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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)

RESPONSES TO QUERIES REGARDING THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Board**") of Elec & Eltek International Company Limited (the "**Company**", and, together with its subsidiaries, the "**Group**") received queries (the "**Queries**") from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 3 May 2020, in relation to the Company's announcement dated 25 March 2020 attaching the Company's annual report for the financial year ended 31 December 2019 ("**2019 Annual Report**"). The Board wishes to provide in this announcement, the Company's responses to the Queries (set out below). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings given to them in the 2019 Annual Report.

THE SGX-ST'S QUERIES

Query: Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. In this regard, Provision 3.1 of the Code states that:

"The Chairman and Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making."

We note that the Company has not complied with Provision 3.1 of the Code as the Company's Chairman and CEO position is filled by the same person.

Where the Company's practices deviate from the provisions of the Code, please explicitly state the provision from which it has deviated from and explain how the practices it had adopted are consistent with the intent of Principle 3 of the Code, which requires a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.

* *For identification purpose only*

The Company's Response:

1. With respect to the Company's deviation from Provision 3.1 of the Code, the Company stated the following on page 18 of the 2019 Annual Report:

   *"Ms. Stephanie Cheung Wai Lin was appointed as the Chairman following the resignation of Mr. Cheung Kwok Wing as the Chairman and a Non-executive Director on 1 August 2019. Ms. Stephanie Cheung Wai Lin performs the dual roles of both the Chairman and the chief executive officer of the Company (the "**Chief Executive Officer**"). The Board believes that it is in the interest of the Company and its shareholders for Ms. Stephanie Cheung Wai Lin to assume the responsibilities of such positions, given that Ms. Stephanie Cheung Wai Lin has extensive experience in the operation and management of the Group as an Executive Director and the Chief Executive Officer. The Board also considers that such arrangement will not impair the balance of power and authority between the Board and the management as the Board comprises four other experienced individuals including one other Executive Director and three Independent Non-executive Directors. In addition, for major decisions of the Group, the Company will consult Board committees and senior management as and when appropriate. The Board will review such arrangement from time to time and will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.*

   The Board is of the opinion that notwithstanding this deviation from Guideline 3.1 of the Singapore Code, the current arrangement above has been beneficial to the Group, in that there is a clear line of command, continuity of leadership, enhanced knowledge of the Group's operations applied to board decisions, and the authority to quickly put board decisions into action."

2. As highlighted in the above-extracted section of the 2019 Annual Report, the Board believes that it is in the interests of the Company and its shareholders that Ms. Stephanie Cheung Wai Lin assumes the responsibilities of the dual roles of both the Chairman and the Chief Executive Officer. This is because Ms. Stephanie Cheung Wai Lin has extensive experience in the operation and management of the Group as an Executive Director and the Chief Executive Officer.

3. The Board would also like to highlight that, for the reasons set out in the above-extracted section of the 2019 Annual Report, it considers that such arrangement will not impair the balance of power and authority between the Board and the management. For major decisions of the Group, the Company will consult Board committees and senior management as and when appropriate. The Board will also review such arrangement from time to time and will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

4. Thus, while the Board acknowledges that the Company has deviated from Provision 3.1 of the Code, the Board believes that, for the reasons highlighted above, there is a clear division of responsibilities between the leadership of the Board and management, and no one individual has unfettered powers of decision-making. As such, the Board is of the view that the practices adopted by the Company are consistent with the spirit and intent of Principle 3 of the Code.

Query: Provision 8.1 of the Code states that:

"The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

(a) each individual director and the CEO; and

(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel."

We note the Company's disclosure on remuneration at pages 26, 116, 117, 118 and 119 of the annual report for FY2019. Where the Company's practices deviate from the provisions of the Code, please explicitly state the provision from which it has deviated from and explain how the practices it had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

The Company's Response:

1. With respect to the requirement in Provision 8.1 of the Code for the Company to disclose the *"policy and criteria for setting remuneration"*, this is disclosed on page 26 of the 2019 Annual Report, which states:

   "(a) In setting the remuneration packages, the Company will take into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and senior management.

   (b) Each Independent Non-executive Director receives Director's fees, which are subject to shareholders' approval at each AGM.

   (c) Executive Directors do not receive Directors' fees. The remuneration for the Company's Executive Directors and senior management comprise a basic salary component and a variable component, which is a discretionary bonus, based on the performance of the Group as a whole and the individual performance of the Executive Directors.

   (d) The annual review of the compensation of Directors and senior management will be carried out by the Remuneration Committee and approved by the Board to ensure that their remuneration packages are commensurate with their performance, giving due regard to the financial and commercial well-being of the Company."

2. In addition, it is stated on page 26 of the 2019 Annual Report that the Group's remuneration policy *"is to provide compensation packages at rates that reward good performances and the enhancement of shareholder value, and to attract, retain and motivate the Directors and employees"*.

3. With respect to the requirement in Provision 8.1 of the Code for the Company to disclose the *"names, amounts and breakdown of remuneration of: (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel"*, the Company has disclosed, on pages 116 to 119 of the 2019 Annual Report, the following:

   (a) the amounts and breakdown of remuneration of each director of the Company for the financial year ended 31 December 2019; and

   (b) the breakdown of remuneration (in bands no wider than S$250,000) for the top five key management personnel (who are not directors or the CEO) and, in aggregate, the total remuneration paid to these key management personnel.

4. The Company did not disclose the names and specific amounts of remuneration for the *"top five key management personnel (who are not directors or the CEO)"* in the 2019 Annual Report as the Board is of the view that, given the sensitive and confidential nature of employees' remuneration, detailed disclosure of the foregoing is not in the best interests of the Company and the Group. Such disclosure would prejudice the Group in relation to its competitors and may adversely affect the cohesion and spirit of team work prevailing among the employees of the Group. This is reflected on pages 26 and 119 of the 2019 Annual Report.

5. The Board acknowledges that not all of the information specified in Provision 8.1 of the Code was included in the 2019 Annual Report; this was, however, a conscious decision made in the interests of the Company and the Group. The reasons for this decision are set out above. The Board believes that the Company has been sufficiently transparent (while balancing the interests of the Company and the Group) on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation. As such, the Board is of the view that the practices adopted by the Company are consistent with the spirit and intent of Principle 8 of the Code.

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

Singapore, 5 May 2020

As at the date hereof, the Board comprises the following directors:

Executive Directors:
Stephanie Cheung Wai Lin *(Chairman)*
Chang Wing Yiu

Independent Non-executive Directors:
Stanley Chung Wai Cheong
Ong Shen Chieh
Kong Tze Wing