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If you have sold or transferred all your shares in the Company, you should immediately forward this circular, together with the accompanying notice of EGM and the attached proxy form (“Proxy Form”) to the purchaser or transferee or to the bank, the stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser or transferee.

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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EGM

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



Karl Thomson Financial Advisory Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out from pages 5 to 20 of this circular. A letter from the Independent Board Committee is set out on pages 21 to 22 of this circular. A letter from Karl Thomson, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out from pages 23 to 46 of this circular.

A notice convening the EGM to be held at: (a) in Hong Kong, 2/F., Harbour View 1, No. 12 Science Park East Avenue, Phase II, Hong Kong Science Park, Shatin, Hong Kong (for Hong Kong Shareholders); and (b) in Singapore, via video-conferencing, at Conference Room, Wangz Business Centre, 7 Temasek Boulevard, The Penthouse, #44-01 Suntec Tower One, Singapore 038987 (for Singapore Shareholders) on 16 December 2016 at 10:00 a.m. is set out on pages 54 to 56 of this circular. The Proxy Form for use at the EGM is also enclosed. Such Proxy Form is also published on the respective website of SEHK (www.hkexnews.hk), SGX-ST (www.sgx.com) and of the Company (www.eleceltek.com).

Whether or not you are able to attend the EGM, you are requested to complete the accompanying Proxy Form in accordance with the instructions printed thereon, and return the same to the registered office of the Company at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624 (for Singapore Shareholders) or the office of the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for Hong Kong Shareholders), as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the Proxy Form will not preclude you from attending and voting in person at the EGM (or any adjournment of such meeting) should you so wish.

* For identification purpose only

30 November 2016

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DEFINITIONS

In this circular, the following expressions have the meanings as set out below unless the context requires otherwise:

“2011 Listing Document”	the listing document of the Company dated 30 June 2011
“2013 Announcement”	Company’s announcement dated 12 November 2013 in relation to certain continuing connected transactions of the Company including those contemplated under the 2013 CCT Agreements
“2013 CCT Agreements”	the 2013 EPF Agreement and the 2013 MSP Agreement
“2013 EPF Agreement”	the existing equipment purchase framework agreement dated 12 November 2013 for the purchase of Equipment, details of which are described in the 2013 Announcement
“2013 MSP Agreement”	the existing master sales and purchases framework agreement dated 12 November 2013 for the sale and purchase of certain goods and/or services, details of which are described in the 2011 Listing Document and 2013 Announcement
“2016 Announcement”	Company’s announcement dated 7 November 2016 in relation to the CCTs
“2016 CCT Agreements”	the 2016 EPF Agreement and the 2016 MSP Agreement
“2016 EPF Agreement”	the equipment purchase framework agreement dated 7 November 2016 for the purchase of Equipment
“2016 MSP Agreement”	the master sales and purchases framework agreement dated 7 November 2016 for the sale and purchase of certain goods and/or services
“Act”	Companies Act (Chapter 50) of Singapore, as may be amended or modified from time to time
“Articles”	the memorandum and articles of association of the Company
“Board”	the board of Directors
“Company”	Elec & Eltek International Company Limited (依利安達集團有限公司*), a company incorporated in Singapore with limited liability, the shares of which are listed on the main board of the SGX-ST and the main board of SEHK

* For identification purpose only

DEFINITIONS

“CCTs”	transactions under the 2016 CCT Agreements
“Director(s)”	the director(s) of the Company
“EEIC Group”	the Company and its subsidiaries
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the each of the 2016 CCT Agreements, the CCTs and the respective Proposed Annual Caps
“Equipment”	all kinds of machineries and equipment for use in the PCB industry
“Existing Annual Caps”	the annual caps for the 2013 CCT Agreements for the three years ending 31 December 2014, 2015 and 2016
“FY”	a financial year of the Company ended or ending 31 December
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Listing Rules”	the Rules Governing the Listing of Securities on SEHK
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“IFA” or “Karl Thomson”	Karl Thomson Financial Advisory Limited, a corporation licensed under the SFO to carry out type 6 regulated activities (advising on corporate finance), the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to each of the CCT Agreements, the CCTs and the respective Proposed Annual Caps
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Professor Raymond Leung Hai Ming, Mr. Stanley Chung Wai Cheong and Mr. Ong Shen Chieh to consider and advise the Independent Shareholders in relation to each of the 2016 CCT Agreements, the CCTs and the respective Proposed Annual Caps
“Independent Shareholders”	any Shareholder that is not required to abstain from voting at the EGM
“INEDs”	the independent non-executive Directors

DEFINITIONS

“Kingboard”	Kingboard Chemical Holdings Limited (stock code: 148), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of SEHK
“Kingboard Group”	Kingboard and its subsidiaries (other than the EEIC Group)
“Latest Practicable Date”	25 November 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“PCB(s)”	acronym for printed circuit board, a flat panel composite with alternating layers of printed conductors and electrical insulation, typically interconnected by conductive holes; PCBs provide platforms to connect semiconductors and other electronic, optical or mechanical devices to form a circuit or functional system
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Caps”	the proposed annual caps relating to each of the 2016 CCT Agreements for the three years ending 31 December 2019
“RMB”	Renminbi, the lawful currency of PRC
“SEHK”	The Stock Exchange of Hong Kong Limited
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) in the share capital of the Company
“Singapore Listing Manual”	the listing manual of SGX-ST, as amended, modified or supplemented from time to time
“Singapore Take-over Code”	The Singapore Code on Take-overs and Mergers, as amended, supplemented, or modified from time to time
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent

DEFINITIONS

Words importing the singular shall where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

In this circular, the terms “associate”, “connected person”, “controlling shareholder” and “subsidiary” have the meanings given to such terms in the HK Listing Rules, unless the context otherwise requires.

Any reference in this circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the SFO, the Singapore Listing Manual, the HK Listing Rules, the Singapore Take-over Code or any statutory modification thereof and used in this circular shall, where applicable, have the meaning assigned to it under the Act, the SFO, the Singapore Listing Manual, the HK Listing Rules, the Singapore Take-over Code or any modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day in this circular shall be a reference to Hong Kong time unless otherwise stated.

For the purpose of this circular, amounts denominated in RMB have been converted (for informational purposes only) in USD at the exchange rate of RMB1 to USD0.148 and amounts denominated in HK\$ have been converted (for informational purposes only) in USD at the exchange rate of HK\$1 to USD0.129. Such conversion shall not be construed as a representation that amounts in RMB or HK\$, as the case may be, were or may have been converted into USD at such exchange rates or any other exchange rates.

LETTER FROM THE BOARD



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)

Executive Directors:

Ms. Cheung Wai Lin Stephanie (Vice Chairman)

Mr. Chang Wing Yiu

Mr. Ng Hon Chung

Registered Office:

80 Raffles Place #33-00

UOB Plaza 1

Singapore 048624

Non-executive Director:

Mr. Cheung Kwok Wing (Chairman)

Head Office and

Principal Place of Business in Hong Kong:

2nd Floor, Harbour View 1

No.12 Science Park East Avenue

Phase II, Hong Kong Science Park

Shatin, New Territories

Hong Kong

Independent non-executive Directors:

Professor Raymond Leung Hai Ming

Mr. Stanley Chung Wai Cheong

Mr. Ong Shen Chieh

30 November 2016

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the 2016 Announcement, in which the Board announced that on 7 November 2016, the Company entered into the 2016 CCT Agreements with Kingboard. Pursuant to (i) the 2016 EPF Agreement, the Kingboard Group will sell Equipment to the EEIC Group from time to time; and (ii) the 2016 MSP Agreement, the Kingboard Group will sell certain goods and/or services including but not limited to copper foil, kraft paper, copper balls, laminates, glass fibre and prepreg etc. to the EEIC Group and the EEIC Group will sell certain goods and/or services including but not limited to drill maintenance services and green laminates etc. to the Kingboard Group from time to time.

** For identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the 2016 CCT Agreements, recommendations from the Independent Board Committee in respect of each of the 2016 CCT Agreements, the CCTs and the respective Proposed Annual Caps, the advice from Karl Thomson to the Independent Board Committee and the Independent Shareholders in respect of each of the 2016 CCT Agreements, the CCTs and the respective Proposed Annual Caps and a notice of the EGM at which resolutions will be proposed to consider and, if thought fit, approve each of the 2016 CCT Agreements, the CCTs and the respective Proposed Annual Caps.

THE 2016 CCT AGREEMENTS

Principal terms of the 2016 CCT Agreements, namely the 2016 EPF Agreement and the 2016 MSP Agreement, are as follows:

1. 2016 EPF Agreement

Date

7 November 2016

Parties

(i) the Company

(ii) Kingboard

Nature of transaction:

The Kingboard Group (including, for the purpose of the 2016 EPF Agreement, the associated companies of Kingboard as defined in the Singapore Listing Manual) will sell Equipment to the EEIC Group (including, for the purpose of the 2016 EPF Agreement, the associated companies of the Company as defined in the Singapore Listing Manual) from time to time.

The 2016 EPF Agreement comprises the general terms and conditions upon which the EEIC Group may purchase Equipment from the Kingboard Group. The EEIC Group and the Kingboard Group may from time to time enter into purchase agreements or the EEIC Group may submit purchase orders setting out the detailed terms for the purchase of the Equipment provided that such detailed terms shall not be inconsistent with the terms of the 2016 EPF Agreement. The Kingboard Group will not be obligated to sell any prescribed quantity of Equipment or at any specific prices to the EEIC Group during the term of the 2016 EPF Agreement.

Term:

Three years from 1 January 2017 to 31 December 2019.

LETTER FROM THE BOARD

Pricing:

The price of Equipment to be supplied by Kingboard Group will be determined on an arm's length and a case-by-case basis, depending on the type and specification of Equipment and with reference to the prevailing market price, which will be obtained through the market or independent third party suppliers of the EEIC Group.

Whenever the EEIC Group intends to purchase Equipment pursuant to the 2016 EPF Agreement, in order to determine if the prices offered by the Kingboard Group are in accordance with the above pricing policy and are comparable to or not less favourable than price offered by independent third parties, the procurement department will firstly inform the potential suppliers (including Kingboard Group) of the amount and type of intended purchase and technical requirements of such purchase, and the operation department will then assess and evaluate the technical capabilities of such suppliers and the related quotations. The Company will ask for quotations from at least two independent suppliers which are able to meet the technical requirements of EEIC Group of comparable scale pursuant to which such Equipment were supplied under normal trading conditions, and report to the senior management accordingly.

Following receipt of the quotations, the Company will compare and negotiate the price and terms of the quotation on an arm's length basis. In determining the supplier, the relevant purchase department will take into account, among other factors, price quotations, quality and quantity of the Equipment, technical capabilities, qualification and experience of the suppliers, brand name of the Equipment, ability in meeting delivery schedules and delivering the Equipment continuously (*Note 1*).

In the event that there are no comparable quotations and transactions, the Company may request for price quotations for Equipment of similar specifications and terms offered by the Kingboard Group to its independent customers for the Company's reference purposes, and will seek to obtain the market information through various channels (such as industry-related websites or other public domains (*Note 2*)), where applicable.

LETTER FROM THE BOARD

Terms of payment: Unless otherwise agreed between the parties to the agreement, the payment term shall be prescribed as follows: (a) a deposit of 30% of the purchase price payable upon execution of the agreement or purchase order; (b) 50% of the purchase price will be due within one month upon the Equipment being received by the EEIC Group (including, for the purpose of the 2016 EPF Agreement, the associated companies of the Company as defined in the Singapore Listing Manual); and (c) the balance of 20% of the purchase price will be due within one month following the certified acceptance of the Equipment as suitable for use. Payments term for different types of Equipment categories may be subject to other progressive payment terms as mutually agreed between the parties from time to time.

Notes:

1. As part of the internal requirement, the relevant procurement personnel and/or the director-in-charge of the relevant operating subsidiary, as the case may be, will review the purchase proposal (including, by comparing the quotations from at least two independent suppliers and the Kingboard Group and considering the historical purchase price for Equipment of similar specifications and terms) before making the final purchase decision.
2. For this purpose, the Company will also consider information available from the industry-related websites, where applicable, such as PCB Information Web* (PCB信息網) Shenzhen Beehive Network Technology Co., Ltd* (深圳市蜂虎網絡科技有限公司) (<http://www.pcbinfo.net/>) containing PCB industry information, including product price, trade fair etc., and PCB Shop of Taiwan Printed Circuit Association (<http://www.pcbshop.org/cn/>) containing certain PCB product and supplier information.

2. 2016 MSP Agreement

Date

7 November 2016

Parties

- (i) the Company
- (ii) Kingboard

Nature of transaction: Pursuant to the 2016 MSP Agreement, the Kingboard Group (including, for the purpose of the 2016 MSP Agreement, the associated companies of Kingboard as defined in the Singapore Listing Manual) will sell certain goods and/or services including but not limited to copper foil, kraft paper, copper balls, laminates, glass fibre and prepreg etc. to the EEIC Group (including, for the purpose of the 2016 MSP Agreement, the associated companies of the Company as defined in the Singapore Listing Manual) and the EEIC Group will sell certain goods and/or services including but not limited to drill maintenance services and green laminates etc. to the Kingboard Group from time to time.

LETTER FROM THE BOARD

The 2016 MSP Agreement comprises the general terms and conditions upon which the Kingboard Group may purchase goods and/or services from the EEIC Group and vice versa. The relevant party(ies) may from time to time enter into purchase agreements or submit purchase orders setting out the detailed terms for the purchase of the goods and/or services provided that such detailed terms shall not be inconsistent with the terms of the 2016 MSP Agreement. The Kingboard Group will not be obligated to sell or purchase any prescribed quantity of goods and/or services or at any specific prices to or from the EEIC Group and the EEIC Group will not be obligated to sell or purchase any prescribed quantity of goods and/or services or at any specific prices to or from the Kingboard Group during the term of the 2016 MSP Agreement.

Goods and/or services that could be purchased by the EEIC Group from the Kingboard Group:

Aluminium sheets, carton boxes, chemicals, copper foil, kraft paper, copper ball, drill bits, laminates, prepreg, glass fibre, epoxy, glacial acetic acid, phenolic board, back-up board, punch mould, dry film, fixture, spare parts, printed materials, copper foil scrap, drilling services, routing services, electroless nickel and immersion gold, lead free hot air solder levelling, gold plating services, innerlayer, value-added sub-contract services relating to PCB manufacturing, microdrilling services for PCB, and other services which are incidental to or in connection with the provision of the services outlined above and as mutually agreed in writing by the Kingboard Group and the EEIC Group from time to time.

Goods and/or services that could be purchased by the Kingboard Group from the EEIC Group:

PCBs, process sub-contracting services, soldermask or marking ink, repair of drill spindle services, prepreg, laminates, any other value-added sub-contract services relating to PCB manufacturing, microdrilling services for PCBs, and other services which are incidental to or in connection with the provision of the services outlined above and as mutually agreed in writing by the Kingboard Group and the EEIC Group from time to time.

Term:

Three years from 1 January 2017 to 31 December 2019.

LETTER FROM THE BOARD

Pricing:

The goods and services to be supplied pursuant to the 2016 MSP Agreement by the relevant party to the other party will be determined on an arm's length and case-by-case basis, depending on the type and specification of the goods and/or services and with reference to the prevailing market price, which will be obtained through the market or independent third party suppliers / customers of the EEIC Group.

Whenever the EEIC Group intends to obtain or provide goods and/or services pursuant to the 2016 MSP Agreement, in order to determine if the prices offered by the Kingboard Group in respect of EEIC Group's procurement of goods and/or services, or the prices offered to the Kingboard Group in respect of EEIC Group's provision of goods and/or services (as the case may be) are in accordance with the above pricing policy and are comparable to or not less favourable than price offered by independent third party suppliers and price offered to independent third party customers (as the case may be), (i) in respect of procurement, the procurement department will inform the potential suppliers (including Kingboard Group) of the amount and type of intended procurement and ask for quotations from at least two independent third party suppliers of comparable scale where such goods and/or services were supplied under normal trading conditions, and report to the senior management accordingly; and (ii) in respect of sales, the sales department will consider two comparable transactions with independent customers where applicable, and report to the senior management accordingly (*Note 1*).

For EEIC Group's procurement, following receipt of the quotations, the Company will compare and negotiate the price and terms of the quotation on an arm's length basis. In determining the supplier, the relevant procurement department will take into account, among other factors, price quotations, quality and quantity of the goods and/or services, technical capabilities, qualification and experience of the suppliers/service providers, ability in meeting delivery schedules and delivering/providing the goods/services continuously (*Note 2*).

LETTER FROM THE BOARD

In the event that there are no comparable quotations and transactions for procurement, the Company may request for price quotations for goods or services of similar specifications and terms offered by the Kingboard Group to its independent customers for the Company's reference purposes, where applicable. Moreover, in the case of procurement or sales, if there are no comparable quotations and transactions, the Company will seek to obtain the market information through various channels (such as industry-related websites or other public domains), where applicable (*Note 3*).

Terms of payment:

Unless otherwise agreed between the parties to the agreement, the payment shall be made within 90 days after month-end settlement from the date when the goods and/or services are received by the relevant party. Payment term for different type of product categories may be subject to shorter payment terms as mutually agreed between the parties, but shall not be more than 120 days.

Notes:

1. As part of the internal requirement, the relevant sales personnel and/or the director-in-charge of the relevant operating subsidiary, as the case may be, will review the purchase order from Kingboard Group and compare it against two comparable transactions with independent customers of EEIC Group. The historical price of comparable transactions will be taken into account. As such, the terms offered to Kingboard Group in respect of the sales of goods and/or provision of services to Kingboard Group will be comparable or not more favourable to Kingboard Group.
2. As part of the internal requirement, the relevant procurement personnel and/or the director-in-charge of the relevant operating subsidiary, as the case may be, will review the purchase proposal (including, by comparing the quotations from at least two independent suppliers and the Kingboard Group and considering the historical price for goods or services of similar specifications and terms) before making the final procurement decision. The relevant procurement personnel will also evaluate the comparable suppliers (including the Kingboard Group) on a regular basis by adopting a merit-based system in monitoring the product/service quality, pricing and other major terms with a view to facilitating the Company in making any procurement decision of similar nature from time to time.
3. For this purpose, the Company will also consider information available from the industry-related websites, where applicable, such as the prevailing raw material price indices as quoted from time to time on relevant industry websites, such as the Shanghai Metal Market (www.metal.com) for RMB prices of copper, silver, tin and aluminum, the London Metal Exchange (www.lme.com) for USD prices of copper, tin, aluminum, and Treasure Island (Beijing) Information Co., Ltd.* (金銀島(北京)資訊有限公司) (www.315i.com) (a PRC commodity information and transaction service provider) for RMB prices of crude oil, where applicable. In addition, the Company will also take into account whether the end-users have specified designated suppliers. If so, the selection of suppliers will be restricted accordingly.

LETTER FROM THE BOARD

Internal control mechanism for the pricing of the CCTs

The Company has implemented the following internal control mechanisms to supervise and monitor compliance of (i) the pricing terms of CCTs; and (ii) the annual caps to be approved by the Independent Shareholders will not be exceeded:

- as disclosed in the respective pricing policies for the CCTs, the price of Equipment provided by Kingboard Group, and the goods and/or services to be supplied by Kingboard Group or the EEIC Group will be determined on an arm's length basis and will be fixed on a case-by-case basis and with reference to the prevailing market price, which will be obtained through the market or independent third party suppliers or customers (as the case may be). Please refer to the paragraphs headed "Pricing" under the section headed "The 2016 CCT Agreements" for each of the pricing policy under the respective 2016 CCT Agreements and the relevant pricing procedures and internal control mechanisms;
- the procurement department, based on its experience in the industry, is generally familiar with the market information of the Equipment and the goods and/or services contemplated under the respective 2016 CCT Agreements. Additionally, based on the price quotation comparisons to be done by the relevant procurement and sales department, they will be able to assess if the prices offered by the relevant party under the 2016 CCT Agreements are in accordance with the above pricing policy and is comparable to or not less favourable than price offered by or to independent third parties (as the case may be). The respective heads of the procurement and sales departments, as the case may be, will review the prices to approve the orders;
- the finance department will review the implementation of the approved annual caps of the CCTs and report to the management on monthly basis, and communicate with the relevant procurement and sales departments on a regular basis, to ensure the transaction amounts would not exceed the approved annual caps;
- the audit committee of the Board will review the annual report and which contains the information on the implementation of the CCTs on an annual basis. The INEDs will give their views on the CCTs, mainly including whether the CCTs are fair and reasonable, and whether the actual transaction amounts incurred by the CCTs are within the approved annual caps; and
- the external auditor of the Company will conduct an annual audit each year, and review the implementation of the CCTs by the Company, including whether the amounts incurred by the CCTs are within the annual caps during the year pursuant to the requirements of HK Listing Rules.

The Board considers that the above internal control measures will provide safeguard to the EEIC Group to supervise and monitor compliance of (i) the pricing terms of CCTs to be in accordance with

LETTER FROM THE BOARD

the 2016 CCT Agreements and conducted on terms that are comparable to or no less favourable than prices offered by independent third parties; and (ii) the annual caps to be approved by the Independent Shareholders will be adhered to and the CCTs will be conducted within the approved annual caps during the relevant year pursuant to the requirements under HK Listing Rules.

HISTORICAL FIGURES, EXISTING ANNUAL CAPS AND PROPOSED ANNUAL CAPS

The table below sets out the Existing Annual Caps and the corresponding actual/estimated amount:

	For the year ended 31 December 2014		For the year ended 31 December 2015		For the year ended 31 December 2016		
	Annual cap (USD)	Actual amount (USD)	Annual cap (USD)	Actual amount (USD)	Annual cap (USD)	Actual amount (up to 30 September 2016 (USD)	Estimated amount (up to 31 December 2016) (USD)
2013 EPF Agreement	15,733,000	8,093,000	19,009,000	7,883,000	20,393,000	5,474,000	7,299,000
2013 MSP Agreement (purchase of certain goods and/or services by the EEIC Group from the Kingboard Group)	159,688,000	134,328,000	184,954,000	110,009,000	215,151,000	88,618,000	118,157,000
2013 MSP Agreement (sale of certain goods and/or services by the EEIC Group to the Kingboard Group)	16,316,000	4,966,000	18,760,000	15,545,000	21,660,000	11,372,000	15,163,000

PROPOSED ANNUAL CAPS

Proposed Annual Caps for the 2016 EPF Agreement

It is proposed that the Proposed Annual Caps for the 2016 EPF Agreement are US\$10,000,000, US\$11,000,000 and US\$12,100,000, for the three years ending 31 December 2017, 2018 and 2019, respectively.

The Proposed Annual Caps under the 2016 EPF Agreement were determined with reference to the internal projections of the purchases to be incurred, having regard to the following:

- (i) the expected growth of the global PCB market;
- (ii) normal wear-and-tear of Equipment;

LETTER FROM THE BOARD

- (iii) the anticipated growth in demand for Equipment;
- (iv) the prevailing market prices of Equipment;
- (v) inflation;
- (vi) the expected sales of the EEIC Group; and
- (vii) the business development plan of the EEIC Group, including the expansion of the market share of certain PCB-related industries such as the high density interconnect PCB market and the automotive-related PCB market.

In determining the Proposed Annual Caps under the 2016 EPF Agreement, and in relation to the factors as disclosed above, the following assumptions and additional considerations were being taken into account:

- (i) the EEIC Group carried out its group restructuring since 2014, which is expected to complete soon, following which, it is expected that the production capacity of EEIC Group on high-end electronic products will be further enhanced, especially the PCBs and related electronic products for telecommunication and automotive segments. As such, the demand on the machineries is expected to increase accordingly;
- (ii) certain existing machineries of the EEIC Group have been used for more than five years and have started to worn out. Therefore, the EEIC Group will gradually replace the existing machineries by the new models in the next three years pursuant to which the demand for such Equipment will increase and the purchase of machineries from the Kingboard Group will increase by around 35% in 2017;
- (iii) in 2015, the amount of sales to mainland China has attributed around 45% of the total revenue of the EEIC Group. As such, the sales performance of the EEIC Group correlates to the PRC market, and the future prospect of the PCB market as a whole; and
- (iv) according to the statistics released by Ministry of Industry and Information Technology of China (“MIITC”), the output value of the consumer electronics industry for 2015 amounted to RMB1,132 billion, representing an increase of 17.3%. In view of the shorten life cycle of the high ended electronic products and rapid growth in the consumer electronics industry, although the Company expects the PCB market to remain challenging, it is expected that the domestic demand on high end PCB in the PRC will remain strong in the near future.

Taking into account (i) the above assumptions and additional considerations, (ii) the percentage of relevant annual caps which historical and estimated procurement amounts (as the case may be) account for: (iii) the relatively lower Proposed Annual Cap for the year ending 31 December 2017 as

LETTER FROM THE BOARD

compared to the corresponding annual cap for 2016; and (iv) the buffer required to meet the expected increase on demand for machineries, and the expected demand for the PCBs used in the high end technology products, the Directors consider that (a) the Proposed Annual Cap for the year ending 31 December 2017 under the 2016 EPF Agreement; and (b) the 10% growth for Proposed Annual Caps for the two years ending 31 December 2019 are reasonable.

The actual amount of purchases will be subject to prevailing market conditions and business environment.

Proposed Annual Caps for the 2016 MSP Agreement

It is proposed that the Proposed Annual Caps for the 2016 MSP Agreement are: (i) in respect of the purchase of goods and/or services by the EEIC Group from the Kingboard Group, US\$165,000,000, US\$189,800,000 and US\$218,300,000; and (ii) in respect of the sale of goods and/or services by the EEIC Group to the Kingboard Group, US\$26,200,000, US\$30,100,000 and US\$34,600,000, for the three years ending 31 December 2017, 2018 and 2019, respectively.

The Proposed Annual Caps under the 2016 MSP Agreement have been determined with reference to the internal projections of the sales and purchases to be incurred, having regard to the following:

- (i) the expected growth of the global PCB market;
- (ii) the anticipated growth in demand for goods and/or services;
- (iii) the prevailing market prices of goods and/or services;
- (iv) inflation; and
- (v) the business development plan of the EEIC Group, including the expansion of the market share of certain PCB-related industries such as the high density interconnect PCB market and the automotive-related PCB market.

In determining the Proposed Annual Caps under the 2016 MSP Agreement, and in relation to the factors as disclosed above, the following assumptions and additional considerations were being taken into account:

- (i) under the 2016 MSP Agreement, prices of certain goods and/or services to be sold or provided by Kingboard Group may fluctuate according to prices of copper and crude oil, which in turn may affect the Proposed Annual Caps. In light of (a) the drop in the price of copper and crude oil in the past; (b) the recent implementation of PRC governmental policies to stimulate its economy; (c) The Organization of the Petroleum Exporting Countries is proposing for a production cut, which may cause the crude oil price to rise, it is expected that the price of copper and crude oil may increase;

LETTER FROM THE BOARD

- (ii) the shorten life cycle of the high-end electronic products may expand the use and market of PCB. In particular, replacement of electronic devices involving the use of PCB will increase the demand for PCB, which may drive the growth of the PCB industry; and
- (iii) according to the statistics released by MIITC, the output value of the consumer electronics industry for 2015 was amounted to RMB1,132 billion, representing an increase of 17.3%. In view of the rapid growth of the consumer electronics industry, although the Group expects the PCB market to remain challenging, it is expected that the demand on high end PCB in the PRC will remain strong in the near future.

In light of the above, and having considered (i) the historical purchase of certain goods and service by the EEIC group from the Kingboard Group since 2013; (ii) anticipated increase in market price of the goods and service; and (iii) the future prospect of the high end PCB market, the higher Proposed Annual Caps for the transactions contemplated under the 2016 MSP Agreement were proposed despite the historical actual amounts in 2014 to 2016.

Taking into account (i) the above assumptions and additional considerations, (ii) the percentage of relevant annual caps which historical or estimated amounts (as the case may be) account for; (iii) the relatively lower Proposed Annual Cap for the year ending 31 December 2017 as compared to the corresponding annual cap for 2016 for the procurement by EEIC Group; and (iv) the buffer required to meet the (a) potential upward movement of the copper price and growth in the demand for PCBs in respect of procurements of EEIC Group and (b) future potential price fluctuation of laminates and potential fluctuation in sales amount in respect the sales by EEIC Group, where the estimated sales amount for the year ending 31 December 2016 represents approximately 70% utilisation of the corresponding annual cap regarding sales by EEIC Group under the 2013 MSP Agreement, the Directors consider that (a) the Proposed Annual Cap for the year ending 31 December 2017 under the 2016 MSP Agreement; and (b) the 15% growth for Proposed Annual Caps for the two years ending 31 December 2019 are reasonable.

The actual amount of sales and purchases will be subject to prevailing market conditions and business environment.

In respect of the Proposed Annual Caps under each of the 2016 CCT Agreements, as disclosed in the Company's 2015 annual report, EEIC Group will continue to work on product mix upgrade of high-tech and high layer counts printed circuit board products to cope with changing market demand. In 2015, the EEIC Group continued to maintain a balanced portfolio of PCB products manufactured with more focus on high profit margin and signature PCB products as compared to 2014. The change in percentage of sales which key products of EEIC Group account for its total revenue remains steady in 2015 as compared to 2014. Although it was stated in the Company's 2016 interim report that certain adjustments were made to EEIC Group's product mix allocation to increase its sales in higher-price products, the Company believes that the key drivers underlying the increase in Proposed Annual Caps against the actual historical figures include, among others, (a) the expected increase in demand on the machineries due to replacement and expansion in production capacities for under the 2016 EPF Agreement; (b) the potential increase in raw material prices of the goods and/or services to be supplied and provided under the 2016 MSP Agreement.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE CCTS

2016 EPF Agreement

The EEIC Group has been continuously expanding its PCB business and anticipates that more Equipment for the manufacture of PCBs will be required to further expand the business. Taking into account a range of factors, including the reduction in transportation costs, the quality and the price of the Equipment manufactured by the Kingboard Group for the production of PCBs, the EEIC Group considers that the purchase of Equipment under the 2016 EPF Agreement is necessary to facilitate its expansion plan and will improve the competitiveness, the quality and price of the PCBs manufactured by the EEIC Group.

2016 MSP Agreement

The EEIC Group is engaged in the manufacture of PCBs, which requires materials including but not limited to copper foil, kraft paper, copper balls, laminates, glass fibre and prepreg as key components of its products. The Kingboard Group is engaged in, among others, the manufacture of laminates and PCBs, which requires materials and services, including but not limited to green laminates and drill maintenance services, as components for its production process. The provision of such materials by the Kingboard Group to the EEIC Group secures a steady supply of such materials to the EEIC Group which facilitates its production of PCBs. The EEIC Group considers that the Kingboard Group is a reliable business co-operation partner and that such co-operation is beneficial to the business of the EEIC Group.

IMPLICATIONS UNDER THE HK LISTING RULES

As at the Latest Practicable Date, Kingboard (a substantial and controlling shareholder of the Company), through its wholly-owned subsidiaries, owns approximately 73.65% of the issued share capital of the Company and is therefore a connected person of the Company. Accordingly, the CCTs constitute continuing connected transactions of the Company under Chapter 14A of the HK Listing Rules.

The 2016 EPF Agreement

As the highest applicable percentage ratio (under Chapter 14A of the HK Listing Rules) of the CCTs under the 2016 EPF Agreement for each of the three years ending 31 December 2019 is equal to or greater than 5%, the CCTs under the 2016 EPF Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

The 2016 MSP Agreement

As the highest applicable percentage ratios (under Chapter 14A of the HK Listing Rules) of the CCTs under the 2016 MSP Agreement in respect of the sales and purchases by the EEIC Group for each of the three years ending 31 December 2019 are equal to or greater than 5%, the CCTs under the 2016 MSP Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

LETTER FROM THE BOARD

Any connected person with a material interest in the CCTs, and any Shareholder who has a material interest in the CCTs and its associates will be required to abstain from voting at the EGM.

Kingboard and its associates will abstain from voting at the EGM. Mr. Cheung Kwok Wing, being the non-executive Director, and Mr. Chang Wing Yiu, being the executive Director, who is also Shareholder, hold directorships in Kingboard or certain other members of the Kingboard Group. Accordingly, each of those Directors will abstain from voting on the relevant board resolution, and each of them and their associates will also abstain from voting at the EGM. To the best knowledge of the Company after having made all reasonable enquiries, as at the Latest Practicable Date, there were no other Shareholders (save as disclosed above) who were required to abstain from voting in respect of the ordinary resolutions proposed to be considered and, if thought fit, approved by the Independent Shareholders at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the CCTs were conducted in the ordinary and usual course of business of the EEIC Group, whether the terms of each of the 2016 CCT Agreements are on normal commercial terms, and whether the CCTs and the respective Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Your attention is drawn to the letter from the Independent Board Committee containing its advice set out on pages 21 to 22 of this circular.

Karl Thomson has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the CCTs were conducted in the ordinary and usual course of business of the EEIC Group, whether the terms of each of the 2016 CCT Agreements are on normal commercial terms, and whether the CCTs and the respective Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from Karl Thomson is set out on pages 23 to 46 of this circular.

GENERAL

The Company is an investment holding company, which, through its subsidiaries, is primarily engaged in the design, development, manufacture and distribution of high-density, double-sided and multi-layered PCBs.

Kingboard is an investment holding company. The Kingboard Group is principally engaged in the manufacture and sale of laminates, copper foil, glass fabric, glass yarn, bleached kraft paper, packing cartons, PCBs, chemicals, liquid crystal displays and magnetic products, and property development and investment.

THE EGM

The Company will convene the EGM at: (a) in Hong Kong, 2/F., Harbour View 1, No. 12 Science Park East Avenue, Phase II, Hong Kong Science Park, Shatin, Hong Kong (for Hong Kong Shareholders); and (b) in Singapore, via video-conferencing, at Conference Room, Wangz Business Centre, 7 Temasek Boulevard, The Penthouse, #44-01 Suntec Tower One, Singapore 038987 (for

LETTER FROM THE BOARD

Singapore Shareholders) on 16 December 2016 at 10:00 a.m. for the purpose of considering and, if thought fit passing, with or without amendments, the ordinary resolutions to approve the terms of each of the 2016 CCT Agreements, the CCTs and the respective Proposed Annual Caps, a notice convening the EGM is set out on pages 54 to 56 of this circular.

Pursuant to Rule 13.39(4) of the HK Listing Rules, any vote of shareholders at a general meeting must be taken by poll, except where the chairman of the general meeting decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands. Pursuant to Rule 14A.70(12) of the HK Listing Rules, where independent shareholders' approval is required with regard to a connected transaction, any shareholder with a material interest in such transaction will not vote on such transaction.

The Proxy Form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the Proxy Form in accordance with the instructions printed thereon and return it to the registered office of the Company at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624 (for Singapore Shareholders) or the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders) as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the Proxy Form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 21 to 22 of this circular which contains its recommendation to the Independent Shareholders concerning the terms of each of the 2016 CCT Agreements, the CCTs and the respective Proposed Annual Caps; and (ii) the letter from Karl Thomson set out on pages 23 to 46 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of each of the 2016 CCT Agreements, the CCTs and the respective Proposed Annual Caps and the principal factors and reasons considered by it in formulating its advice.

The Directors (including the independent non-executive Directors having taken into account the advice of Karl Thomson) consider that the CCTs were conducted in the ordinary and usual course of business of the EEIC Group, the terms of each of the 2016 CCT Agreements are on normal commercial terms, the CCTs and the respective Proposed Annual Caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve each of the 2016 CCT Agreements, the CCTs and the respective Proposed Annual Caps.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For ascertaining Shareholders' right to attend and vote at the EGM, the register of members of the Company will be closed from 14 December 2016 to 16 December 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's principal share registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) no later than 5:00 p.m. on 13 December 2016 or the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders), for registration not later than 4:30 p.m. on 13 December 2016.

For the purpose of determination of Shareholders registered under the Singapore principal register of members and the Hong Kong branch register of members of the Company, all necessary documents, remittances accompanied by the relevant share certificates in respect of removal of Shares between the two register of members, must be submitted no later than 5:00 p.m. and 4:30 p.m. on 5 December 2016 to the Company's Singapore principal share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, (for Singapore Shareholders) and the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong) (for Hong Kong Shareholders), respectively .

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information in respect of the Company set out in the appendices to this circular.

In case of inconsistency, the English text of this circular and the enclosed Proxy Form shall prevail over their respective Chinese text.

Yours faithfully,
By Order of the Board
Elec & Eltek International Company Limited
Cheung Wai Lin Stephanie
Vice Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

30 November 2016

To the Independent Shareholders

Dear Sir or Madam

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 30 November 2016 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether the CCTs were conducted in the ordinary and usual course of business of the EEIC Group, whether the terms of each of the 2016 CCT Agreements are on normal commercial terms, and whether the CCTs and the respective Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we have appointed Karl Thomson as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board on pages 5 to 20 of the Circular, which sets out information in connection with the CCTs and the respective Proposed Annual Caps. We also wish to draw your attention to the letter from Karl Thomson to the Independent Board Committee and Independent Shareholders which contains its advice to us in respect of the CCTs and the respective Proposed Annual Caps as set out on pages 23 to 46 of the Circular.

Having considered the information contained in the letter from the Board and taking into account the advice and recommendation of the IFA, we, the Independent Board Committee, consider that the CCTs were conducted in the ordinary and usual course of business of the EEIC Group, the terms of each of the 2016 CCT Agreements are on normal commercial terms, the CCTs and the respective Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we would recommend the Independent Shareholders to vote at the EGM in favour of the ordinary resolutions to approve each of the 2016 CCT Agreements, the CCTs and the respective Proposed Annual Caps.

Yours faithfully,

**The Independent Board Committee of
Elec & Eltek International Company Limited**

Raymond Leung Hai Ming

Stanley Chung Wai Cheong

Ong Shen Chieh

Independent non-executive Directors

LETTER FROM KARL THOMSON

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the renewal of annual caps for the Non-exempt Continuing Connected Transactions for inclusion in this circular.



Karl Thomson Financial Advisory Limited

Rm 606-610, 6/F Tai Yau Building, 181 Johnston Road,

Wan Chai, Hong Kong

香港灣仔莊士敦道181號大有大廈6字樓606-610室

30 November 2016

To the Independent Board Committee and the Independent Shareholders of
Elec & Eltek International Company Limited

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the continuing connected transactions contemplated under the 2016 EPF Agreement and the 2016 MSP Agreement (the “**Continuing Connected Transactions**”) and the proposed annual caps for each of the Continuing Connected Transactions for the financial years ending 31 December 2017, 2018 and 2019 (the “**Proposed Annual Caps**”), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular of the Company dated 30 November 2016 (the “**Circular**”), of which this letter forms a part. Capitalized terms used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise requires.

On 7 November 2016, the Company entered into the 2016 EPF Agreement with Kingboard, pursuant to which Kingboard Group (including, for the purpose of the 2016 EPF Agreement, the associated companies of Kingboard as defined in the Singapore Listing Manual) will sell Equipment to the EEIC Group (including, for the purpose of the 2016 EPF Agreement, the associated companies of the Company as defined in the Singapore Listing Manual) from time to time. On the same date of the 2016 EPF Agreement, the Company entered into the 2016 MSP Agreement with Kingboard, pursuant to which Kingboard Group (including, for the purpose of the 2016 MSP Agreement, the associated companies of Kingboard as defined in the Singapore Listing Manual) will sell certain goods and/or services including but not limited to copper foil, kraft paper, copper balls, laminates, glass fibre

LETTER FROM KARL THOMSON

and prepreg etc. to EEIC Group (including, for the purpose of this agreement, the associated companies of the Company as defined in the Singapore Listing Manual) and EEIC Group will sell certain goods and/or services including but not limited to drill maintenance services and green laminates etc. to Kingboard Group from time to time.

Kingboard, through its wholly-owned subsidiaries, owns approximately 73.65% of the issued share capital of the Company. Since Kingboard is a substantial shareholder of the Company, each of Kingboard and its subsidiaries is a connected person of the Company as defined under the Listing Rules. Any transactions between Kingboard and the Company, as a result, will constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios of the Proposed Annual Caps for each of the Continuing Connected Transactions on an annual basis exceeds 5% and the annual consideration is more than HK\$10,000,000, the transaction contemplated under the 2016 CCT Agreements are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent board committee has been established to advise the Independent Shareholders as to whether the terms of the Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable, and are in the interest of the Company and the Independent Shareholders as a whole. Karl Thomson has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in this regard.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We are independent of the Company for the purposes of Rule 13.84 of the Listing Rules. We are not engaged by Kingboard in respect of the transactions contemplated under the Circular.

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the executive Directors and the management (the "**Representatives**") of the Company. We have assumed that all statements and representations made or referred to in the Circular are true in all material respects at the time they were made and continue to be true in all material respects up to the date of the EGM. We have also assumed that all statements of belief, opinion and intention made by the Representatives of the Company in the Circular have been reasonably made after due enquiry based on their best knowledge and belief. We consider that we have been provided with sufficient information to form a reasonable basis for issuing our opinion. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Representatives of the Company and have no reason to doubt that any relevant material facts have been withheld or omitted. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the EEIC Group, nor have we carried out any independent verification of the information supplied.

LETTER FROM KARL THOMSON

BACKGROUND OF THE EEIC GROUP AND KINGBOARD

The Company was incorporated in Singapore as a private limited company in 1993 and was listed in the SGX-ST in 1994 and on the SEHK in 2011 respectively. The EEIC Group is principally engaged in the design, development, manufacture and distribution of high-density, doubled-sided and multi-layered PCBs to global customers in different electronics sectors including Communication & Networking, Automotive Industries, Computer & Computer Peripherals and Consumer Electronics. The EEIC Group is currently operating four production factories in Kaiping, Guangzhou, Yangzhou and Thailand. It has its own laminate facilities for internal consumption, which could benefit the Group in cost control and material supply through vertical integration.

Set out below is certain summary financial information as extracted from the annual report of the EEIC Group for the year ended 31 December 2015 (the “**2015 Annual Report**”):

	For the financial year ended 31 December	
	2015	2014
	<i>USD'000</i>	<i>USD'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	452,983	517,075
(Loss)/Profit attributable to owners of the Company	(4,837)	3,501

	As at 31 December	
	2015	2014
	<i>USD'000</i>	<i>USD'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Total assets	591,256	590,912
Total liabilities	219,865	248,238

As shown in the table above, the revenue generated by the Group decreased from approximately USD517,075,000 in 2014 to approximately USD452,983,000 in 2015, representing a decline of 12.40%. Due to the decline in revenue, the Group has recorded a loss attributable to owners of the Company of USD4,837,000 as compared with profit attributable to owners of the Company of USD3,501,000 for the corresponding period in 2014. With reference to the 2015 Annual Report, the decrease in revenue was mainly due to the intense competition in the PCB market and the impact from the uncertain global economics environment. As at 31 December 2015, the Group had total assets and total liabilities of approximately USD591,256,000 and USD219,865,000 respectively.

Kingboard is an investment holding company, the subsidiaries of which are principally engaged in manufacturing and sale of laminates, printed circuit boards, chemicals and property development and investments. During the manufacturing process, materials such as laminates, copper foil, glass fabric, glass yarn and bleached kraft paper are key raw materials used in the production of PCBs.

LETTER FROM KARL THOMSON

Against this background, EEIC Group has been purchasing certain goods and Equipment from the Kingboard Group since 2004, similarly, EEIC Group has been providing certain goods and services to Kingboard Group since 2004. Given the fact that the 2013 CCT Agreements will expire on 31 December 2016 and shall subject to renewal and therefore the company has proposed to enter into the 2016 CCT Agreements for term of three years up to 31 December 2019.

PRINCIPAL FACTORS AND REASONS CONSIDERED

To formulate our opinion regarding the Continuing Connected Transactions and the corresponding Proposed Annual Caps, we have taken into account the following principal factors and reasons:

A. The 2016 EPF Agreement

(i) *Reasons and benefit of entering into the 2016 EPF Agreement*

We understand that the purpose of entering into the 2016 CCT Agreements is solely for the renewal of terms and the annual caps of the transactions contemplated under the 2013 CCT Agreements for further three years from 1 January 2017 to 31 December 2019, in order to facilitate continuing the purchase and sale transactions under the respective agreements. The purchase and sale transactions are of a recurrent nature and will be carried out on a regular and continuing basis in the ordinary and usual course of business of the Group and Kingboard Group respectively. The 2016 EPF Agreement is only to provide framework to the parties for the supplies and purchases of materials from time to time on non-exclusive basis.

We also noted that the Group and Kingboard Group have maintained a long-term positive business relationship with each other. In particular, the EEIC Group has been purchasing Equipment from the Kingboard Group since 2009 and has developed a good business relationship with the Kingboard Group ever since. Given that the business of the EEIC Group and the Kingboard Group are complementary to each other, the Kingboard Group would have better understanding of the business nature of the EEIC Group and is able to provide the EEIC Group with the suitable Equipment for PCBs production. According to the management of the EEIC Group, Kingboard Group is a reliable supplier who has been supplying the Equipment at competitive cost with good quality. Furthermore, when comparing the transportation costs with the oversea purchase, the transportation costs would be substantially lower since the Equipment is transferred within the PRC.

Given the established business relationship between the EEIC Group and the Kingboard Group and the nature of the transactions contemplated under the 2016 EPF Agreement, we consider that the entering of the 2016 EPF Agreement will continue to secure a long term supply of high-quality Equipment which will be beneficial to the business growth of the Group.

LETTER FROM KARL THOMSON

(ii) *Terms of the 2016 EPF Agreement*

Key terms of the 2016 EPF Agreement are summarized as below:

Date	7 November 2016
Parties	(1) Kingboard (2) the Company
Product to be purchased	purchase of Equipment from the Kingboard Group
Pricing	The price of Equipment to be supplied by Kingboard Group will be determined on an arm's length and case-by-case basis, depending on the type and specification of Equipment and with reference to the prevailing market price, which will be obtained through the market or independent third party suppliers of the EEIC Group.

Whenever the EEIC Group intends to purchase Equipment pursuant to the 2016 EPF Agreement, in order to determine if the prices offered by the Kingboard Group are in accordance with the above pricing policy and are comparable to or not less favourable than price offered by independent third parties, the procurement department will firstly inform the potential suppliers (including Kingboard Group) of the amount and type of intended purchase and technical requirements of such purchase, and the operation department will then assess and evaluate the technical capabilities of such suppliers and the related quotations. The Company will ask for quotations from at least two independent suppliers which are able to meet the technical requirements of EEIC Group of comparable scale pursuant to which such Equipment were supplied under normal trading conditions, and report to the senior management accordingly.

Following receipt of the quotations, the Company will compare and negotiate the price and terms of the quotation on an arm's length basis. In determining the supplier, the relevant purchase department will take into account, among other factors, price quotations, quality and quantity of the Equipment, technical capabilities, qualification and experience of the suppliers, brand name of the Equipment, ability in meeting delivery schedules and delivering the Equipment continuously (*Note 1*).

LETTER FROM KARL THOMSON

In the event that there are no comparable quotations and transactions, the Company may request for price quotations for Equipment of similar specifications and terms offered by the Kingboard Group to its independent customers for the Company's reference purposes, and will seek to obtain the market information through various channels (*Note 2*) (such as industry related websites or other public domains), where applicable.

Terms of payment

Unless otherwise agreed between the parties to the agreement, the payment term shall be prescribed as follows: (a) a deposit of 30% of the purchase price payable upon execution of the agreement or purchase order; (b) 50% of the purchase price will be due within one month upon the Equipment is received by the EEIC Group (including, for the purpose of this agreement, the associated companies of the Company as defined in the Singapore Listing Manual); and (c) the balance of 20% of the purchase price will be due within one month following the certified acceptance of the Equipment as suitable for use. Payment term for different type of Equipment categories may be subject to other progressive payment terms as mutually agreed between the parties from time to time.

Term

Three years from 1 January 2017 to 31 December 2019.

Notes:

1. As part of the internal requirement, the relevant procurement personnel and/or the director-in-charge of the relevant operating subsidiary, as the case may be, will review the purchase proposal (including, by comparing the quotations from at least two independent suppliers and the Kingboard Group and considering the historical purchase price for Equipment of similar specifications and terms) before making the final purchase decision.
2. For this purpose, the Company will also consider information available from the industry-related websites, where applicable, such as PCB Information Web* (PCB信息網) Shenzhen Beehive Network Technology Co., Ltd* (深圳市蜂虎網絡科技有限公司) (<http://www.pcbinfo.net/>) containing PCB industry information, including product price, trade fair etc., and PCB Shop of Taiwan Printed Circuit Association (<http://www.pcbshop.org/cn/>) containing certain PCB product and supplier information.

According to the terms of the 2016 EPF Agreement, the Kingboard Group will not be obligated to sell any prescribed quantity of Equipment or at any specific prices to the EEIC Group under the term of the 2016 EPF Agreement. Therefore, there is no limitation on the maximum or minimum quantity of products to be purchased by the EEIC Group and it is to be determined and agreed between the parties from time to time. The EEIC Group does not exclusively rely on the Kingboard Group for the supply of Equipment. The Company is free to select other Equipment suppliers to allow a greater flexibility in selecting the matching quality of Equipment and negotiating in price of Equipment. The price of each transaction will be determined in accordance to prevailing market price which will be obtained through the market or independent third party suppliers of the EEIC Group. In the event that there are no comparable quotations and transactions, the Company may request for price quotations

LETTER FROM KARL THOMSON

for Equipment of similar specifications and terms offered by the Kingboard Group to its independent customers for the Company's reference purposes, and will seek to obtain the market information through various channels (such as industry-related websites or other public domains), where applicable.

Furthermore, we are advised that the Company has implemented a set of internal control procedures in order to ensure that the transactions with the Kingboard Group will not be more favorable. Whenever the EEIC Group intends to purchase Equipment, the procurement department will firstly inform the potential suppliers (including Kingboard Group) of the amount and type of intended purchase and technical requirements of such purchase, and the operation department will then assess and evaluate the technical capabilities of such suppliers and the related quotations. The Company will ask for quotations from at least two third party independent suppliers which are able to meet the technical requirements of EEIC Group of comparable scale where such Equipment were supplied under normal trading conditions, and report to the senior management accordingly. After the quotations are obtained from the independent suppliers, the Company will compare and negotiate the terms of the quotation with the suppliers after taking into account, among others, the price, quantity and quality of the goods, the delivery schedules, the previous transaction records and capabilities, qualification and experience of the suppliers. Under such basis, we are of the view the market price information obtained from the independent third parties suppliers could assist the EEIC Group in determining the pricing of the relevant purchase transactions and therefore the Company is able to make purchase orders of Equipment under the prevailing market condition.

For the purpose of formulating our advice, we have requested the Company to provide the total purchase amount of Equipment of the Group for 2014 and 2015. Based on the information provided by the Company, we noted that the amount of purchase from Kingboard Group attributed for approximately 19.6% and 25.69% of the total purchase amount of Equipment in 2014 and 2015 respectively. The figures reflected that more than 70% of the Equipment were purchased from the independent third party suppliers and thus it shows that EEIC Group did not solely rely on the Kingboard Group for the supply of Equipment.

Furthermore, we have requested the Company to provide us a master list of all transactions conducted between the Kingboard Group and the EEIC Group under 2013 EPF Agreement during January 2014 to September 2016 (the "**Period under Review**") and we have requested the Company to provide sample purchase orders and quotations for our review. Each set of sample shall include a purchase order for historical purchase transaction between the EEIC Group and the Kingboard Group and two quotations for those similar transactions between the EEIC Group and the independent third party suppliers. In view of the huge number of transactions conducted in the Period under Review, we have tried to pick one set of sample for each month. However, after discussion with the Company, we note that purchase of Equipment is not made in every month during Period under Review. In this regard, we have randomly selected 10 sets of sample for each of the financial years based on the materiality of the transaction amounts. In view of the limitation in practice, we consider that the selection basis and the limited coverage are justified for our review. Taking into account the materiality of the purchase orders, we are satisfied that the sample size are representative for the purpose of our review.

Under such circumstances, we have reviewed a total of 30 sets of sample purchase orders and quotations for historical purchase transactions between the EEIC Group and the Kingboard Group against those similar transactions between the EEIC Group and the independent third party suppliers. Based on the purchase orders and quotations provided to us, we noted that for each transaction, the purchasing department has obtained at least two quotations from the independent third party suppliers

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for price comparison. In particular, we noted that the date of purchase, price per unit, volume of purchase, name and model of Equipment purchase of the purchase orders are comparable to those shown on the relevant quotations obtained from independent third party suppliers used for pricing comparison. Based on the above, we are of the view that adequate internal control procedures have been duly applied by the EEIC Group to ensure that the price offered by the Kingboard Group are determined in accordance with the prevailing market prices and not less favourable than those offered by independent third party suppliers and such pricing arrangement is on normal commercial terms and the transactions under the 2016 EPF Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

(iii) *Historical amounts and the proposed annual caps*

The table below set out the historical figures, the existing annual caps and the proposed annual caps in relation to the 2016 EPF Agreement:

	For the year ended 31 December		For the year ending 31 December	
	2014	2015	2016	2016
Historical purchases (USD'000)	8,093	7,883	5,474 <i>(Note 1)</i>	7,299 <i>(Note 2)</i>
Annual growth rate (%)	—	-2.59	—	-7.41
Historical caps (USD'000)	15,733	19,009	—	20,393
% of utilization	51.44	41.47	—	35.79
			For the year ending 31 December	
			2017	2018
Proposed annual caps (USD'000)		10,000	11,000	12,100
Annual growth rate (%)		—	10.00	10.00

Notes:

1. This is the actual amount for the nine months ended 30 September 2016.
2. This is an estimated figure by straight-line multiplication from the historical purchases of nine months ended 30 September 2016.

In determining the proposed annual caps for the 2016 EPF Agreement for each of the three years ending 31 December 2019, the management of the Company has taken into account (i) the expected growth rate of the global PCB market; (ii) normal wear-and-tear of the Equipment; (iii) the anticipated growth in demand for Equipment; (iv) the prevailing market prices of the Equipment; (v) inflation; (vi) the expected sales of the EEIC Group; and (vii) the business development plan of the EEIC Group including the expansion of the market share of certain PCB-related industries such as the high density interconnect PCB market and the automotive-related PCB market.

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As indicated in the table above, the historical purchase of Equipment by the EEIC Group from the Kingboard Group for 2014 and 2015 were amounted to approximately USD8,093,000 and approximately USD7,883,000 respectively. The estimated purchase amount for the financial year ending 31 December 2016 of approximately USD7,299,000 is calculated by annualizing the purchase amount for the nine months ended 30 September 2016. It represents a decrease of 7.41% in comparison with the purchase amount of the previous year. The Existing Annual Caps have not been fully utilized, in particular, the utilization rate of the annual caps for 2014 and 2015 was approximately 51.44% and 41.47% respectively while the estimated utilization rate for 2016's annual cap calculated based on the annualized sales for the year ending 31 December 2016 was only approximately 35.79%.

The proposed annual cap for 2017 of USD10,000,000 represents an increment of approximately 37.01% on the estimated purchase amount for the financial year ending 31 December 2016 while the growth rate for the proposed annual caps of 2018 and 2019 is 10%. Comparing with the growth rate adopted on the proposed annual caps of 2018 and 2019, a higher growth rate has been applied on the proposed annual cap for 2017. Upon further discussion with the management of the Company, the EEIC Group has carried out group restructuring since 2014 and which is expected to complete soon, it is expected that the production capacity of EEIC Group on high-end electronic products will be further enhanced, especially the PCBs and related electronic products for telecommunication and automotive segments. In view of this, the demand on the machineries will be increased accordingly. Furthermore, we are advised that some existing machineries have been used for more than five years and have started to worn out. Therefore, the Group will gradually replace the existing machineries by the new models in the next three years. Under such basis, the Group expects the purchase of machineries from the Kingboard Group will be increased by around 35% in 2017. In order to meet the potential increase in demand of machineries, a larger annual cap for 2017 has been proposed.

In 2015, the amount of sales to mainland China has attributed around 45% of the total revenue of the EEIC Group. Since the sale performance of the EEIC Group is highly correlated to the PRC market, we have also taken into account the future prospect of the PCB market in in formulating our advice. According to the statistics released by Ministry of Industry and Information Technology of China, the output value of the consumer electronics industry for 2015 was amounted to RMB1,132 billion, representing an increase of 17.3%. In particular, the production volume of the mobile phones had been increased by 11.3% to 1.4 billion. In view of the shorten life cycle of the high ended electronic products and rapid growth in the consumer electronics industry, it is expected that the domestic demand on high end PCB in the PRC will remain strong in the next three years.

In light of the above discussion, we concur with the management's view that higher buffer would be made on the proposed annual cap for 2017 in order to meet the expected increase in demand for machineries. Regarding the estimation of the proposed annual caps for 2018 and 2019, the Company has taken into account the expected high demand on the PCBs used in the high end technology products, an annual growth rate of 10% is proposed. Based on the above discussion, we consider that the size of the proposed annual caps and the bases in which the Company has taken into account in determining the size of the proposed annual caps of the 2016 EPF Agreement are fair and reasonable.

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B. The 2016 MSP Agreement

(i) *Reasons and benefit of entering into the 2016 MSP Agreement*

As mentioned above, the EEIC Group is engaged in the manufacture of PCBs and during the production process of which, materials including not limited to copper foil, kraft paper, copper balls, laminates, glass fabric and prepreg is required. On the other hand, Kingboard requires materials and services including not limited to green laminates and drill maintenance services as the key component to produce PCBs and laminates. Since each of the materials plays an important role in the course of production for both the EEIC Group and the Kingboard Group, the sales and purchases of materials are closely related. The whole production process will be distorted and delayed if any of the materials or components is in shortage. Therefore, a reliable source of the goods and services is crucial to maintain the smooth operation of both the EEIC Group and the Kingboard Group. Given the fact that the EEIC group has a long term and solid business relationship with the Kingboard Group, both of them are familiar with each other's standards and specifications on the goods and services and therefore able to respond quickly and achieve greater synergy when they provide goods and services to each other. Based on the above discussion, the EEIC Group considers that the Kingboard Group is a reliable business partner and such co-operation is beneficial to the business of the EEIC Group and the Kingboard Group.

As advised by the management of the Company, the continuing connected transactions will be conducted in the ordinary and usual course of business of the Company and the terms and conditions will continue to be agreed on an arm's length basis that are fair and reasonable.

(ii) *Terms of the 2016 MSP Agreement*

Key terms of the 2016 MSP Agreement are summarized as below:

Date: 7 November 2016

Parties: (1) Kingboard
(2) the Company

Goods and/or services that could be purchased by the EEIC Group from the Kingboard Group: Aluminium sheets, carton boxes, chemicals, copper foil, kraft paper, copper ball, drill bits, laminates, prepreg, glass fibre, epoxy, glacial acetic acid, phenolic board, back-up board, punch mould, dry film, fixture, spare parts, printed materials, copper foil scrap, drilling services, routing services, electroless nickel and immersion gold, lead free hot air solder levelling, gold plating services, innerlayer, value-added sub-contract services relating to PCB manufacturing, microdrilling services for PCB, and other services which are incidental to or in connection with the provision of the services outlined above and as mutually agreed in writing by the Kingboard Group and the EEIC Group from time to time.

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Goods and/or services that could be purchased by the Kingboard Group from the EEIC Group:

PCBs, process sub-contracting services, soldermask or marking ink, repair of drill spindle services, prepreg, laminates, any other value-added sub-contract services relating to PCB manufacturing, microdrilling services for PCBs, and other services which are incidental to or in connection with the provision of the services outlined above and as mutually agreed in writing by the Kingboard Group and the EEIC Group from time to time.

Pricing:

The goods and services to be supplied pursuant to the 2016 MSP Agreement by the relevant party to the other party will be determined on an arm's length and case-by-case basis, depending on the type and specification of the goods and/or services and with reference to the prevailing market price, which will be obtained through the market or independent third party suppliers / customers of the EEIC Group.

Whenever the EEIC Group intends to obtain or provide goods and/or services pursuant to the 2016 MSP Agreement, in order to determine if the prices offered by the Kingboard Group in respect of EEIC Group's procurement of goods and/or services, or the prices offered to the Kingboard Group in respect of EEIC Group's provision of goods and/or services (as the case may be) are in accordance with the above pricing policy and are comparable to or not less favourable than price offered by independent third party suppliers and price offered to independent third party customers (as the case may be), (i) in respect of procurement, the procurement department will inform the potential suppliers (including Kingboard Group) of the amount and type of intended procurement and ask for quotations from at least two independent third party suppliers of comparable scale where such goods and/or services were supplied under normal trading conditions, and report to the senior management accordingly; and (ii) in respect of EEIC Group's sales, the sales department will consider two comparable transactions with independent customers where applicable, and report to the senior management accordingly (*Note 1*).

For EEIC Group's procurement, following receipt of the quotations, the Company will compare and negotiate the price and terms of the quotation on an arm's length basis. In determining the supplier, the relevant procurement department will take into account of, among other factors, price quotations, quality and quantity of the goods and/or services, technical capabilities, qualification and experience of the suppliers/service providers, ability in meeting delivery schedules and delivering/providing the goods/services continuously (*Note 2*).

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In the event that there are no comparable quotations and transactions for procurement, the Company may request for price quotations for goods or services of similar specifications and terms offered by the Kingboard Group to its independent customers for the Company's reference purposes, where applicable. Moreover, in the case of procurement or sales, if there are no comparable quotations and transactions, the Company will seek to obtain the market information through various channels (such as industry-related websites or other public domains), where applicable (*Note 3*).

Notes:

1. As part of the internal requirement, the relevant sales personnel and/or the director-in-charge of the relevant operating subsidiary, as the case may be, will review the purchase order from Kingboard Group and compare it against two comparable transactions with independent customers of EEIC Group. The historical price of comparable transactions will be taken into account. As such, the terms offered to Kingboard Group in respect of the sales of goods and/or provision of services to Kingboard Group will be comparable or not more favourable to Kingboard Group.
2. As part of the internal requirement, the relevant procurement personnel and/or the director-in-charge of the relevant operating subsidiary, as the case may be, will review the purchase proposal (including, by comparing the quotations from at least two independent suppliers and the Kingboard Group and considering the historical price for goods or services of similar specifications and terms) before making the final procurement decision. The relevant procurement personnel will also evaluate the comparable suppliers (including the Kingboard Group) on a regular basis by adopting a merit-based system in monitoring the product/service quality, pricing and other major terms with a view to facilitating the Company in making any procurement decision of similar nature from time to time.
3. For this purpose, the Company will also consider information available from the industry-related websites, where applicable, such as the prevailing raw material price indices as quoted from time to time on relevant industry websites, such as the Shanghai Metal Market (www.metal.com) for RMB prices of copper, silver, tin and aluminum, the London Metal Exchange (www.lme.com) for USD prices of copper, tin, aluminum, and Treasure Island (Beijing) Information Co., Ltd.* (金銀島 (北京) 資訊有限公司) (www.315i.com) (a PRC commodity information and transaction service provider) for RMB prices of crude oil, where applicable. In addition, the Company will also take into account whether the end-users have specified designated suppliers. If so, the selection of suppliers will be restricted accordingly.

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Terms of payment:	Unless otherwise agreed between the parties to the agreement, the payment shall be made within 90 days after month-end settlement from the date when the goods and/or services are received by the relevant party. Payment term for different type of product categories may be subject to shorter payment terms as mutually agreed between the parties, but shall not be more than 120 days.
Term	Three years from 1 January 2017 to 31 December 2019

The 2016 MSP Agreement comprises the general terms and conditions upon which the Kingboard Group may purchase the goods and/or services from the EEIC Group and vice versa. The relevant party(ies) may from time to time enter into purchase agreements or submit purchase orders setting out the detailed terms for the purchase of the goods and/or services provided that such detailed terms shall not be inconsistent with the terms of the 2016 MSP Agreement.

Similar to the terms of the 2016 EPF Agreement, we notice that neither the price nor quantity of goods and services to be sold to or purchased from Kingboard is pre-determined. Rather, the actual quantity, specification and price of the goods and/or services will be subject to the individual orders placed by the relevant party with the other party. The price of the goods and/or services to be purchased from or sold to the Kingboard Group will be determined according to the then-prevailing market prices. For the purpose of market price, the Company will consider at least two price quotations offered by independent suppliers and customers of similar goods and services (if any) to ensure the term offered to the EEIC Group or the Kingboard Group (as the case may be) will be not less favourable than the price at which the relevant party supplies similar goods and/or services to independent third parties having regard to the quality, quantity and other conditions of the purchase. In the event that there are no comparable quotations and transactions for procurement, the Company may request for price quotations for goods or services of similar specifications and terms offered by the Kingboard Group to its independent customers for the Company's reference purposes, where applicable. Moreover, in the case of procurement or sales, if there are no comparable quotations and transactions, the Company will seek to obtain the market information through various channels (such as industry-related websites or other public domains), where applicable.

Since such legally binding agreements with clearly defined terms are in place and the price of goods and services to be purchased from or sold to the Kingboard Group will be set with reference to the prevailing market price, we are of the view that the pricing terms of the 2016 EPF are fair and reasonable.

(iii) *Historical Transaction Records and Internal Control*

We are advised that the Company has implemented a set of internal control procedures in order to ensure that the transactions with the Kingboard Group will not be more favorable. The sale procedures to the Kingboard Group are identical to the Independent third party customers. In the

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previous sales transactions, the EEIC Group would consider at least two comparable transaction with an independent third party customer during the same period so that the Company is able to supply goods and services to Kingboard Group under the prevailing market condition.

For the purchase of goods and services from the Kingboard Group, the Company will consider at least two comparable transaction with an independent third party supplier during the same period or the quotations from obtained from the independent third party suppliers. Therefore, the Company is able to make purchase orders of goods and services under the prevailing market condition. Furthermore, the EEIC Group does not exclusively rely on the Kingboard Group for the supply of goods and services. The Company is free to select other suppliers to allow a greater room for selecting the matching quality and price negotiation.

The relevant procurement personnel will also evaluate the comparable suppliers (including the Kingboard Group) on a quarterly basis by adopting a merit-based system in monitoring the product/service quality, pricing and other major terms with a view to facilitating the Company in making any procurement decision of similar nature from time to time.

(a) *Historical transactions on purchase of goods and services from the Kingboard Group by the EEIC Group*

For the transactions between the EEIC Group and Kingboard Group in respect of the purchase of good and services under the 2013 MSP Agreement, we have requested the Company to provide us a master list of all transactions conducted during the period between January 2014 and September 2016 (the “**Period under Review**”) and we have requested the Company to provide sample purchase orders and quotation for our review. Again, each set of sample shall include a purchase order for historical purchase transaction between the EEIC Group and the Kingboard Group and two quotations for those similar transactions between the EEIC Group and the independent third party suppliers. Based on the purchase orders provided by the Company, we noted that some of the purchase orders have covered more than one products purchased by the EEIC Group which allow us to make price comparison. In this regard, we have selected one set of sample for every two months during the Period under Review based on the materiality of the transaction amounts and the type of products being purchased by the EEIC Group. Taking into account the coverage and the materiality of the selected samples, we consider that the selection basis and the sample sizes are representative for the purpose of our review. Under such basis, a total of 18 sets of sample purchase orders of the EEIC Group regarding purchase of goods and services were reviewed in which the terms and condition were compared with the quotations from other independent third party suppliers. Based on the purchase orders and quotations provided to us, we noted that at least two quotations were obtained from the independent third party suppliers for price comparison of each transaction. In particular, we noted that from the purchase orders, the date of purchase, price per unit, volume of purchase, name and model of the goods and service purchased are comparable to those shown on the relevant quotations obtained by the Company from independent third party suppliers used for pricing comparison. In particular, the price and payment terms offered by the Kingboard Group were no less favourable than those offered by independent third parties suppliers.

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(b) *Historical transactions on supply of goods and services to the Kingboard Group by the EEIC Group*

For the transactions between the EEIC Group and Kingboard Group in respect of the supply of goods and services under the 2013 MSP Agreement, similar investigations have been conducted as section (a) above. A master list of all transactions conducted during the Period under Review was also obtained from the Company. We have also requested the Company to provide sample invoices for our review. Each set of sample shall include the invoice for historical purchase transactions between the EEIC Group and the Kingboard Group and two invoices for those similar transactions between the EEIC Group and the independent third party customers. Based on the invoices provided by the Company, we noted that some of the invoices covered more than one type of laminates purchased by the Kingboard Group which allow us to make price comparison. In this regard, we have selected one sample invoices for every two months during the Period under Review based on the materiality of the transaction amounts. In view of the coverage and the materiality of the selected samples, we consider that the selection basis and the sample sizes are representative for the purpose of our review. As such, a total of 18 sets of sample invoices of the EEIC Group in relation to the supply of goods and services were reviewed in which the terms and condition were compared with that offered to other independent third party customers. Again, the price and payment term offered to the Kingboard Group and the independent third party customers. We noted that the sale department of the Company has considered the at least two similar transactions with the independent third party customers purchasing similar goods and /or services in determining the price and payment terms offered to the Kingboard Group. Again, based on the invoices provided to us, we noted the date of transaction, price per unit, volume of sales, name and model of good and service of the invoices for the sales to independent third party customers and Kingboard Group are very similar. In particular, the price and payment terms offered to the Kingboard Group were no more favourable than those offered to the independent third parties customer. As advised by the management of the Company, prior to accepting a purchase order, the sale department of the Company will consider the price offered to the Kingboard Group or independent third party customers according to the EEIC Group's pricing benchmark which has taken into account the prevailing market price in the industry. The sales procedures to the Kingboard Group are identical to the independent third party customers of which the procedures include the steps of order enquiry, price negotiation, order confirmation, product delivery and payment.

Based on the above, we are of the view that the procedures for sale and purchase are generally consistent with the market practices and the pricing mechanism implemented by the Company have taken into account the prevailing market price of the goods and services. Given the fact that both the price and the quantity of the good and service to be sold or purchased are not fixed under the 2016 MSP Agreement, the Company is able to sell and purchase goods and services under prevailing market condition.

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(iv) *Historical amounts and the Proposed Annual Caps*

As stated in the Letter from the Board, the Proposed Annual Caps under the 2016 MSP Agreement have been determined by the EEIC Group primarily based on (i) the expected growth of the global PCB market; (ii) the anticipated growth in demand of goods and/or services; (iii) the prevailing market prices of goods and/or services; (iv) inflation; and (v) the business development plan of the EEIC Group, including the expansion of the market share of certain PCB-related industries such as the high density interconnect PCB market and the automotive-related PCB market. An analysis on the historical amounts and the Proposed Annual Caps in relation to the New Master Sales and Purchases Agreement are set out as below:

(a) *Purchase of goods and services from the Kingboard Group by the EEIC Group*

The table below sets out the historical figures and the Existing Annual Caps in relation to purchases of certain goods and/or services by the EEIC Group from Kingboard Group under the 2013 MSP Agreement and the Proposed Annual Caps under the 2016 MSP Agreement:

	For the year ended 31 December		For the year ending 31 December	
	2014	2015	2016	2016
Historical purchases (USD'000)	134,328	110,009	88,618 <i>(Note 1)</i>	118,157 <i>(Note 2)</i>
Annual growth rate (%)	—	-18.10	—	7.41
Historical caps (USD'000)	159,688	184,954	—	215,151
% of utilization	84.12	59.48	—	54.92
			For the year ending 31 December	
			2017	2018
Proposed annual caps (USD'000)		165,000	189,800	218,300
Annual growth rate (%)		—	15.03	15.02

Notes:

1. This is the actual amount for the nine months ended 30 September 2016.
2. These are estimated figures by straight-line multiplication from the historical purchase of nine months ended 30 September 2016.

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The proposed annual caps for the 2016 MSP Agreement for the years ending 31 December 2017, 2018 and 2019 are proposed to be USD165,000,000, USD189,800,000 and USD218,300,000 respectively. In calculation of the Proposed Annual Caps, an annual growth rate of approximate 15% has been applied for each year. To assess the fairness of the sizes of the Proposed Annual Caps, we have examined (i) the historical purchase of certain goods and service by the EEIC group from the Kingboard Group since 2013; (ii) anticipated increase in market price of the goods and service; and (iii) the future prospect of the high end PCB market.

(i) Historical purchases of certain goods and/or services by the EEIC Group from Kingboard Group since 2013:

	For the year ended 31 December			For the nine months ended 30 September	For the year ending 31 December
	2013	2014	2015	2016	2016
<i>Purchases of certain goods and/or services (USD'000)</i>	120,279	134,328	110,009	88,618 <i>(Note 1)</i>	118,157 <i>(Note 2)</i>
Annual growth rate (%)	—	11.68	-18.10		7.41
Historical caps (USD'000)	300,536	159,688	184,954		215,151
% of utilization	40.02	84.12	59.48		54.92

Notes:

1. This is the actual amount for the nine months ended 30 September 2016.
2. This is an estimated figures by straight-line multiplication from the historical purchase of nine months ended 30 September 2016.

From the table above, we note that the purchase amount of goods and services are ranging between US\$110,000,000 and US\$134,000,000. The total purchase amount from the Kingboard Group for 2016 is estimated by annualizing the purchase amount for the nine months ended 30 September 2016 of approximately US\$88,618,000. The annualized purchase is calculated as to approximately US\$118,157,000. Comparing with the historical purchase amount of 2015, the growth in purchase amount is approximately 7.41% in 2016. For the utilization of the existing annual caps, we noted that the utilization rate has been continuously decreasing since 2014. In particular, the expected utilization rate for the existing annual cap for 2016 is only 54.92%.

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(ii) Anticipated increase in market price of the goods and service;

Under the 2016 MSP Agreement, the Kingboard Group will sell certain goods and/or services including but not limited to copper foil, kraft paper, copper balls, laminates, glass fiber and prepreg etc. to the EEIC Group. Among them, laminates, copper foil and copper balls is mainly produced from copper. The price fluctuations in copper would have significant impact on the selling price of the goods and service, which in turn affect the Proposed Annual Caps. In view of this, we have conducted a review on the historical copper price.

Based on the historical copper metal price quoted on the London Metal Exchange in USD per ton from January 2012 to September 2016, the movement of copper price is showing a downward trend over the past five years. The average copper price in 2012 had been fluctuating between USD7,500 per ton to USD8,500 per ton. In the first quarter of 2013, the copper price started to surge and has dropped to USD6,750 per ton in the mid of 2013. The downward trend continued and the price subsequently dropped to USD5,000 per ton in 2015, almost half of the price recorded in 2011. The copper price finally reached its historical low of USD4,310 in January 2016. Since then, the copper price was solidified and is currently ranging between USD4,500 per ton and USD5,000 per ton. It is believed that the substantial decrease in the copper price was mainly due to the decrease in demand in copper arising from the slowing down of economic growth in the PRC. It was found that the country's PMI data is closely correlated to the copper price. In this regard, the economic growth in the PRC will have great impact on the copper price. Moreover, the recent devaluation in the Renminbi also compounded the pressure on the copper price.

The PRC government have implemented a number of plans in order to stimulate the economy and the market expects that copper price will recover soon due to stabilization in manufacturing activity and a re-stocking cycle. The anticipated consumption coupled with production cuts will also support prices going forward.

Apart from the copper price, we also take into account the recent price fluctuation of crude oil. Chemicals such as methanol, formalin, phenol, acetone, phenol resin and caustic soda refined from the crude oil are also essential for the production of laminates and related upstream components. As such, the price of crude oil will also affect the selling price of the laminates. As discussed in the previous section, the crude oil price has been dropped by more than 50% in the past three years. Given the fact that OPEC is currently proposing for production cut, the market expected that there is still a large room for price increase.

(iii) Future prospect of the high end PCB market

As mentioned in the 2015 Annual Report, the Company will focus to increase the production of its high-tech and high layer counts PCB. As advised by the management of the Company, copper ball and laminates are the major components in producing PCB.

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Currently, there is over 2800 PCB production enterprises with the scale more than USD50 billion, accounting for more than 25% of the total output value of the electronic component industry. China, the country with largest PCB output value is also the main driving force to promote the development of the global PCB industry. In 2015, there were 791 PCB enterprises with above designated scale in China with the market scale exceeded RMB250 billion.

With the development of science and technology, the specification and quality of electronic components for all types of products are gradually enhanced. The shorten life cycle of the high ended electronic products will expands the use and market of PCB. In particular, 4G mobile phones, automotive electronics, smart television, computer replacement will impose a strong pulling effect on PCB demand, driving the growth of PCB industry. According to the statistics released by Ministry of Industry and Information Technology of China, the output value of the consumer electronics industry for 2015 was amounted to RMB1,132 billion, representing an increase of 17.3%. In particular, the production volume of the mobile phones had been increased by 11.3% to 1.4 billion while the production volume of the smart television had been increased by 14.9% to 84 million. In view of the rapid growth of the consumer electronics industry, it is expected that the demand on high end PCB in the PRC will remain strong in the next three years.

The proposed annual cap for 2017 of USD165,000,000 represents an increment of approximately 39.64% on the estimated purchase amount for the year ending 31 December 2016. Comparing with the historical purchase amount, it appears that a significant growth rate has been applied on the proposed annual cap for 2017. As stated above, the goods to be supplied from the Kingboard Group includes laminates, copper foil and copper balls which are mainly produced from copper. The price fluctuations in copper would have significant impact on the selling price of the goods and service, which in turn affect the Proposed Annual Caps. Given the fact that the copper price has recently recovered from the historical low and in particular, the latest three month seller contract price of copper quoted on the London Metal Exchange on 18 November 2016 has surged to USD5,435 per ton, which represents a growth rate of approximately 26.1% over the historical lowest price of US\$4,310 in 2016. In this regard, we considered that higher buffer shall be made on the proposed annual cap of 2017 to accommodate the price fluctuation in the goods and services. Furthermore, the official statistics showed that there is an increase of 17.3% on the output value of the consumer electronics industry for 2015. In view of the rapid growth of the consumer electronics industry, the market expected the demand for the PCBs used in the high end technology products remains strong. Having considered the above, we concur with the management of the Company's view that higher buffer shall be made on the proposed annual cap of 2017 to accommodate the strong demand for goods for PCBs production. Since the proposed growth rate on proposed annual cap for 2017 over the previous year is comparable to the percentage increase in recent copper price in addition to the annual growth in the output value of the consumer electronics industry of 2015, we consider the Directors' approach to embed a growth rate of approximately 40% on proposed annual cap for 2017 is justified. On the other hand, given the fact that the utilization rate for the Existing Annual Caps for 2015 and 2016 was only around approximately 50%, to avoid further over-estimation on the proposed annual caps, we are of the opinion that it is rational for the Company to adopt a lower growth rate on the annual caps for 2018 and 2019. Since the buffer made on the proposed annual caps for 2017 has already considered the potential upward movement of the copper price and the growth in the demand of PCBs, a lower growth rate of 15% made on the proposed annual caps for 2018 and 2019 is reasonable.

LETTER FROM KARL THOMSON

(b) *Supply of goods and services to the Kingboard Group by the EEIC Group*

The table below sets out the historical figures and the Existing Annual Caps in relation to sale of certain goods and services by the EEIC Group to Kingboard Group under the 2013 MSP Agreement and the Proposed Annual Caps under the 2016 MSP Agreement:

	For the year ended 31 December		For the year ending 31 December	
	2014	2015	2016	2016
Historical sales (USD'000)	4,966	15,545	11,372 <i>(Note 1)</i>	15,163 <i>(Note 2)</i>
Annual growth rate (%)	—	213.03	—	-2.46
Historical caps (USD'000)	16,316	18,760	—	21,660
% of utilization	30.44	82.86	—	70.00
			For the year ending 31 December	
			2017	2018
Proposed annual caps (USD'000)		26,200	30,100	34,600
Annual growth rate (%)		—	14.89	14.95

Notes:

1. This is the actual amount for the nine months ended 30 September 2016.
2. This is an estimated figure by straight-line multiplication from the historical sales of nine months ended 30 September 2016.

The proposed annual caps for supply of goods and services to the Kingboard Group by the EEIC Group under the 2016 MSP Agreement for the years ending 31 December 2017, 2018 and 2019 are proposed to be USD26,200,000, USD30,100,000 and USD34,600,000 respectively. To assess the fairness of the sizes of the Proposed Annual Caps, we have examined (i) the historical

LETTER FROM KARL THOMSON

annual sales of certain goods and service by the EEIC group to the Kingboard Group for the last four financial years ending 31 December 2016; and (ii) anticipated demand on laminates of EEIC Group.

	For the year ended 31 December			For the nine months ended 30 September	For the year ending 31 December
	2013	2014	2015	2016	2016
<i>Sale of certain goods and/or services (USD'000)</i>	5,141	4,966	15,545	11,372 <i>(Note 1)</i>	15,163 <i>(Note 2)</i>
Annual growth rate (%)	—	-3.40	213.03		-2.46
Historical caps (USD'000)	44,356	16,316	18,760		21,660
% of utilization	11.59	30.44	82.86		70.00

Based on the table above, we note the sale of certain goods and/or services kept increasing since 2014. In particular, the sale amount increased sharply from USD4,966,000 in 2014 to USD15,545,000 in 2015. Based on the historical sales of nine months ended 30 September 2016, the annualized sale amount of 2016 is expected to be approximately USD15,163,000. With reference to the annualized sales amount of 2016 and the historical sale figures as shown above, the CAGR of the sales between the Group and the Kingboard Group over the three financial years ending 31 December 2016 is approximately 43.41%. Due to the increase in sales amount, the utilization rate was also in an upward trend, the utilization rate of the annual caps increase from 30.44% in 2014 to 82.86% in 2015. It is expected that the utilization rate for 2016's annual cap calculated based on the annualized sales for the year ending 31 December 2016 will be 70%.

As advised by the management of the Company, EEIC has its own factory to produce laminates for internal consumption, the laminates will only sold to customers when the laminates are in excess of the production's needs. As advised by the management of the Company, due to the uncertain economic environment, the estimation on the future demand on PCB of the overseas' customers become more prudent. The orders from the overseas customer declined and the EEIC group

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encountered drop in sales in 2015. Due to the decrease in the production of PCB, the self-produced laminates are in excess of its internal consumption. This is the major reason for the continuous increase in sales amount of laminates to Kingboard Group.

	For the financial year ended 31 December		For the nine months ended 30 September
	2014	2015	2016
Total sales (USD'000)	517,075	452,983	356,496
Sale of laminates (USD'000)	8,383	15,749	23,137
% of total sales	2%	3%	6%
Sale of laminates to Kingboard Group (USD'000)	4,966	15,545	11,372
% of laminate sales	59%	99%	49%
% of total sales	1%	3%	3%

For the purpose of formulating our advice, we have further made a comparison between the sales of laminates and the total sales of the Group. From the table above, we note that the sale of laminates contributed as to around 2% to 6% of the total sales of the EEIC Group for the past three years. In particular, the sale of laminates to the Kingboard Group only contributed around 1% to 3% of the total sales of the EEIC Group. Despite the increasing sale amount of laminates to Kingboard Group in the past three years, the sale amount of laminates is relatively minor when compared to the sale amount of PCB products.

As advised by the management of the EEIC Group, the proposed annual cap for 2017 of HK\$26,200,000 is arrived by adding a growth rate of 20.96% on the existing annual caps for the financial year ending 31 December 2016. Regarding the estimation of the proposed annual caps for 2018 and 2019, an annual growth rate of 15% is proposed. We have compared the proposed annual cap for 2017 with the estimated sale amount of 2016, it appears that a significant growth rate has been applied on the proposed annual cap for 2017.

We have discussed with the management for the reason of using such a high growth rate in determining the proposed annual cap of 2017. Upon further enquiry to the management of the EEIC group, the management reveals that the fluctuation in sales to Kingboard Group in the coming three years is expected to be more unpredictable as the EEIC Group would only sell excessive laminates to Kingboard Group. Taking into account the existing global economic environment and keen competition of the PCB market, it is expected that orders on PCB from overseas customer might continue to diminish, on the other hand, to ensure the sufficient supply of laminate and optimizing the operating cost of the laminate factory, the production volume of the laminates will be keep at the existing level and thus the self-produced laminates might be in excess of internal consumption. In light of the above, we concur with the management's view that higher buffer shall be made on the proposed annual caps for the next three years in order to accommodate the potential fluctuation in sales.

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Furthermore, we note that the utilization rate for the historical annual caps in the last two year is more than 70%. To avoid the possibility of exceeding the annual caps and future revision of annual caps, a larger proposed annual cap for 2017 shall be proposed. Besides, the price fluctuations in laminates would have significant impact on the price of the goods and service, which in turn affect the Proposed Annual Caps. Since copper is one of the major materials for the production of laminates, we shall also take into account the price fluctuations in copper. As mentioned above, copper price has recently recovered from the historical low and subsequently increase to the current three month contract price of USD5,435, up by approximately 26.10%. In this regard, we considered that higher buffer on the proposed annual caps also allows more flexibility for the EEIC Group to accommodate the price fluctuations in the laminates in the coming three years.

From the table above, we also noted that the growth rate of historical sales between the Group and the Kingboard Group have been very volatile, ranging from -3.40% to 213.03%. It becomes more difficult for the management of the Company to carry out a precise estimation on sales in the coming years. In view of the uncertainties in the global economic outlook, the fluctuation in sales to the Kingboard Group is expected to be more unpredictable. Since the growth rate on the proposed annual caps for 2017 over is comparable to the aggregation of CAGR of approximately 43.41% for the past three financial years and the accumulated percentage growth in copper of approximately 26.10%, we are in the opinion that the growth rate on the Proposed Annual Cap of 2017 is reasonable. As the proposed annual cap of 2017 has already considered the future price fluctuation of laminates and the potential fluctuation in sales, we considered the adoption of an annual growth rate of approximately 15% for 2018 and 2019 is actually a prudent estimation.

Moreover, since the Kingboard Group does not exclusively rely on the EEIC Group for the supply of green laminates and the proposed percentage of sale of laminates to Kingboard Group to the estimated total sales are approximate 3% which is comparable to the historical records, we are of the view that the estimation is justified. Having considered bases for determining the Proposed Annual Caps and our work done on the assessment set out above, we are of the view that the Proposed Annual Caps under 2016 MSP Agreement are fair and reasonable as far as the Independent Shareholders are concerned.

IV. OUR RECOMMENDATION

Having considered the abovementioned principal factors and reasons, and in particular, the following:

- (i) the historical relationship between the Company and the Kingboard Group;
- (ii) the background of entering into the 2016 EPF Agreement and 2016 MSP Agreement is for the purpose of the renewal of the 2013 EPF Agreement and 2013 MSP Agreement to ensure smooth operation of the EEIC Group in the next three financial years;
- (iii) the terms and conditions of the 2016 EPF Agreement and 2016 MSP Agreement are normal commercial terms and no less favorable to the EEIC Group than those offered to or by Independent Third Parties;

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- (iv) the size of the Proposed Annual Caps of each of the 2016 EPF Agreement and 2016 MSP Agreement are determined by the Company under a prudent approach and are fair and reasonable;

we conclude that the terms of the Continuing Connected Transactions and the size of corresponding Proposed Annual Caps are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions be proposed at the EGM to approve the 2016 EPF Agreement and 2016 MSP Agreement and the corresponding proposed annual caps.

Yours faithfully,
For and on behalf of
Karl Thomson Financial Advisory Limited
Alex Chow
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the HK Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the HK Listing Rules to be notified to the Company and the SEHK, were as follows:

(a) *Long positions in the Shares of the Company*

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of shareholding in the Company
Mr. Cheung Kwok Wing	Beneficial owner	1,507,200	0.81%
Mr. Chang Wing Yiu	Beneficial owner	486,600	0.26%
Mr. Ng Hon Chung	Beneficial owner	60,000	0.03%

(b) *Ordinary shares of HK\$0.10 each of Kingboard (“Kingboard Shares”)*

Name of Director	Capacity	Number of issued Kingboard Shares held	Approximate percentage of shareholding
Mr. Cheung Kwok Wing (Note 1)	Beneficial owner/ Interest of spouse	4,854,470	0.47%
Ms. Cheung Wai Lin Stephanie (Note 2)	Beneficial owner/ Interest of spouse	1,996,000	0.19%
Mr. Chang Wing Yiu (Note 3)	Beneficial owner/ Interest of spouse	6,862,928	0.66%

Notes:

1. Out of 4,854,470 Kingboard Shares, 2,952,405 and 1,902,065 Kingboard Shares were held by Mr. Cheung Kwok Wing and his spouse respectively.
2. Out of the 1,996,000 Kingboard Shares, 1,926,000 and 70,000 Kingboard Shares were held by Ms. Cheung Wai Lin Stephanie and her spouse respectively.
3. Out of the 6,862,928 Kingboard Shares, 5,376,488 and 1,486,440 Kingboard Shares were held by Mr. Chang Wing Yiu and his spouse respectively.

(c) *Share options of Kingboard (“Kingboard Share Options”)*

Name of Director	Capacity	Interest in underlying Kingboard Shares pursuant to the Kingboard Share Options
Mr. Cheung Kwok Wing	Beneficial owner	6,760,000
Ms. Cheung Wai Lin Stephanie	Beneficial owner	5,620,000
Mr. Chang Wing Yiu	Beneficial owner	5,820,000

(d) *Ordinary shares of HK\$0.10 each of Kingboard Laminates Holdings Limited (“KLHL Shares”), a non-wholly owned subsidiary of Kingboard*

Name of Director	Capacity	Number of issued KLHL Shares held	Approximate percentage of shareholding
Mr. Cheung Kwok Wing	Beneficial owner	1,043,000	0.03%
Mr. Chang Wing Yiu (Note 1)	Beneficial owner/ Interest of spouse	2,500,000	0.08%
Mr. Ng Hon Chung	Beneficial owner	20,000	0.00%

Note:

1. Out of 2,500,000 KLHL Shares, 800,000 and 1,700,000 KLHL Shares were held by Mr. Chang Wing Yiu and his spouse respectively.

(e) *Non-voting deferred shares of HK\$1 each in the share capital of Kingboard Laminates Limited, a non wholly-owned subsidiary of Kingboard*

Name of Director	Capacity	Number of non-voting deferred shares held (Note)
Mr. Cheung Kwok Wing	Beneficial owner	1,904,400
Mr. Chang Wing Yiu	Beneficial owner	423,200

Note: None of the non-voting deferred shares of Kingboard Laminates Limited are held by the group of Kingboard. Such deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of Kingboard Laminates Limited and have practically no rights to dividends or to participate in any distribution on winding up.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Company and the SEHK.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following companies and persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the EEIC Group:

Long positions in the Shares of the Company:

Name of Shareholder	Nature of interest	Number of issued Shares held	Approximate percentage of shareholding in the Company
Elec & Eltek International Holdings Limited (“ EEIH ”)	Beneficial owner	90,741,550	48.55%
Elitelink Holdings Limited (“ Elitelink ”)	Beneficial owner	34,321,615	18.36%
Ease Ever Investments Limited (“ Ease Ever ”)	Interest of controlled corporation (Note 1)	90,741,550	48.55%
Kingboard Investments Limited (“ Kingboard Investments ”)	Interest of controlled corporation (Note 2)	125,063,165	66.91%
Jamplan (BVI) Limited (“ Jamplan ”)	Beneficial owner	10,978,500	5.87%
Kingboard	Interest of controlled corporation (Note 3)	136,041,665	72.78%
	Interest of controlled corporation (Note 4)	136,041,665	72.78%
	Beneficial owner	1,622,500	0.87%
Hallgain Management Limited (“ HML ”)	Interest of controlled corporation (Note 5)	137,664,165	73.65%

Notes:

- The entire issued share capital of EEIH is owned as to approximately 77.34% by Ease Ever, approximately 11.59% by Kingboard and approximately 11.07% by Kingboard Investments. Ease Ever is deemed to have an interest in 90,741,550 Shares held by EEIH, under the provisions of the SFO.
- The entire issued share capital of Elitelink and Ease Ever are owned by Kingboard Investments. Kingboard Investments is deemed to have an interest in 34,321,615 Shares held by Elitelink and 90,741,550 Shares which Ease Ever is deemed to have an interest in, under the provisions of the SFO.
- The entire issued share capital of Kingboard Investments is owned by Jamplan. Jamplan is deemed to have an interest in 10,978,500 Shares held by Kingboard Investments and 125,063,165 Shares which Kingboard Investments is deemed to have an interest in, under the provisions of the SFO.

4. The entire issued share capital of Jamplan is owned by Kingboard. Kingboard is deemed to have an interest in 136,041,665 Shares which Jamplan is deemed to have an interest in, under the provisions of the SFO.
5. Approximately 37.00% of the issued share capital of Kingboard is owned by HML. HML is deemed to have an interest in 1,622,500 Shares held by Kingboard and 136,041,665 Shares which Kingboard is deemed to have an interest in, under the provisions of the SFO. There is no shareholder of HML who is entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at HML's general meetings. HML and its director is not accustomed to act in accordance with any shareholder's direction.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, there was no person who, as at the Latest Practicable Date, had an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the EEIC Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or is proposing to enter into a service contract with any member of the EEIC Group which may not be terminated by the relevant member of the EEIC Group within one year without payment of any compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING BUSINESS

As at the Latest Practicable Date,

- (i) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the EEIC Group, apart from their service contracts;
- (ii) none of the Directors and his/her respective close associates had any competing interests (as would be required to disclose under Rule 8.10 of the HK Listing Rules as if each of them were a controlling shareholder); and
- (iii) none of the Directors had any direct or indirect interest in any assets which had been, since the date to which the latest published audited financial statements of the EEIC Group were made up, acquired or disposed of by or leased to any member of the EEIC Group, or were proposed to be acquired or disposed of by or leased to any member of the EEIC Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the EEIC Group since 31 December 2015, being the date to which the latest published audited financial statements of the EEIC Group were made up.

7. QUALIFICATIONS AND CONSENTS OF EXPERT

The following is the qualifications of Karl Thomson who has given opinions or advice contained or referred to in this circular:

Name	Qualifications
Karl Thomson Financial Advisory Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO

Karl Thomson has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Karl Thomson had no interest, direct or indirect, in any member of the EEIC Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the EEIC Group.

As at the Latest Practicable Date, Karl Thomson had no interest, direct or indirect, in any assets which had been, since the date to which the latest published audited financial statements of the EEIC Group were made up, acquired or disposed of by or leased to any member of the EEIC Group, or which were proposed to be acquired or disposed of by or leased to any member of the EEIC Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office of the Company in Hong Kong at 2nd Floor, Harbour View 1, No.12 Science Park East Avenue, Phase II, Hong Kong Science Park, Shatin, New Territories, Hong Kong during normal business hours on any weekdays (except public holidays) from the date of this circular up to and including the date of the EGM:

- (a) the Articles;
- (b) the 2016 EPF Agreement;
- (c) the 2016 MSP Agreement;
- (d) the 2013 EPF Agreement;
- (e) the 2013 MSP Agreement;

- (f) the letter from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (g) the letter from Karl Thomson containing its advice to the Independent Shareholders, the text of which is set out in the section headed “Letter from Karl Thomson” in this circular;
- (h) the written consent of the expert referred to in the paragraph headed “Qualifications and Consent of Expert” in this appendix; and
- (i) this circular.

NOTICE OF THE EGM



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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Elec & Eltek International Company Limited (the “**Company**”) will be held: (a) in Hong Kong, 2nd Floor, Harbour View 1, No. 12 Science Park East Avenue, Phase II, Hong Kong Science Park, Shatin, New Territories, Hong Kong (for Hong Kong Shareholders); and (b) in Singapore, via video-conferencing, at Conference Room, Wangz Business Centre, 7 Temasek Boulevard, The Penthouse, #44-01 Suntec Tower One, Singapore 038987 (for Singapore Shareholders) on 16 December 2016 at 10:00 a.m. (the “**EGM**”) for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the entering into of the 2016 MSP Agreement (as defined in the circular to the shareholders of the Company dated 30 November 2016 (the “**Circular**”) a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder and the Proposed Annual Caps (as defined in the Circular) relating thereto be and are hereby approved, confirmed and ratified, and any director of the Company be and is hereby authorised to do, approve and transact all such acts and things as he/she may in his/her discretion consider necessary, desirable or expedient in connection therewith.”
2. “**THAT** the entering into of the 2016 EPF Agreement (as defined in the Circular, a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder and the Proposed Annual Caps (as defined in the Circular) relating thereto be and are hereby approved, confirmed and ratified, and any director of the Company be and is hereby authorised to do, approve and transact all such acts and things as he/she may in his/her discretion consider necessary, desirable or expedient in connection therewith.”

Yours faithfully,

By Order of the Board

Elec & Eltek International Company Limited

Cheung Wai Lin Stephanie

Vice Chairman

Hong Kong, 30 November 2016

* *for identification purpose only*

NOTICE OF THE EGM

Registered office:
80 Raffles Place
#33-00 UOB Plaza 1
Singapore
048624

*Head office and principal place of
business in Hong Kong:*
2nd Floor, Harbour View 1
No.12 Science Park East Avenue Phase II,
Hong Kong Science Park Shatin,
New Territories,
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one (1) proxy or two (2) proxies (or in the case of a corporation, appoint its authorised representative or proxy) to attend and vote on his behalf. Such proxy(ies) need not be a member of the Company.
2. Whether or not you are able to attend the meeting, you are requested to complete the accompanying Proxy Form in accordance with the instructions printed thereon and return it to the registered office of the Company at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624 (for Singapore Shareholders) or the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for Hong Kong Shareholders) as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof in order for the proxy to be entitled to attend and vote at the EGM. Completion and return of the Proxy Form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire and, in such event, the Proxy Form shall be deemed to be revoked.
3. As at the date hereof, the board of directors of the Company consists of Ms. Cheung Wai Lin Stephanie (Vice Chairman), Mr. Chang Wing Yiu, and Mr. Ng Hon Chung as executive directors of the Company, Mr. Cheung Kwok Wing (Chairman) as non-executive director of the Company, and Professor. Raymond Leung Hai Ming, Mr. Stanley Chung Wai Cheong and Mr. Ong Shen Chieh as independent non-executive directors of the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative (s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF THE EGM

NOTICE OF BOOK CLOSURE IN RESPECT OF SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE EGM

The Singapore principal share transfer books, Singapore principal register of members of the Company and the Hong Kong share transfer books and Hong Kong branch register of members of the Company will be closed from 14 December 2016 to 16 December 2016, both days inclusive, during which period no transfer of Shares will be registered, for the purpose of determining the identity of the Company's shareholders (the "**Shareholders**") who are entitled to attend and vote at the EGM. In order to attend and vote at the EGM, the Shareholders are reminded to ensure that all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's principal share registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) no later than 5:00 p.m. on 13 December 2016, or with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders) no later than 4:30 p.m. on 13 December 2016.

For the purpose of determination of Shareholders registered under the Singapore principal register of members and the Hong Kong branch register of members of the Company, all necessary documents, remittances accompanied by the relevant share certificates in respect of removal of Shares between the two register of members, must be submitted no later than 5:00 p.m. and 4:30 p.m. on 5 December 2016 to the Company's Singapore principal share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) and the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders), respectively.