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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 AND DIVIDEND ANNOUNCEMENT
FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2014**

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

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

This announcement contains projections and forward-looking statements regarding the objectives and expectations of the Company and its subsidiaries (collectively referred to as the “**Group**”) with respect to its business opportunities and business prospects. Such forward-looking statements do not constitute guarantees of the future performance of the Group and are subject to factors that could cause the Company’s actual results, plans and objectives to differ materially from those expressed in the forward-looking statements. These factors include, but are not limited to, general industry and 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.

FINANCIAL HIGHLIGHTS

	Six months ended			Six months ended	
	30 Jun 2014 ("1HCY14") US\$'000	30 Jun 2013 ("1HCY13") US\$'000	% Change	31 Dec 2013 ("2HCY13") US\$'000	% Change
Revenue	251,520	246,766	2%	258,155	-3%
EBITDA	28,961	31,855	-9%	28,858	0%
EBITDA margin	11.5%	12.9%		11.2%	
Profit before tax	5,805	8,671	-33%	5,943	-2%
Net profit attributable to owners of the Company	5,293	8,160	-35%	5,543	-5%
Basic earnings per share	US2.83 cents	US4.37 cents	-35%	US2.96 cents	-4%
Interim dividend per share	US3.0 cents	US7.0 cents	-57%		
Dividend payout ratio	105.9%	160.3%			
	30 Jun 2014	31 Dec 2013			
Net asset value per share	US\$1.87	US\$1.91	-2%		
Net gearing ratio	19.6%	14.7%			

RESULTS

The board of directors (the "**Board**") of the Company is pleased to announce the unaudited consolidated results of the Group for the second quarter ("**2QCY14**") and six months ended 30 June 2014 ("**1HCY14**") together with the comparative figures for the second quarter ("**2QCY13**") and six months ended 30 June 2013 ("**1HCY13**") and six months ended 31 December 2013 ("**2HCY13**").

Consolidated Statement of Profit or Loss

		2QCY14	2QCY13		1HCY14	1HCY13		2HCY13	
	Notes	US\$'000	US\$'000	% Change	US\$'000	US\$'000	% Change	US\$'000	% Change
		(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)		(Unaudited)	
Revenue	2	135,812	131,011	3.7%	251,520	246,766	1.9%	258,155	-2.6%
Cost of sales		(123,582)	(117,549)	5.1%	(230,633)	(220,035)	4.8%	(235,043)	-1.9%
Gross profit		12,230	13,462	-9.2%	20,887	26,731	-21.9%	23,112	-9.6%
<i>Gross profit margin</i>		<i>9.0%</i>	<i>10.3%</i>		<i>8.3%</i>	<i>10.8%</i>		<i>9.0%</i>	
Other operating income and gains		796	714	11.5%	1,508	1,391	8.4%	2,979	-49.4%
Distribution and selling costs		(3,738)	(3,587)	4.2%	(7,200)	(7,205)	-0.1%	(7,244)	-0.6%
Administrative expenses		(4,310)	(5,603)	-23.1%	(8,509)	(11,029)	-22.8%	(11,865)	-28.3%
Other operating expenses and losses		(80)	(250)	-68.0%	(157)	(512)	-69.3%	(377)	-58.4%
Finance costs	3	(363)	(352)	3.1%	(724)	(705)	2.7%	(662)	9.4%
Profit before taxation		4,535	4,384	3.4%	5,805	8,671	-33.1%	5,943	-2.3%
Income tax expense	4	(268)	(212)	26.4%	(338)	(463)	-27.0%	(298)	13.4%
Profit for the period		4,267	4,172	2.3%	5,467	8,208	-33.4%	5,645	-3.2%
Profit attributable to:									
Owners of the Company		4,128	4,158	-0.7%	5,293	8,160	-35.1%	5,543	-4.5%
Non-controlling interests		139	14	n/m	174	48	262.5%	102	70.6%
		4,267	4,172	2.3%	5,467	8,208	-33.4%	5,645	-3.2%
Earnings per share (US cents)	6								
- basic		2.21	2.22	-0.5%	2.83	4.37	-35.2%	2.96	-4.4%

Notes to Consolidated Statement of Profit or Loss:

	2QCY14	2QCY13		1HCY14	1HCY13		2HCY13	
	US\$'000	US\$'000	% Change	US\$'000	US\$'000	% Change	US\$'000	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)		(Unaudited)	
Depreciation	11,198	11,229	-0.3%	22,381	22,364	0.1%	22,116	1.2%
Amortisation of prepaid land use rights	41	114	-64.0%	82	228	-64.0%	178	-53.9%
Reversal of allowance for doubtful debts	(302)	(94)	221.3%	(437)	(369)	18.4%	(705)	-38.0%
(Reversal of) / allowance for inventory obsolescence	(196)	329	-159.6%	(105)	340	-130.9%	(83)	26.5%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2QCY14 US\$'000 (Unaudited)	2QCY13 US\$'000 (Unaudited)	% Change	1HCY14 US\$'000 (Unaudited)	1HCY13 US\$'000 (Unaudited)	% Change	2HCY13 US\$'000 (Unaudited)	% Change
Profit for the period	<u>4,267</u>	<u>4,172</u>	2.3%	<u>5,467</u>	<u>8,208</u>	-33.4%	<u>5,645</u>	-3.2%
Other comprehensive income :								
Items that will not be reclassified subsequently to profit or loss:								
Revaluation surplus of properties transferred to investment properties	—	—	n/m	—	—	n/m	663	n/m
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of foreign operations	<u>39</u>	<u>429</u>	-90.9%	<u>144</u>	<u>565</u>	-74.5%	<u>34</u>	323.5%
Other comprehensive income for the period, net of tax	<u>39</u>	<u>429</u>	-90.9%	<u>144</u>	<u>565</u>	-74.5%	<u>697</u>	-79.3%
Total comprehensive income for the period	<u><u>4,306</u></u>	<u><u>4,601</u></u>	-6.4%	<u><u>5,611</u></u>	<u><u>8,773</u></u>	-36.0%	<u><u>6,342</u></u>	-11.5%
Total comprehensive income attributable to:								
Owners of the Company	<u>4,167</u>	4,587	-9.2%	<u>5,437</u>	8,725	-37.7%	6,240	-12.9%
Non-controlling interests	<u>139</u>	14	n/m	<u>174</u>	48	262.5%	<u>102</u>	70.6%
	<u><u>4,306</u></u>	<u><u>4,601</u></u>	-6.4%	<u><u>5,611</u></u>	<u><u>8,773</u></u>	-36.0%	<u><u>6,342</u></u>	-11.5%

n/m - percentage not meaningful

Statements of Financial Position

	Notes	GROUP		COMPANY	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
		US\$'000 (Unaudited)	US\$'000 (Audited)	US\$'000 (Unaudited)	US\$'000 (Audited)
ASSETS					
Current assets					
Cash and bank balances		20,436	20,398	73	23
Trade receivables	9	129,184	108,620	—	—
Bills receivables	9	3,024	3,938	—	—
Other receivables		23,471	23,449	2	2
Prepaid land use rights		399	399	—	—
Dividend receivables		—	—	20,800	44,750
Inventories	10	47,987	41,543	—	—
Total current assets		224,501	198,347	20,875	44,775
Non-current assets					
Property, plant and equipment	8	314,007	313,788	—	—
Prepaid land use rights		13,023	13,105	—	—
Deposits for acquisition of plant and equipment	8	5,127	6,189	—	—
Investment properties		46,446	46,446	—	—
Subsidiary companies		—	—	456,100	459,224
Deferred tax assets		86	86	—	—
Total non-current assets		378,689	379,614	456,100	459,224
Total assets		603,190	577,961	476,975	503,999
LIABILITIES AND EQUITY					
Current liabilities					
Bank overdraft and loans	12	49,410	41,648	—	—
Trade payables	11	126,348	105,437	—	—
Bills payables	11	7,331	8,775	—	—
Other payables		29,346	31,550	2,685	2,662
Amounts due to subsidiary companies		—	—	249,756	263,155
Provision for taxation		178	449	—	—
Total current liabilities		212,613	187,859	252,441	265,817
Non-current liabilities					
Bank loans	12	39,554	31,149	—	—
Deferred tax liabilities		942	1,399	—	—
Total non-current liabilities		40,496	32,548	—	—
Capital, reserves and non-controlling interests					
Share capital	13	113,880	113,880	113,880	113,880
Reserves		226,328	233,975	110,654	124,302
Equity attributable to owners of the Company		340,208	347,855	224,534	238,182
Non-controlling interests		9,873	9,699	—	—
Total equity		350,081	357,554	224,534	238,182
Total liabilities and equity		603,190	577,961	476,975	503,999

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital US\$'000	Capital reserve US\$'000 (Note a)	Statutory reserve US\$'000 (Note b)	Revaluation reserve US\$'000 (Note c)	Other reserve US\$'000 (Note d)	Retained earnings US\$'000	Foreign currency translation reserve US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
GROUP										
2QCY14										
Balance at 31 March 2014 (unaudited)	113,880	1,916	5,345	2,940	166	207,900	16,978	349,125	9,734	358,859
Changes in equity for 2QCY14										
Total comprehensive income for the period	—	—	—	—	—	4,128	39	4,167	139	4,306
Dividend paid in respect of previous year	—	—	—	—	—	(13,084)	—	(13,084)	—	(13,084)
Balance at 30 June 2014 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>5,345</u>	<u>2,940</u>	<u>166</u>	<u>198,944</u>	<u>17,017</u>	<u>340,208</u>	<u>9,873</u>	<u>350,081</u>
2QCY13										
Balance at 31 March 2013 (unaudited)	113,880	1,916	5,345	2,277	166	230,680	16,410	370,674	9,957	380,631
Changes in equity for 2QCY13										
Total comprehensive income for the period	—	—	—	—	—	4,158	429	4,587	14	4,601
Dividend paid in respect of previous year	—	—	—	—	—	(20,561)	—	(20,561)	(374)	(20,935)
Balance at 30 June 2013 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>5,345</u>	<u>2,277</u>	<u>166</u>	<u>214,277</u>	<u>16,839</u>	<u>354,700</u>	<u>9,597</u>	<u>364,297</u>
1HCY14										
Balance at 31 December 2013 (audited)	113,880	1,916	5,345	2,940	166	206,735	16,873	347,855	9,699	357,554
Changes in equity for 1HCY14										
Total comprehensive income for the period	—	—	—	—	—	5,293	144	5,437	174	5,611
Dividend paid in respect of previous year	—	—	—	—	—	(13,084)	—	(13,084)	—	(13,084)
Balance at 30 June 2014 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>5,345</u>	<u>2,940</u>	<u>166</u>	<u>198,944</u>	<u>17,017</u>	<u>340,208</u>	<u>9,873</u>	<u>350,081</u>
1HCY13										
Balance at 31 December 2012 (audited)	113,880	1,916	5,345	2,277	166	226,678	16,274	366,536	9,923	376,459
Changes in equity for 1HCY13										
Total comprehensive income for the period	—	—	—	—	—	8,160	565	8,725	48	8,773
Dividend paid in respect of previous year	—	—	—	—	—	(20,561)	—	(20,561)	(374)	(20,935)
Balance at 30 June 2013 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>5,345</u>	<u>2,277</u>	<u>166</u>	<u>214,277</u>	<u>16,839</u>	<u>354,700</u>	<u>9,597</u>	<u>364,297</u>

Notes:

- Capital reserve represents amounts transferred from share option reserve upon the exercise of share options.
- 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.
- 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.
- The amount credited to other reserve represents the difference between the fair value of consideration and the carrying amount of the net assets attributable to the additional interest in subsidiaries being acquired from non-controlling shareholders, which will be recognised to the profit and loss upon the disposal of the subsidiaries or the disposal by the subsidiaries.

	Share capital US\$'000	Capital reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
COMPANY				
2QCY14				
Balance at 31 March 2014 (unaudited)	113,880	1,916	122,000	237,796
Changes in equity for 2QCY14				
Total comprehensive expenses for the period	—	—	(178)	(178)
Dividend paid in respect of previous year	—	—	(13,084)	(13,084)
Balance at 30 June 2014 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>108,738</u>	<u>224,534</u>
2QCY13				
Balance at 31 March 2013 (unaudited)	113,880	1,916	81,917	197,713
Changes in equity for 2QCY13				
Total comprehensive income for the period	—	—	70,051	70,051
Dividend paid in respect of previous year	—	—	(20,561)	(20,561)
Balance at 30 June 2013 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>131,407</u>	<u>247,203</u>
1HCY14				
Balance at 31 December 2013 (audited)	113,880	1,916	122,386	238,182
Changes in equity for 1HCY14				
Total comprehensive expenses for the period	—	—	(564)	(564)
Dividend paid in respect of previous year	—	—	(13,084)	(13,084)
Balance at 30 June 2014 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>108,738</u>	<u>224,534</u>
1HCY13				
Balance at 31 December 2012 (audited)	113,880	1,916	82,370	198,166
Changes in equity for 1HCY13				
Total comprehensive income for the period	—	—	69,598	69,598
Dividend paid in respect of previous year	—	—	(20,561)	(20,561)
Balance at 30 June 2013 (unaudited)	<u>113,880</u>	<u>1,916</u>	<u>131,407</u>	<u>247,203</u>

Consolidated Statement of Cash Flows

	2QCY14 US\$'000 (Unaudited)	2QCY13 US\$'000 (Unaudited)	1HCY14 US\$'000 (Unaudited)	1HCY13 US\$'000 (Unaudited)
Operating activities				
Profit before taxation	4,535	4,384	5,805	8,671
Adjustments for:				
Reversal of allowance for doubtful debts	(302)	(94)	(437)	(369)
Finance costs	363	352	724	705
Depreciation of property, plant and equipment	11,198	11,229	22,381	22,364
Amortisation of prepaid land use rights	41	114	82	228
Gain on disposal of property, plant and equipment	(55)	(62)	(55)	(62)
(Reversal of) / allowance for inventory obsolescence	(196)	329	(105)	340
Interest income	(16)	(48)	(31)	(113)
Operating income before movements in working capital	15,568	16,204	28,364	31,764
Increase in inventories	(1,273)	(3,720)	(6,339)	(8,308)
(Increase) / decrease in trade and other receivables	(20,410)	(7,143)	(19,530)	5,345
Increase in trade and other payables	21,602	13,687	17,263	5,489
Net cash generated from operations	15,487	19,028	19,758	34,290
Interest income received	16	48	31	113
Interest paid	(428)	(392)	(812)	(763)
Income taxes paid	(656)	(615)	(1,073)	(1,309)
Net cash from operating activities	14,419	18,069	17,904	32,331
Investing activities				
Proceeds from disposal of property, plant and equipment	209	68	209	68
Purchase of property, plant and equipment	(11,131)	(6,966)	(12,592)	(10,788)
Deposits paid for acquisition of property, plant and equipment	(4,284)	(3,271)	(8,523)	(6,832)
Net cash used in investing activities	(15,206)	(10,169)	(20,906)	(17,552)

	2QCY14	2QCY13	1HCY14	1HCY13
	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Financing activities

Proceeds from bank borrowings	19,303	15,506	34,390	23,234
Repayment of bank borrowings	(6,519)	(15,539)	(18,212)	(30,862)
Dividends paid by the Company	(13,084)	(20,561)	(13,084)	(20,561)
Dividends paid by subsidiary companies to non-controlling shareholders	<u>—</u>	<u>—</u>	<u>—</u>	<u>(374)</u>
Net cash from (used in) financing activities	<u>(300)</u>	<u>(20,594)</u>	<u>3,094</u>	<u>(28,563)</u>
Net increase (decrease) in cash and cash equivalents	(1,087)	(12,694)	92	(13,784)
Cash and cash equivalents at the beginning of the period	21,671	42,135	20,387	43,076
Effect of foreign exchange rate changes on the balances of cash held in foreign currencies, net	<u>(148)</u>	<u>98</u>	<u>(43)</u>	<u>247</u>
Cash and cash equivalents at the end of the period	<u>20,436</u>	<u>29,539</u>	<u>20,436</u>	<u>29,539</u>

Cash and cash equivalents consists of:

	30 Jun 2014	30 Jun 2013
	US\$'000	US\$'000
Cash and bank balances	20,436	29,539
Bank overdrafts - unsecured	<u>—</u>	<u>—</u>
	<u>20,436</u>	<u>29,539</u>

Notes:

1. Basis of preparation and principal accounting policies

The unaudited interim consolidated financial statements have been prepared in accordance with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“SEHK”) and Singapore Financial Reporting Standards 34 “Interim Financial Reporting” (“FRS 34”).

The same accounting policies and methods of computation have been applied in the preparation of the interim consolidated financial statements for the six months ended 30 June 2014 as the most recent audited financial statements as at 31 December 2013.

In the current period, the Group has applied, the following new and revised Financial Reporting Standards (“FRS”), amendments and interpretation of FRS (“INT FRS”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2014:

- *Amendments to FRS 32 Financial Instruments : Presentation*
- *Amendments to FRS 36 Impairment of Assets*
- *Improvements to FRSs (Issued in January 2014 and February 2014)*

The adoption of these new and revised FRSs 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 periods.

The Group has not early adopted the following new and revised standards or amendments to FRS which would take effect from financial periods beginning on or after 1 July 2014:

- *Amendments to FRS 19 : Defined Benefit Plans: Employee Contributions*

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

2. Revenue and segment information

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

3. Finance costs

	1HCY14	1HCY13
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	804	763
Less: Amounts capitalised	<u>(80)</u>	<u>(58)</u>
	<u>724</u>	<u>705</u>

4. Income tax expense

	1HCY14	1HCY13
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Singapore income tax	—	2
PRC enterprise income tax	248	290
Hong Kong income tax	8	10
Other jurisdictions	<u>8</u>	<u>8</u>
	264	310
Deferred tax	<u>74</u>	<u>153</u>
	<u>338</u>	<u>463</u>

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

5. Dividend

The Directors have resolved to declare an interim dividend (one-tier tax exempt) for the six months ended 30 June 2014 of US3.0 cents (2013: US7.0 cents) per share to the shareholders whose name appear on the register of members of the Company at the close of business on 18 August 2014. The dividend will be paid on 29 August 2014.

6. Earnings per share

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

	<u>Earnings</u>		<u>Earnings</u>	
	2QCY14	2QCY13	1HCY14	1HCY13
	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share	<u>4,128</u>	<u>4,158</u>	<u>5,293</u>	<u>8,160</u>
	<u>Number of shares</u>		<u>Number of shares</u>	
	2QCY14	2QCY13	1HCY14	1HCY13
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic 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	<u>2.21</u>	<u>2.22</u>	<u>2.83</u>	<u>4.37</u>

The Group had no 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
	2014	2013	2014	2013
	US\$	US\$	US\$	US\$
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Net asset value (including non-controlling interests) per ordinary share based on total number of issued shares excluding treasury shares at the end of the period*	<u>1.87</u>	<u>1.91</u>	<u>1.20</u>	<u>1.27</u>

* Based on 186,919,962 issued shares as at 30 June 2014 (31 December 2013: 186,919,962 issued shares net of treasury shares).

8. Additions to property, plant and equipment

During the reporting period, the Group spent approximately US\$21.1 million (six months ended 30 June 2013: approximately US\$17.6 million) on acquisition of property, plant and equipment including deposits paid.

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

9. Trade and bills receivables

	GROUP	
	30 June	31 December
	2014	2013
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Trade receivables		
- Third parties	132,499	113,580
- Related parties (note)	823	110
Less: Allowance for doubtful debts	(4,138)	(5,070)
	129,184	108,620
Bills receivables	3,024	3,938
Total	132,208	112,558

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

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

	GROUP	
	30 June	31 December
	2014	2013
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Within 90 days	115,861	99,098
91 to 180 days	12,374	9,205
Over 180 days	949	317
	129,184	108,620

At the end of the reporting period, the bills receivables are aged within 180 days (31 December 2013: 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
	2014	2013
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Raw materials	13,186	10,275
Work-in-progress	23,292	18,316
Finished goods	11,509	12,952
	<u>47,987</u>	<u>41,543</u>

11. Trade and bills payables

	GROUP	
	30 June	31 December
	2014	2013
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Trade payables		
- Third parties	75,886	64,034
- Related parties (note)	50,462	41,403
	126,348	105,437
Bills payables	7,331	8,775
Total	<u>133,679</u>	<u>114,212</u>

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

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

	GROUP	
	30 June 2014 US\$'000 (Unaudited)	31 December 2013 US\$'000 (Audited)
Within 90 days	96,431	78,718
91 to 180 days	25,974	21,548
Over 180 days	3,943	5,171
	<u>126,348</u>	<u>105,437</u>

At the end of the reporting period, the bills payables are aged within 180 days (31 December 2013: within 180 days). The bills payable was mainly related to the purchase of equipment through issuing irrevocable letters of credits payment mode.

12. Bank borrowings

	GROUP	
	30 June 2014 US\$'000 (Unaudited)	31 December 2013 US\$'000 (Audited)
Unsecured:		
Bank loans	87,362	72,786
Trust receipts	1,602	—
Bank overdraft	—	11
Bank loans - unsecured	<u>88,964</u>	<u>72,797</u>
Comprising amounts following due:		
- within one year	49,410	41,648
- more than one year	39,554	31,149
	<u>88,964</u>	<u>72,797</u>

The Group's total external borrowings increased by approximately 22.2% to approximately US\$89.0 million as at 30 June 2014 from 31 December 2013 as additional loans have been drawn down to fund for the new capital investment.

13. Share capital

As at 30 June 2014, the Company has a total of 186,919,962 (31 December 2013: 186,919,962) issued ordinary shares excluding treasury shares.

14. Share options

There was no share options outstanding as at 30 June 2014 and 30 June 2013, respectively. No share option has been granted under the 2008 Elec & Eltek Employees' Share Option Scheme since its adoption by the Company on 9 May 2008 and as at the date of this announcement.

15. Material acquisitions / Disposals, Significant investments and Charge on assets

The Group did not have any material acquisition or disposals, significant investments during 1H CY14. There was no charge on assets as at 30 June 2014.

16. Net current assets and Total assets less current liabilities

As at 30 June 2014, the Group's net current assets, defined as current assets less current liabilities, amounted to approximately US\$11.9 million (31 December 2013: net current assets approximately US\$10.5 million).

As at 30 June 2014, the Group's total assets less current liabilities amounted to approximately US\$390.6 million (31 December 2013: approximately US\$390.1 million).

17. Reconciliation between FRSs and International Financial Reporting Standards ("IFRSs")

For the six months ended 30 June 2014, there were no material differences between the consolidated financial statements of the Group prepared under FRSs and IFRSs.

BUSINESS REVIEW

The Group's revenue for 2QCY14 increased by 3.7% from same quarter last year to approximately US\$135.8 million and gross profit margin in 2QCY14 was 9.0% compared to 10.3% in 2QCY13.

With the improvement in the overall plants' capacity utilization since March 2014, earnings before interest, tax, depreciation and amortization for the Group ("EBITDA") for 2QCY14 was US\$16.1 million which was leveled with that in previous quarter (2QCY13: US\$16.0 million) and increased by approximately 25.8% against the previous quarter (1QCY14: US\$12.8 million). The Group continued to generate steady operating cash flow. As at end of June 2014, our net gearing ratio was maintained at a comfortable level of 19.6%. The Group's financial position remained healthy.

In line with our on-going strategy to achieve a more balanced portfolio of products, we continue to expand our market share in the automotive, communication and mobile phone segments. In the second quarter of 2014, computer related business accounted for around 21% of the Group's total PCB revenue (2QCY13: 29%). Automotive PCB sales accounted for around 16% of our sales in 2QCY14 (2QCY13: 13%) while communication & networking products (including mobile phone) increased substantially by over 37% in value to account for around 47% of our total PCB sales (2QCY13: 35%). Sales of High Density Interconnect ("HDI") PCBs continued to show robust growth momentum and accounted for approximately 32% of total PCB sales in 2QCY14 as compared with about 23% in 2QCY13.

Taking the above factors into account, the Group's net attributable profit (profit after tax and non-controlling interests) was US\$4.1 million in 2QCY14, as compared with US\$4.2 million in 2QCY13 and US\$1.2 million in 1QCY14.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2014, the Group's net current assets was approximately US\$11.9 million (31 December 2013: approximately US\$10.5 million), making the current ratio 1.06 as compared to 1.06 as at 31 December 2013.

The net working capital cycle increased to 16 days as at 30 June 2014 from 15 days as at 31 December 2013 on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 34 days (31 December 2013: 29 days).
- Trade receivables, in terms of debtors turnover days, increased to 85 days (31 December 2013: 82 days).
- Trade payables, in terms of creditors turnover days, increased to 103 days (31 December 2013: 96 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 2014 was approximately 19.6% (31 December 2013: 14.7%). The proportion of short-term and long-term bank borrowings stood at 56%:44% (31 December 2013: 57%:43%). The total equity of the Group as at 30 June 2014 was approximately US\$350.1 million (31 December 2013: approximately US\$357.6 million). As at 30 June 2014, the Group had cash on hand and undrawn loan facilities of approximately US\$20.4 million and US\$24.9 million respectively.

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

HUMAN RESOURCES

As at 30 June 2014, the Group had approximately 11,050 employees (31 December 2013: 9,535). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time. The Group awards discretionary bonuses to eligible employees based upon profits achievements of the Company and individual performance.

The Company has in place a share option scheme in order to attract and retain the best available personnel and to align individual interests with the Group's interest, as and when it is appropriate.

PROSPECTS

The global smart phone market is expected to continue its robust growth especially in the emerging markets such as China and South East Asia as consumers embrace multi-functional mobile devices with strong internet connection capabilities. Local smart phone brands in China are starting to expand overseas and catching up fast with the international brands. Automotive market is changing rapidly with consumers demanding more comfort and energy efficient vehicles to protect our environment. The Group's ongoing strategy is to expand our market share in the HDI, communication & networking/mobile phone and automotive segment by upgrading our production capabilities in order to meet customer demand and to maintain long-term growth.

As disclosed in our announcement dated on 7th July 2014, Mr. Chadwick Mok, Vice Chairman of the Group and Mr. Chan Wing Kwan will resign as Executive Director and Non Executive Director respectively with effect from 1 August 2014. Ms. Cheung Wai Lin, Stephanie will be appointed as Vice Chairman and Executive Director of the Board with effect from 1 August 2014. Mr. Chang Wing Yiu who is currently a Non Executive Director of the Board will also be re-designated to be an Executive Director of the Board on the same date.

To strive ahead in this competitive market, the new management team will continue to restructure the Group's operations and review our product mix to improve productivity and cost efficiency. The Group has decided to shift all laminates production from Shenzhen to the Kaiping laminates plant in the near future. The Hong Kong plant is planned to close within the next 12 months. The Group will make relevant provisions once the restructuring plan is finalized. Meanwhile, Yangzhou plant is also pushing ahead to ramp up their production to expand their productivity and contribution to the Group. Management is confident that the Group's performance will show progressive improvement once the restructuring plan is in place.

CLOSURE OF REGISTER OF MEMBERS

NOTICE IS HEREBY GIVEN that the Transfer Books and the Registers of Members will be closed from 19 August 2014 to 20 August 2014, both dates inclusive, for the purpose of determining the entitlements for the interim dividend. In order to qualify for the interim dividend, the Company's 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), before 5:00 p.m. on 18 August 2014 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), before 4:30 p.m. on 18 August 2014.

For the purpose of determination of Shareholders registered under the Singapore principal register of members and the Hong Kong branch register of members, any removal of the Shares between the Singapore principal register of members and the Hong Kong branch register of members has to be submitted by shareholders no later than 4:30 p.m. and 5:00 p.m. on 6 August 2014 for Hong Kong Shareholders and Singapore Shareholders respectively.

The interim dividend will be paid on 29 August 2014 in US\$ to shareholders whose names appeared on the Singapore principal register of members and the Hong Kong branch register of members of the Company at the close of business on 18 August 2014.

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

During the six months period, neither the Company nor any of its subsidiaries of the Company purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with the 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 the six months ended 30 June 2014.

COMPLIANCE WITH THE HONG KONG CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

During the relevant period of the first half of CY2014 under review, the Company fully complied with the Code Provisions in the CG Code, save for the following:

1. Deviation from Code Provision A.4.1

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

All the existing non-executive directors of the Company are not appointed for a specific term, but are subject to retirement and re-election at the Company's annual general meeting in accordance with "Article 95 — Election of Directors" of the Articles of Association of the Company that one-third of its directors (prioritized by length of services 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 will remain in office for more than 3 years without being re-elected by the Company's shareholders. The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

2. Deviation from Code Provision E.1.2

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

The chairman of the Board of the Company has delegated the duty of attending the annual general meeting held on 17 April 2014 to the vice chairman, Mr. Chadwick Mok Cham Hung, being an executive director of the Company. Mr. Mok is serving the function of chief executive officer for many years and is able to answer and address questions raised by shareholders at the annual general meeting.

Notwithstanding the aforesaid deviations, the Company considered 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 the 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 of the Rules Governing the Listing of Securities on SEHK. A copy of the internal memorandum is circulated to each director and relevant employees, at least 30 days and 60 days respectively before the date of the board meeting to approve the Company's quarterly results and annual results, with a reminder that the Directors and relevant employees cannot deal in the securities of the Company until after such results have been published.

On specific enquiry made, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct throughout the six months ended 30 June 2014.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The figures for 2QCY14 and 1HCY14, prepared in accordance with Singapore FRS, have not been audited or reviewed by the Group's auditors.

FORECAST STATEMENT

No forecast statement has been previously disclosed to shareholders.

DISCLOSURE ON THE WEBSITE OF THE EXCHANGES

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

APPRECIATION

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

INTERESTED PERSONS TRANSACTIONS

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

Name of Interested Person US\$'000	Aggregate value of all interested person transactions during the period under review (including transactions less than S\$100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than S\$100,000)	
	1HCY14	1HCY13	1HCY14	1HCY13
Purchases of plant and equipment				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	4,577	8,385
	<u>—</u>	<u>—</u>	<u>4,577</u>	<u>8,385</u>
Purchases of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	58,735	44,987
Elec & Eltek Corporate Services Limited	148	349	—	—
Heng Yang Kingboard Chemical Co., Ltd.	—	—	1,006	2,821
Hong Kong Fibre Glass Company Limited	—	—	5,796	4,522
Huizhou Chung Shun Chemical Company Limited	—	—	277	299
Jiangmen Kingboard High-tech Company Limited	—	—	—	3,129
Joyful Source Group Limited	14	17	—	—
Kingfai (Lian Zhou) Electronic Materials Company Ltd.	—	—	—	5,598
	<u>162</u>	<u>366</u>	<u>65,814</u>	<u>61,356</u>

Name of Interested Person US\$'000	Aggregate value of all interested person transactions during the period under review (including transactions less than S\$100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than S\$100,000)	
	1HCY14	1HCY13	1HCY14	1HCY13
Provision of goods and services				
Elec & Eltek Computers Limited	34	20	—	—
Elec & Eltek Display Technology Limited	13	23	—	—
Express Electronics Limited	—	—	557	787
Techwise (Macao Commercial Offshore) Circuits Limited	—	—	—	1,331
Top Faith P.C.B. Company Limited	—	—	—	5
	<u>47</u>	<u>43</u>	<u>557</u>	<u>2,123</u>

CONFIRMATION BY THE BOARD

We, Chadwick Mok Cham Hung and Chan Wai Leung, being two of the Directors of Elec & Eltek International Company Limited (the “**Company**”), do hereby confirm on behalf of the Board of Directors of the Company (the “**Board**”) that, to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the second quarter and six months ended 30 June 2014 to be false or misleading.

On behalf of the Board of Directors

Chadwick Mok Cham Hung
Executive Director

Chan Wai Leung
Executive Director

By order of the Board
Elec & Eltek International Company Limited
Cheung Kwok Wing
Chairman

Hong Kong, 30 July 2014

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

Executive Directors:-

Chadwick Mok Cham Hung (Vice Chairman)
Chan Wai Leung

Non-executive Directors:-

Cheung Kwok Wing (Chairman)
Chan Wing Kwan
Chang Wing Yiu

Independent Non-executive Directors:-

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

** For identification purpose only*