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Elec & Eltek 依利安達

Elec & Eltek International Company Limited

依利安達集團有限公司*

(Incorporated in the Republic of Singapore with Limited Liability)

Singapore Company Registration Number: 199300005H

(Hong Kong Stock Code: 1151)

(Singapore Stock Code: E16.SI)

UNAUDITED FINANCIAL RESULTS

FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2018

This announcement is made by Elec & Eltek International Company Limited (the “**Company**”) pursuant to Rule 13.49(6) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**SEHK**”) (the “**Listing Rules**”). This announcement is originally prepared in English. In the case of any inconsistency between the English version and the Chinese version, the English version shall prevail.

This announcement is prepared in accordance with the relevant regulations of the Singapore Exchange Securities Trading Limited (“**SGX**”). The financial information set out in this announcement has been prepared in accordance with the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) and has not been audited nor reviewed by auditors. Shareholders of the Company and public investors should exercise caution when trading in the shares of the Company.

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

* For identification purpose only

FINANCIAL HIGHLIGHTS

	Six months ended		% Change
	30 June 2018 ("1HCY18")	30 June 2017 ("1HCY17")	
	US\$'000	US\$'000	
Revenue	280,119	235,102	19.1%
EBITDA	37,484	38,505	-2.7%
EBITDA margin	13.4%	16.4%	-3.0%
Profit before tax	17,237	19,820	-13.0%
Net profit attributable to owners of the Company	14,850	16,525	-10.1%
Basic and diluted earnings per share	US7.94 cents	US8.84 cents	-10.2%
	30 June 2018	31 December 2017	
Net asset value per share	US\$2.15	US\$2.15	n/m
Net gearing ratio	21.1%	11.8%	9.3%

n/m percentage not meaningful

RESULTS

The board of directors (“**Directors**” and each a “**Director**”) of the Company (the “**Board**”) is pleased to announce the unaudited consolidated results of the Group for the second quarter (“**2QCY18**”) and six months ended 30 June 2018 (“**1HCY18**”) together with the comparative figures for the second quarter (“**2QCY17**”) and six months ended 30 June 2017 (“**1HCY17**”).

Consolidated Statement of Profit or Loss

	Notes	2QCY18 US\$'000 (Unaudited)	2QCY17 US\$'000 (Unaudited)	% Change	1HCY18 US\$'000 (Unaudited)	1HCY17 US\$'000 (Unaudited)	% Change
Revenue	2	148,268	118,891	24.7%	280,119	235,102	19.1%
Cost of sales		<u>(132,657)</u>	<u>(101,496)</u>	30.7%	<u>(248,212)</u>	<u>(199,626)</u>	24.3%
Gross profit		15,611	17,395	-10.3%	31,907	35,476	-10.1%
<i>Gross profit margin</i>		10.5%	14.6%	-4.1%	11.4%	15.1%	-3.7%
Other operating income and gains		960	517	85.7%	1,381	995	38.8%
Distribution and selling costs		(2,420)	(2,527)	-4.2%	(4,859)	(5,167)	-6.0%
Administrative expenses		(5,240)	(5,104)	2.7%	(10,230)	(9,738)	5.1%
Other operating expenses and losses		(177)	(885)	-80.0%	(282)	(1,153)	-75.5%
Finance costs	3	<u>(384)</u>	<u>(298)</u>	28.9%	<u>(680)</u>	<u>(593)</u>	14.7%
Profit before taxation		8,350	9,098	-8.2%	17,237	19,820	-13.0%
Income tax expense	4	<u>(575)</u>	<u>(1,351)</u>	-57.4%	<u>(2,149)</u>	<u>(3,006)</u>	-28.5%
Profit for the period		<u>7,775</u>	<u>7,747</u>	0.4%	<u>15,088</u>	<u>16,814</u>	-10.3%
Profit attributable to:							
Owners of the Company		7,625	7,615	0.1%	14,850	16,525	-10.1%
Non-controlling interests		<u>150</u>	<u>132</u>	13.6%	<u>238</u>	<u>289</u>	-17.6%
		<u>7,775</u>	<u>7,747</u>	0.4%	<u>15,088</u>	<u>16,814</u>	-10.3%
Earnings per share (US cents)	6						
- Basic and diluted		<u>4.08</u>	<u>4.07</u>	0.3%	<u>7.94</u>	<u>8.84</u>	-10.2%

Notes to Consolidated Statement of Profit or Loss:

	2QCY18	2QCY17		1HCY18	1HCY17	
	US\$'000	US\$'000	% Change	US\$'000	US\$'000	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Depreciation of property, plant and equipment	10,305	8,931	15.4%	19,535	18,053	8.2%
Amortisation of prepaid land use rights	41	41	n/m	82	82	n/m
(Reversal of allowance) allowance for doubtful debts	(164)	597	-127.5%	(114)	657	-117.4%
Allowance (reversal of allowance) for inventory obsolescence	60	(282)	121.3%	196	122	60.7%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2QCY18	2QCY17		1HCY18	1HCY17	
	US\$'000	US\$'000	% Change	US\$'000	US\$'000	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Profit for the period	<u>7,775</u>	<u>7,747</u>	0.4%	<u>15,088</u>	<u>16,814</u>	-10.3%
Other comprehensive expenses:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	<u>(441)</u>	<u>(338)</u>	30.5%	<u>(152)</u>	<u>(574)</u>	-73.5%
Other comprehensive expenses for the period, net of tax	<u>(441)</u>	<u>(338)</u>	30.5%	<u>(152)</u>	<u>(574)</u>	-73.5%
Total comprehensive income for the period	<u>7,334</u>	<u>7,409</u>	-1.0%	<u>14,936</u>	<u>16,240</u>	-8.0%
Total comprehensive income attributable to:						
Owners of the Company	7,184	7,277	-1.3%	14,698	15,951	-7.9%
Non-controlling interests	<u>150</u>	<u>132</u>	13.6%	<u>238</u>	<u>289</u>	-17.6%
	<u>7,334</u>	<u>7,409</u>	-1.0%	<u>14,936</u>	<u>16,240</u>	-8.0%

n/m - percentage not meaningful

Statement of Financial Position

	Notes	GROUP		COMPANY	
		30 June 2018	31 December 2017	30 June 2018	31 December 2017
		US\$'000 (Unaudited)	US\$'000 (Audited)	US\$'000 (Unaudited)	US\$'000 (Audited)
ASSETS					
Current assets					
Cash and bank balances		20,019	25,985	41	179
Trade receivables	9	180,709	168,280	—	—
Bills receivables	9	2,164	3,555	—	—
Other receivables		21,468	13,216	30	1
Prepaid land use rights		399	399	—	—
Inventories	10	47,370	44,156	—	—
Total current assets		272,129	255,591	71	180
Non-current assets					
Property, plant and equipment	8	302,738	286,660	—	—
Prepaid land use rights		12,367	12,449	—	—
Deposits for acquisition of plant and equipment	8	10,488	10,401	—	—
Investment properties		101,692	101,692	—	—
Subsidiary companies		—	—	485,016	470,324
Deferred tax assets		84	84	—	—
Total non-current assets		427,369	411,286	485,016	470,324
Total assets		699,498	666,877	485,087	470,504
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	12	74,753	47,286	—	—
Trade payables	11	136,441	133,012	—	—
Bills payables	11	12,933	17,293	—	—
Other payables		38,038	36,739	974	2,258
Amounts due to subsidiary companies		—	—	262,870	231,454
Provision for taxation		3,432	3,234	—	—
Total current liabilities		265,597	237,564	263,844	233,712
Non-current liabilities					
Bank loans	12	30,000	25,942	—	—
Deferred tax liabilities		2,551	2,003	—	—
Total non-current liabilities		32,551	27,945	—	—
Capital, reserves and non-controlling interests					
Share capital	13	113,880	113,880	113,880	113,880
Reserves		275,890	276,146	107,363	122,912
Equity attributable to owners of the Company		389,770	390,026	221,243	236,792
Non-controlling interests		11,580	11,342	—	—
Total equity		401,350	401,368	221,243	236,792
Total liabilities and equity		699,498	666,877	485,087	470,504

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital US\$'000	Capital reserve US\$'000 (Note i)	Statutory reserve US\$'000 (Note ii)	Revaluation reserve US\$'000 (Note iii)	Other reserve US\$'000 (Note iv)	Retained earnings US\$'000	Foreign currency translation reserve US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
THE GROUP										
2QCY18										
Balance at 1 April 2018 (unaudited)	113,880	1,916	6,826	42,684	166	217,570	14,498	397,540	11,430	408,970
Change in equity for 2QCY18										
Total comprehensive income (expenses) for the period										
Profit for the period	—	—	—	—	—	7,625	—	7,625	150	7,775
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(441)	(441)	—	(441)
Other comprehensive expenses for the period, net of tax	—	—	—	—	—	—	(441)	(441)	—	(441)
Total	—	—	—	—	—	7,625	(441)	7,184	150	7,334
Transactions with owners, recognised directly in equity										
Dividend paid in respect of previous year	—	—	—	—	—	(14,954)	—	(14,954)	—	(14,954)
Total	—	—	—	—	—	(14,954)	—	(14,954)	—	(14,954)
Balance at 30 June 2018 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>6,826</u>	<u>42,684</u>	<u>166</u>	<u>210,241</u>	<u>14,057</u>	<u>389,770</u>	<u>11,580</u>	<u>401,350</u>
2QCY17										
Balance at 1 April 2017 (unaudited)	113,880	1,916	6,252	42,684	166	194,883	14,848	374,629	10,875	385,504
Change in equity for 2QCY17										
Total comprehensive income (expenses) for the period										
Profit for the period	—	—	—	—	—	7,615	—	7,615	132	7,747
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(338)	(338)	—	(338)
Other comprehensive expenses for the period, net of tax	—	—	—	—	—	—	(338)	(338)	—	(338)
Total	—	—	—	—	—	7,615	(338)	7,277	132	7,409
Transactions with owners, recognised directly in equity										
Dividend paid in respect of previous year	—	—	—	—	—	(11,215)	—	(11,215)	—	(11,215)
Total	—	—	—	—	—	(11,215)	—	(11,215)	—	(11,215)
Balance at 30 June 2017 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>6,252</u>	<u>42,684</u>	<u>166</u>	<u>191,283</u>	<u>14,510</u>	<u>370,691</u>	<u>11,007</u>	<u>381,698</u>

Attributable to owners of the Company

	Share capital US\$'000	Capital reserve US\$'000 (Note i)	Statutory reserve US\$'000 (Note ii)	Revaluation reserve US\$'000 (Note iii)	Other reserve US\$'000 (Note iv)	Retained earnings US\$'000	Foreign currency translation reserve US\$'000	Total US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
THE GROUP										
1HCY18										
Balance at 1 January 2018 (audited)	113,880	1,916	6,826	42,684	166	210,345	14,209	390,026	11,342	401,368
Change in equity for 1HCY18										
Total comprehensive income (expenses) for the period										
Profit for the period	—	—	—	—	—	14,850	—	14,850	238	15,088
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(152)	(152)	—	(152)
Other comprehensive expenses for the period, net of tax	—	—	—	—	—	—	(152)	(152)	—	(152)
Total	—	—	—	—	—	14,850	(152)	14,698	238	14,936
Transactions with owners, recognised directly in equity										
Dividend paid in respect of previous year	—	—	—	—	—	(14,954)	—	(14,954)	—	(14,954)
Total	—	—	—	—	—	(14,954)	—	(14,954)	—	(14,954)
Balance at 30 June 2018 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>6,826</u>	<u>42,684</u>	<u>166</u>	<u>210,241</u>	<u>14,057</u>	<u>389,770</u>	<u>11,580</u>	<u>401,350</u>
1HCY17										
Balance at 1 January 2017 (audited)	113,880	1,916	6,252	42,684	166	185,973	15,084	365,955	10,718	376,673
Change in equity for 1HCY17										
Total comprehensive income (expenses) for the period										
Profit for the period	—	—	—	—	—	16,525	—	16,525	289	16,814
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(574)	(574)	—	(574)
Other comprehensive expenses for the period, net of tax	—	—	—	—	—	—	(574)	(574)	—	(574)
Total	—	—	—	—	—	16,525	(574)	15,951	289	16,240
Transactions with owners, recognised directly in equity										
Dividend paid in respect of previous year	—	—	—	—	—	(11,215)	—	(11,215)	—	(11,215)
Total	—	—	—	—	—	(11,215)	—	(11,215)	—	(11,215)
Balance at 30 June 2017 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>6,252</u>	<u>42,684</u>	<u>166</u>	<u>191,283</u>	<u>14,510</u>	<u>370,691</u>	<u>11,007</u>	<u>381,698</u>

Notes:

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

	Share capital US\$'000	Capital reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
<u>THE COMPANY</u>				
2QCY18				
Balance at 1 April 2018 (unaudited)	113,880	1,916	120,732	236,528
Loss for the period, representing total comprehensive expenses for the period	—	—	(331)	(331)
Transactions with owners, recognised directly in equity				
Dividend paid in respect of previous year	—	—	(14,954)	(14,954)
Balance at 30 June 2018 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>105,447</u>	<u>221,243</u>
2QCY17				
Balance at 1 April 2017 (unaudited)	113,880	1,916	129,952	245,748
Loss for the period, representing total comprehensive expenses for the period	—	—	(506)	(506)
Transactions with owners, recognised directly in equity				
Dividend paid in respect of previous year	—	—	(11,215)	(11,215)
Balance at 30 June 2017 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>118,231</u>	<u>234,027</u>
1HCY18				
Balance at 1 January 2018 (audited)	113,880	1,916	120,996	236,792
Loss for the period, representing total comprehensive expenses for the period	—	—	(595)	(595)
Transactions with owners, recognised directly in equity				
Dividend paid in respect of previous year	—	—	(14,954)	(14,954)
Balance at 30 June 2018 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>105,447</u>	<u>221,243</u>
1HCY17				
Balance at 1 January 2017 (audited)	113,880	1,916	130,000	245,796
Loss for the period, representing total comprehensive expenses for the period	—	—	(554)	(554)
Transactions with owners, recognised directly in equity				
Dividend paid in respect of previous year	—	—	(11,215)	(11,215)
Balance at 30 June 2017 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>118,231</u>	<u>234,027</u>

Consolidated Statement of Cash Flows

	2QCY18	2QCY17	1HCY18	1HCY17
	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating activities				
Profit before taxation	8,350	9,098	17,237	19,820
Adjustments for:				
(Reversal of allowance) allowance for doubtful debts	(164)	597	(114)	657
Finance costs	384	298	680	593
Depreciation of property, plant and equipment	10,305	8,931	19,535	18,053
Amortisation of prepaid land use rights	41	41	82	82
Gain on disposal of property, plant and equipment	(77)	(56)	(85)	(57)
Allowance (reversal of allowance) for inventory obsolescence	60	(282)	196	122
Interest income	(21)	(21)	(50)	(43)
Operating income before movements in working capital	18,878	18,606	37,481	39,227
(Increase) decrease in inventories	(1,068)	1,678	(2,589)	(4,746)
Increase in trade, bills and other receivables	(27,859)	(8,486)	(21,463)	(12,821)
Increase (decrease) in trade, bills and other payables	7	1,723	989	(1,190)
Net cash (used in) generated from operations	(10,042)	13,521	14,418	20,470
Interest income received	21	21	50	43
Interest paid	(425)	(332)	(787)	(637)
Income taxes paid	(602)	(675)	(2,092)	(1,389)
Net cash (used in) generated from operating activities	(11,048)	12,535	11,589	18,487

	2QCY18	2QCY17	1HCY18	1HCY17
	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Investing activities

Proceeds from disposal of property, plant and equipment	110	94	194	98
Purchase of property, plant and equipment	(8,227)	(6,046)	(30,370)	(8,116)
Deposits paid for acquisition of property, plant and equipment	(87)	(4,073)	(4,247)	(5,848)
Net cash used in investing activities	(8,204)	(10,025)	(34,423)	(13,866)

Financing activities

Proceeds from bank borrowings	27,211	13,760	40,600	30,791
Repayment of bank borrowings	(343)	(1,982)	(9,075)	(24,814)
Dividends paid by the Company	(14,954)	(11,215)	(14,954)	(11,215)
Net cash generated from (used in) financing activities	11,914	563	16,571	(5,238)

Net (decrease) increase in cash and cash equivalents	(7,338)	3,073	(6,263)	(617)
Cash and cash equivalents at the beginning of the period	27,197	14,693	25,985	18,651
Effect of foreign exchange rate changes on the balances of cash held in foreign currencies, net	160	(152)	297	(420)
Cash and cash equivalents at the end of the period	20,019	17,614	20,019	17,614

Notes:

1. Basis of preparation and principal accounting policies

The same accounting policies and methods of computation have been applied in the preparation of the quarterly consolidated financial statements for 2QCY18 as the most recent audited financial statements as at 31 December 2017.

The Group has adopted the new financial reporting framework - Singapore Financial Reporting Standards (International) (“**SFRS(I)**”), in accordance with all Singapore-incorporated companies listed on the Singapore Exchange (“**SGX**”) for annual periods beginning on or after 1 January 2018. The Group has assessed the transition provisions and elected not to reset the cumulative translation differences recorded in the foreign translation reserve.

The Group also adopted the following SFRS(I) pronouncements that are effective for annual periods beginning on or after 1 January 2018:

- *SFRS(I) 9 Financial Instruments*
- *SFRS(I) 15 Revenue from Contracts with Customers*
- *SFRS(I) 1-40 Investment Property*
- *SFRS(I) INT 22 Foreign Currency Transactions and Advance Considerations.*

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

The Group has not early adopted the following new and revised standards or amendments to FRS, which would take effect from financial periods beginning on or after 1 January 2019:

- *SFRS(I) 16 Leases*
- *SFRS(I) INT 23 Uncertainty over Income Tax Treatments*

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

2. Revenue and segment information

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

Six months period ended 30 June 2018	Fabrication and distribution of PCB	Property investment	Total
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Segment revenue			
Revenue from external customers	<u>275,873</u>	<u>4,246</u>	<u>280,119</u>
Segment Results	14,174	3,658	17,832
Corporate and other unallocated expenses			<u>(595)</u>
Profit before tax			<u><u>17,237</u></u>

	Fabrication and distribution of PCB	Property investment	Unallocated	Total
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
ASSETS				
Segment assets	565,383	114,096	—	679,479
Unallocated assets	—	—	20,019	<u>20,019</u>
Consolidated total assets				<u><u>699,498</u></u>
LIABILITIES				
Segment liabilities	(287,152)	(7,560)	—	(294,712)
Unallocated liabilities	—	—	(3,436)	<u>(3,436)</u>
Consolidated total liabilities				<u><u>(298,148)</u></u>

Six months period ended 30 June 2017	Fabrication and distribution of PCB	Property investment	Total
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Segment revenue			
Revenue from external customers	<u>231,635</u>	<u>3,467</u>	<u>235,102</u>
Segment Results	17,493	2,881	20,374
Corporate and other unallocated expenses			<u>(554)</u>
Profit before tax			<u><u>19,820</u></u>

	Fabrication and distribution of PCB	Property investment	Unallocated	Total
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
ASSETS				
Segment assets	467,547	100,142	—	567,689
Unallocated assets	—	—	17,614	<u>17,614</u>
Consolidated total assets				<u><u>585,303</u></u>
LIABILITIES				
Segment liabilities	(200,378)	(1,507)	—	(201,885)
Unallocated liabilities	—	—	(1,720)	<u>(1,720)</u>
Consolidated total liabilities				<u><u>(203,605)</u></u>

3. Finance costs

	1HCY18 US\$'000 (Unaudited)	1HCY17 US\$'000 (Unaudited)
Interest on bank loans wholly repayable within five years	787	637
Less: Amounts capitalised	<u>(107)</u>	<u>(44)</u>
	<u>680</u>	<u>593</u>

4. Income tax expense

	1HCY18 US\$'000 (Unaudited)	1HCY17 US\$'000 (Unaudited)
Current tax:		
Singapore income tax	—	1
PRC enterprise income tax	1,529	2,513
Hong Kong income tax	<u>83</u>	<u>126</u>
	1,612	2,640
Deferred tax	<u>537</u>	<u>366</u>
	<u>2,149</u>	<u>3,006</u>

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

5. Dividend

No dividend has been declared or recommended for 1HCY18 (1HCY17: Nil).

6. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following:

	<u>Earnings</u>		<u>Earnings</u>	
	2QCY18	2QCY17	1HCY18	1HCY17
	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings for the purpose of basic and diluted earnings per share	<u>7,625</u>	<u>7,615</u>	<u>14,850</u>	<u>16,525</u>
	<u>Number of shares</u>		<u>Number of shares</u>	
	2QCY18	2QCY17	1HCY18	1HCY17
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>186,920</u>	<u>186,920</u>	<u>186,920</u>	<u>186,920</u>
Earnings per share (US cents)				
- basic and diluted	<u>4.08</u>	<u>4.07</u>	<u>7.94</u>	<u>8.84</u>

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

7. Net asset value

	<u>Group</u>		<u>Company</u>	
	30 June	31 December	30 June	31 December
	2018	2017	2018	2017
	US\$	US\$	US\$	US\$
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Net asset value (including non-controlling interests) per ordinary share based on total number of issued shares excluding treasury shares at the end of the period*	<u>2.15</u>	<u>2.15</u>	<u>1.18</u>	<u>1.27</u>

* Based on 186,919,962 issued shares as at 30 June 2018 (31 December 2017: 186,919,962 issued shares).

8. Additions to property, plant and equipment

During the reporting period, the Group spent approximately US\$34.6 million (1HCY17: approximately US\$14.0 million) on acquisition of property, plant and equipment including deposits paid.

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

9. Trade and bills receivables

	GROUP	
	30 June	31 December
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Trade receivables		
- Third parties	175,341	163,051
- Related companies (note)	5,368	5,229
	180,709	168,280
Bills receivables	2,164	3,555
Total	182,873	171,835

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

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

	GROUP	
	30 June	31 December
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Within 90 days	143,122	133,674
91 to 180 days	37,587	34,606
Over 180 days	—	—
	180,709	168,280

At the end of the reporting period, the bills receivables are aged within 180 days (31 December 2017: within 180 days).

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

10. Inventories

	GROUP	
	30 June	31 December
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Raw materials	11,862	11,180
Work-in-progress	17,333	16,402
Finished goods	18,175	16,574
	<u>47,370</u>	<u>44,156</u>

11. Trade and bills payables

	GROUP	
	30 June	31 December
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Trade payables		
- Third parties	93,651	89,129
- Related companies (note)	42,790	43,883
	136,441	133,012
Bills payables	12,933	17,293
Total	<u>149,374</u>	<u>150,305</u>

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

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

	GROUP	
	30 June	31 December
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Within 90 days	97,505	92,699
91 to 180 days	31,371	28,695
Over 180 days	7,565	11,618
	<u>136,441</u>	<u>133,012</u>

At the end of the reporting period, the bills payables are aged within 180 days (31 December 2017: within 180 days). The bills payables were mainly related to the purchase of equipment through issuing irrevocable letters of credit as the payment mode.

12. Bank loans

	GROUP	
	30 June 2018 US\$'000 (Unaudited)	31 December 2017 US\$'000 (Audited)
Unsecured:		
Bank loans	<u>104,753</u>	<u>73,228</u>
Comprising the following amounts due:		
- within one year	74,753	47,286
- more than one year	<u>30,000</u>	<u>25,942</u>
	<u>104,753</u>	<u>73,228</u>

The Group's total external borrowings increased by approximately 43.1% to approximately US\$104.8 million as at 30 June 2018 compared with 31 December 2017.

13. Share capital

As at 30 June 2018, the Company had a total of 186,919,962 (31 December 2017: 186,919,962) issued ordinary shares excluding treasury shares.

14. Share options

There were no share options of the Company outstanding as at 30 June 2018 and 31 December 2017 respectively. No share options have been granted under the 2018 Elec & Eltek Employees' Share Option Scheme since its adoption by the Company on 27 April 2018, and as at the date of this announcement.

15. Net current assets and total assets less current liabilities

As at 30 June 2018, the Group's net current assets, defined as current assets less current liabilities, amounted to approximately US\$6.5 million (31 December 2017: approximately US\$18.0 million).

As at 30 June 2018, the Group's total assets less current liabilities amounted to approximately US\$433.9 million (31 December 2017: approximately US\$429.3 million).

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

For 1HCY18, there were no material differences between the consolidated financial statements of the Group prepared under SFR(I) and IFRS.

BUSINESS REVIEW

The Group is delighted to report its results for 2QCY18 and 1HCY18. The Group's orders maintained growth, and hence, the Group's revenue for 1HCY18 increased by 19.1% from 1HCY17 to approximately US\$280.1 million (1HCY17: US\$235.1 million). Against the backdrop of Renminbi appreciation and further increased production costs, the Group's net attributable profit (profit after tax and non-controlling interests) for 1HCY18 decreased by 10.1% from 1HCY17 to approximately US\$14.9 million (1HCY17: US\$16.5 million)

The Group's revenue for 2QCY18 increased by 24.7% from 2QCY17 to approximately US\$148.3 million (2QCY17: US\$118.9 million). The Group's gross profit for 2QCY18 decreased by 10.3% from 2QCY17 to US\$15.6 million (2QCY17: US\$17.4 million), and gross profit margin was 10.5% (2QCY17: 14.6%). Earnings before interest, tax, depreciation and amortization for the Group ("EBITDA") increased by approximately 3.9% to US\$19.1 million (2QCY17: US\$18.3 million). Net attributable profit was US\$7.6 million in 2QCY18 (2QCY17: US\$7.6 million).

In 2QCY18, communication & networking products (including mobile phones) accounted for about 46.1% (2QCY17: 47.2%) of our total PCB sales while automotive PCB sales accounted for around 24.3% of our total PCB sales (2QCY17: 21.6%). Other products (including computer, consumer electronics and industrial products) accounted for approximately 29.6% (2QCY17: 31.2%) of our total PCB sales. High Density Interconnect ("HDI") PCB accounted for approximately 24.4% of total PCB sales in 2QCY18 (2QCY17: 27.0%).

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2018, the Group's net current assets was approximately US\$6.5 million (31 December 2017: approximately US\$18.0 million), making the current ratio 1.02 as compared to 1.08 as at 31 December 2017.

The net working capital cycle was 45 days as at 30 June 2018 (31 December 2017: 35 days) based on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 30 days (31 December 2017: 28 days).
- Trade receivables, in terms of debtors turnover days, increased to 114 days (31 December 2017: 109 days).
- Trade payables, in terms of creditors turnover days, decreased to 99 days (31 December 2017: 102 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) as at 30 June 2018 was approximately 21.1% (31 December 2017: 11.8%). The proportion of short-term and long-term bank borrowings stood at 71%: 29% (31 December 2017: 65%: 35%). During the reporting period, the Group spent approximately US\$34.6 million (1HCY17: US\$14.0 million) on acquisition of property, plant and equipment. The total equity of the Group, as at 30 June 2018, was approximately US\$401.4 million (31 December 2017: approximately US\$401.4 million). As at 30 June 2018, the Group had cash on hand and undrawn loan facilities of approximately US\$20.0 million and US\$30.1 million respectively.

The Group's transactions and monetary assets are principally denominated in United States dollars, Renminbi and Hong Kong dollars and it is subject to risks associated with fluctuations in exchange rate between Renminbi and other currencies in which the Group conducts its business.

HUMAN RESOURCES

As at 30 June 2018, the Group had approximately 8,700 employees (31 December 2017: 8,700). Salaries of employees are maintained at a competitive level and are reviewed annually, with reference to the relevant labour market as well as the minimum wage guidelines, as prescribed by the relevant local government from time to time. The Group awards discretionary bonuses to eligible employees based upon profit target achievements of the Company and employees' individual performance.

The Company has adopted an employees' share option scheme during 1HCY18 in order to, among other purposes, attract and retain the best available personnel and to align employees' individual interests with the Group's interests.

PROSPECTS

The PCB operating environment remains challenging in 2HCY18, as the PCB market will likely become increasingly competitive. The Group continues to focus on quality control and cost control. The Group is currently upgrading its production equipment for PCB, with a view to further optimise product performance, thereby enhancing the Group's competitiveness and satisfying the Group's customer demand.

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

During 1HCY18, neither the Company nor any of the subsidiaries of the Company purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Board ("**Audit Committee**") has reviewed, with the Group's management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial statements of the Group for 1HCY18. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The financial results for 2QCY18 and 1HCY18 have not been audited or reviewed by the Group's auditors.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES

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

Currently, the Board comprises four board committees, namely the Audit Committee, the nomination committee ("**Nomination Committee**"), the remuneration committee ("**Remuneration Committee**"), and the employees' share option scheme committee ("**Employees' Share Option Scheme Committee**") of the Board (collectively, the "**Board Committees**"). The respective terms of reference of the Board Committees, except for the Employees' Share Option Scheme Committee, are posted on the website of SEHK. The respective terms of reference of the Board Committees, except for the Employees' Share Option Scheme Committee, are also posted on the Company's website.

During the first half of the year under review, the Company met the Code Provisions in the CG Code, save for the following deviations:

1. Deviation from Code Provision A.4.1

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

None of the existing non-executive Directors of the Company are appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with "Article 95 — Election of Directors" of the Articles of Association of the Company (except Mr. Ong Shen Chieh ("**Mr. Ong**") for the reason disclosed in "2. Deviation from Code Provision A.4.2" below). Article 95 provides that one-third of the Company's directors (prioritized by the length of service since a director's previous re-election or appointment) shall retire or offer themselves for re-election by shareholders at every annual general meeting of the Company. This effectively means that no Directors (except Mr. Ong for the reason disclosed in "2. Deviation from Code Provision A.4.2" below) will remain in office for more than three (3) years without being re-elected by the Company's shareholders at a general meeting of the Company. The Company therefore considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

2. Deviation from Code Provision A.4.2

Under Code Provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three (3) years.

Notwithstanding the above, the Companies Act (Chapter 50 of Singapore Statutes) ("**Companies Act**") requires that every company incorporated in Singapore shall have, at all times, at least one (1) director who is ordinarily resident in Singapore. Mr. Ong, the only Singapore resident Director, and who was appointed as the Company's independent non-executive Director on the same day as the resignation of Mr. Lai Chong Tuck as the Company's independent non-executive Director on 30 June 2016, was in accordance with Code Provision A.4.2 of the CG Code, due to retire at the first general meeting of the Company after his appointment. However, as advised by the Company's Singapore legal adviser, Mr. Ong could not be subject to retirement and re-election at the first general meeting of the Company after his appointment,

and cannot be subject to retirement by rotation and re-election at the annual general meetings of the Company, because the Company would then risk violating the Companies Act, as there would be no Singapore resident director existing in the Company immediately following Mr. Ong's retirement, even if he was to be re-elected subsequently by the Company's shareholders at the Company's general meeting.

In order to comply with this Code Provision without violating the Companies Act, the Company will consider the possibility of appointing one (1) additional Singapore resident Director to the Board to allow such two (2) Singapore resident Directors to retire by rotation, if necessary, interchangeably, to avoid the absence of a Singapore resident Director at any one time.

3. Deviation from Code Provision E.1.2

Under Code Provision E.1.2 of the CG Code, the chairman of the Board ("**Chairman**") should attend the annual general meeting of the Company.

The Chairman, Mr. Cheung Kwok Wing, was unable to attend the annual general meeting of the Company held on 27 April 2018 ("**2018 AGM**") because he was attending to the Group's business matters. He delegated the duty of answering and addressing questions raised by shareholders at the 2018 AGM to Ms. Stephanie Cheung Wai Lin, who is the vice chairman ("**Vice Chairman**") and an executive Director, and who also assumes the duty of chief executive officer of the Company.

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

HONG KONG CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

After specific enquiries have been made, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct throughout 1HCY18.

SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

The Group does not have any material subsequent event to disclose after 1HCY18.

FORECAST STATEMENT

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

DISCLOSURE ON THE WEBSITE OF THE RELEVANT SECURITIES EXCHANGES

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

APPRECIATION

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

CONFIRMATION PURSUANT TO RULE 705(5) OF THE SGX LISTING MANUAL

To the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results for 2QCY18 and 1HCY18 of the Company and of the Group to be false or misleading, in any material aspect.

INTERESTED PERSONS TRANSACTIONS

The interested persons transactions carried out within the Group during the reporting period, which fall under Chapter 9 of the SGX Listing Manual, are as follows:

Name of Interested Person US\$'000	Aggregate value of all interested person transactions during the financial period under review (including transactions of less than S\$100,000 and excluding transactions conducted under a shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (including transactions of less than S\$100,000)	
	1HCY18	1HCY17	1HCY18	1HCY17
Purchases of plant and equipment				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	4,584	1,235
	<u>—</u>	<u>—</u>	<u>4,584</u>	<u>1,235</u>
Purchases of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	49,536	36,451
Delta Realty Limited	40	20	—	—
Elec & Eltek Corporate Services Limited	—	18	—	—
Heng Yang Kingboard Chemical Co., Ltd.	—	—	1,159	843
Hong Kong Fibre Glass Company Limited	—	—	12,756	8,601
Huizhou Chung Shun Chemical Co., Ltd.	—	—	981	593
	<u>40</u>	<u>38</u>	<u>64,432</u>	<u>46,488</u>
Provision of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	2,660	3,700
Express Electronics Ltd	—	—	—	221
Techwise (Macao Commercial Offshore) Circuits Limited	—	—	9,362	4,502
	<u>—</u>	<u>—</u>	<u>12,022</u>	<u>8,423</u>

**CONFIRMATION OF DIRECTORS' AND EXECUTIVE OFFICERS'
UNDERTAKINGS PURSUANT TO LISTING RULE 720(1) OF THE SGX
LISTING MANUAL**

The Company confirms that it has procured the undertakings required under Rule 720(1) of the SGX Listing Manual from all its directors and executive officers, in the form set out in Appendix 7.7 of the SGX Listing Manual.

CONFIRMATION BY THE BOARD

We, Stephanie Cheung Wai Lin and Chang Wing Yiu, being two of the Directors, do hereby confirm on behalf of the Board that, to the best of the Board's knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for 2QCY18 and 1HCY18 to be false or misleading.

On behalf of the Board of Directors

Stephanie Cheung Wai Lin
Executive Director

Chang Wing Yiu
Executive Director

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

Hong Kong, 9 August 2018

As of the date of this announcement, the Board comprises the following Directors:

Executive Directors:-

Stephanie Cheung Wai Lin (*Vice Chairman*)
Chang Wing Yiu

Non-executive Director:-

Cheung Kwok Wing (*Chairman*)

Independent non-executive Directors:-

Stanley Chung Wai Cheong
Ong Shen Chieh
Kong Tze Wing