Elimination <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue				
Revenue from external customers	356,496	4,365	—	360,861
Reportable segment revenue	<u>356,496</u>	<u>4,365</u>	<u>—</u>	<u>360,861</u>
Segment Results	6,951	3,534	—	10,485
Corporate and other unallocated expenses				<u>(288)</u>
Profit before tax				<u>10,197</u>
	Fabrication and distribution of PCB <i>US\$'000</i>	Property investments <i>US\$'000</i>	Unallocated <i>US\$'000</i>	Total <i>US\$'000</i>
ASSETS				
Segment assets	473,930	100,970	—	574,900
Unallocated assets	—	—	28,877	<u>28,877</u>
Consolidated total assets				<u>603,777</u>
LIABILITIES				
Segment liabilities	(230,298)	(1,632)	—	(231,930)
Unallocated liabilities	—	—	(2,378)	<u>(2,378)</u>
Consolidated total liabilities				<u>(234,308)</u>

Nine months period ended 30 September 2015	Fabrication and distribution of PCB <i>US\$'000</i>	Property investments <i>US\$'000</i>	Elimination <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue				
Revenue from external customers	337,339	3,361	—	340,700
Reportable segment revenue	<u>337,339</u>	<u>3,361</u>	<u>—</u>	<u>340,700</u>
Segment Results	(6,849)	2,745	—	(4,104)
Corporate and other unallocated expenses				<u>(334)</u>
Loss before tax				<u>(4,438)</u>
Year ended 31 December 2015	Fabrication and distribution of PCB <i>US\$'000</i>	Property investments <i>US\$'000</i>	Unallocated <i>US\$'000</i>	Total <i>US\$'000</i>
ASSETS				
Segment assets	480,146	100,160	—	580,306
Unallocated assets	—	—	10,950	<u>10,950</u>
Consolidated total assets				<u>591,256</u>
LIABILITIES				
Segment liabilities	(216,270)	(1,458)	—	(217,728)
Unallocated liabilities	—	—	(2,137)	<u>(2,137)</u>
Consolidated total liabilities				<u>219,865</u>

3. Finance costs

	YTD 3QCY16 US\$'000 (Unaudited)	YTD 3QCY15 US\$'000 (Unaudited)
Interest on bank loans wholly repayable within five years	1,478	1,449
Less: Amounts capitalised	<u>(238)</u>	<u>(108)</u>
	<u>1,240</u>	<u>1,341</u>

4. Income tax expense

	YTD 3QCY16 US\$'000 (Unaudited)	YTD 3QCY15 US\$'000 (Unaudited)
Current tax		
- Singapore income tax	1	2
- PRC enterprise income tax	2,497	2,998
- Hong Kong income tax	—	15
- Other jurisdictions	<u>—</u>	<u>21</u>
	2,498	3,036
Deferred tax	<u>358</u>	<u>221</u>
	<u>2,856</u>	<u>3,257</u>

The Group 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.

5. Dividend

No dividend has been declared or recommended for the third quarter ended 30 September 2016 and the same period last year.

6. Earnings (loss) per share

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

	<u>Earnings</u>		<u>Earnings (loss)</u>	
	3QCY16	3QCY15	YTD 3QCY16	YTD 3QCY15
	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings (loss) for the purpose of calculating basic earnings (loss) per share	<u>2,311</u>	<u>2,362</u>	<u>6,807</u>	<u>(8,095)</u>
	<u>Number of shares</u>		<u>Number of shares</u>	
	3QCY16	3QCY15	YTD 3QCY16	YTD 3QCY15
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u>186,920</u>	<u>186,920</u>	<u>186,920</u>	<u>186,920</u>
Earnings (loss) per share (US cents)				
- basic	<u>1.24</u>	<u>1.26</u>	<u>3.64</u>	<u>(4.33)</u>

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

7. Net asset value

	<u>The Group</u>		<u>The Company</u>	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	US\$	US\$	US\$	US\$
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
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>1.98</u>	<u>1.99</u>	<u>1.29</u>	<u>1.32</u>

* Based on 186,919,962 issued shares as at 30 September 2016 (31 December 2015: 186,919,962 issued shares).

8. Additions to property, plant and equipment

During the reporting period, the Group spent approximately US\$20.4 million (YTD 3QCY15: approximately US\$19.3 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.

9. Trade and bills receivables

	THE GROUP	
	30 September	31 December
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Trade receivables		
- Third parties	131,932	135,024
- Related parties (note)	17,514	3,212
Less: Allowance for doubtful debts	(6,309)	(5,512)
	143,137	132,724
Bills receivables	740	268
Total	143,877	132,992

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 invoice date at the end of the reporting period:

	THE GROUP	
	30 September	31 December
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Within 90 days	118,782	112,331
91 to 180 days	21,117	16,320
Over 180 days	3,238	4,073
	143,137	132,724

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

At the end of the reporting period, the bills receivables are aged within 180 days (31 December 2015: within 180 days).

10. Inventories

	THE GROUP	
	30 September	31 December
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Raw materials	9,217	6,165
Work-in-progress	14,402	15,430
Finished goods	13,441	11,285
	<u>37,060</u>	<u>32,880</u>

11. Trade and bills payables

	THE GROUP	
	30 September	31 December
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Trade payables		
- Third parties	60,362	56,621
- Related parties (note)	58,205	48,641
	118,567	105,262
Bills payables	4,743	7,069
Total	<u>123,310</u>	<u>112,331</u>

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

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	THE GROUP	
	30 September 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Within 90 days	86,905	77,207
91 to 180 days	20,794	19,528
Over 180 days	<u>10,868</u>	<u>8,527</u>
	<u>118,567</u>	<u>105,262</u>

Trade payables are non-interest bearing and generally on 15 to 120 days' terms.

At the end of the reporting period, the bills payables are aged within 180 days (31 December 2015: within 180 days). The bills payables were mainly related to the purchase of equipment through issuing irrevocable letters of credits payment mode.

12. Bank overdraft and loans

	THE GROUP	
	30 September 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
Unsecured		
- Bank loans	77,095	75,332
- Bank overdraft	<u>—</u>	<u>—</u>
Bank overdraft and loans - unsecured	<u>77,095</u>	<u>75,332</u>
Comprising the following amounts due:		
- within one year	64,265	41,022
- more than one year	<u>12,830</u>	<u>34,310</u>
	<u>77,095</u>	<u>75,332</u>

The Group's total external borrowings increased by approximately 2.3% to approximately US\$77.1 million as at 30 September 2016 compared with 31 December 2015.

13. Share capital

As at 30 September 2016, the Company had a total of 186,919,962 (31 December 2015: 186,919,962) issued ordinary shares.

14. Share options

There were no share options outstanding as at 30 September 2016 and 31 December 2015 respectively. No share options have 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.

15. Net current assets and total assets less current liabilities

As at 30 September 2016, the Group's net current assets, defined as current assets less current liabilities, amounted to approximately US\$4.4 million (31 December 2015: approximately US\$7.2 million).

As at 30 September 2016, the Group's total assets less current liabilities amounted to approximately US\$384.1 million (31 December 2015: approximately US\$407.1 million).

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

For the nine months ended 30 September 2016, there were no material differences between the unaudited financial results of the Group prepared under FRS and IFRS.

17. Confirmation that the Company has procured undertakings (in the format set out in Appendix 7.7 of the SGX Listing Manual) from all its directors and executive officers, pursuant to Rule 720(1) of the SGX Listing Manual

The Company has procured the aforesaid undertakings from all its directors and executive officers.

BUSINESS REVIEW

The Group's revenue for 3QCY16 increased by 4.2% from 3QCY15 to approximately US\$121.9 million. This increase was mainly caused by an increase in the shipment volume. In the third quarter of 2016, the Group was under great pressure of increased production costs. However, with improvements of plant capacity utilization, and tight control of operating costs, the net profit (profit after tax and non-controlling interests) of the Group was US\$2.3 million in 3QCY16, which was comparable to the net profit of US\$2.4 million in 3QCY15. Earnings before interest, tax, depreciation and amortization for 3QCY16 ("**EBITDA**") was approximately US\$13.2 million (3QCY15: US\$13.7 million). The Group continued to generate steady operating cash flow. As at 30 September 2016, the Group's net gearing ratio was 13.1%. The Group's financial position remained healthy.

In the third quarter of 2016, communication & networking products (including mobile phones) accounted for about 47.2% (3QCY15: 50.9%) of our sales while automotive PCB sales accounted for around 23.6% (3QCY15: 22.4%). High Density Interconnect ("**HDI**") PCB accounted for approximately 31.2% of total PCB sales in 3QCY16 (3QCY15: 33.6%).

The Group's gross profit increased by 1.1% to US\$11.9 million in 3QCY16 as compared with that of US\$11.8 million in 3QCY15, and gross margin was 9.8% (3QCY15: 10.1%). The decrease in gross profit margin was primarily attributable to an increase in prices of raw materials and pressure on selling prices due to intense PCB markets.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2016, the Group's net current assets was approximately US\$4.4 million (31 December 2015: approximately US\$7.2 million), making the current ratio 1.02 as compared to 1.04 as at 31 December 2015.

The net working capital cycle was 37 days as at 30 September 2016 (31 December 2015: 37 days) based on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 27 days (31 December 2015: 30 days).
- Trade receivables, in terms of debtors turnover days, decreased to 105 days (31 December 2015: 106 days).
- Trade payables, in terms of creditors turnover days, decreased to 95 days (31 December 2015: 99 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) as at 30 September 2016 was approximately 13.1% (31 December 2015: 17.3%). The proportion of short-term and long-term bank borrowings stood at 83%: 17% (31 December 2015: 54%: 46%). The total equity of the Group, as at 30 September 2016, was approximately US\$369.5 million (31 December 2015: approximately US\$371.4 million). As at 30 September 2016, the Group had cash on hand and undrawn loan facilities of approximately US\$28.9 million and US\$35.3 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 period under review.

HUMAN RESOURCES

As at 30 September 2016, the Group had approximately 9,000 employees (31 December 2015: 8,900). 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 wage guideline as prescribed by the local government from time to time. The Group awards discretionary bonuses to eligible employees based upon profit target 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 individual interests with the Group's interests, as and when appropriate.

PROSPECTS

The Group will continue the process of upgrading production facilities in order to further enhance production capacity, and to meet the needs of the customers. The management strives to achieve a long-term growth in the Group's performance by consolidating production capabilities and putting more emphasis on quality improvement and cost control.

As we approach the last quarter of the year, order intake is likely to be moderately soft as customers customarily would start to control their inventory level in line with normal seasonality. However, as our sales and marketing team has commenced negotiations with our customers on order allocations for next year, we are confident that we would be able to capture a higher market share in our target market segments.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The figures for 3QCY16 and YTD 3QCY16, prepared in accordance with FRS, have not been audited nor reviewed by the Group's auditors.

FORECAST STATEMENT

No forecast statement has been previously disclosed to shareholders of the Company.

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>).

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to our employees around the world for their continued loyalty, diligence and unreserved support to the Group.

CONFIRMATION PURSUANT TO RULES 705(5) OF THE LISTING MANUAL

To the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited quarterly financial results for the period ended 30 September 2016 of the Company and of the Group to be false or misleading, in any material aspect.

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 persons transactions during the financial period under review (including transactions of less than S\$100,000 and excluding transactions conducted under a shareholder's mandate pursuant to Rule 920)		Aggregate value of all interested persons transactions conducted under a shareholder's mandate pursuant to Rule 920 (including transactions of less than S\$100,000)	
	YTD 3QCY16	YTD 3QCY15	YTD 3QCY16	YTD 3QCY15
Purchases of plant and equipment				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	5,474	5,411
	<u>—</u>	<u>—</u>	<u>5,474</u>	<u>5,411</u>
Purchases of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	75,053	73,219
Elec & Eltek Corporate Services Limited	39	57	—	—
Heng Yang Kingboard Chemical Co., Ltd.	—	—	1,155	1,299
Hong Kong Fibre Glass Company Limited	—	—	11,639	9,211
Huizhou Chung Shun Chemical Co., Ltd.	—	—	771	519
Joyful Source Group Limited	—	20	—	—
	<u>39</u>	<u>77</u>	<u>88,618</u>	<u>84,248</u>
Provision of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	4,158	4,408
Elec & Eltek Computers Limited	—	—	—	—
Elec & Eltek Display Technology Limited	—	18	—	—
Express Electronics Ltd	—	—	1,877	2,785
Techwise (Macao Commercial Offshore) Circuits Limited	—	—	5,337	3,698
	<u>—</u>	<u>18</u>	<u>11,372</u>	<u>10,891</u>

CONFIRMATION BY THE BOARD

We, Stephanie Cheung Wai Lin and Chang Wing Yiu, being two of the Directors, do hereby confirm on behalf of the Board of the Company that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the third quarter and nine months ended 30 September 2016 to be false or misleading.

On behalf of the Board of Directors

Stephanie Cheung Wai Lin
Executive Director

Chang Wing Yiu
Executive Director

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

Hong Kong, 4 November 2016

As at 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:-

Raymond Leung Hai Ming

Stanley Chung Wai Cheong

Ong Shen Chieh