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

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Elec & Eltek 依利安達

Elec & Eltek International Company Limited

依利安達集團有限公司*

(Incorporated in the Republic of Singapore with Limited Liability)

Singapore Company Registration Number: 199300005H

(Hong Kong Stock Code: 1151)

(Singapore Stock Code: E16.SI)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EGM

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



Karl Thomson Financial Advisory Limited

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

A letter from the Board is set out on pages 5 to 22 of this circular. A letter from the Independent Board Committee is set out on pages 23 to 24 of this circular. A letter from Karl Thomson, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 25 to 49 of this circular.

A notice convening the EGM to be held: (a) in Hong Kong, at 23/F, Delta House, 3 On Yiu Street, Shek Mun, Shatin, New Territories, Hong Kong (for Hong Kong Shareholders); and (b) in Singapore, via video-conferencing in the Conference Room at Wangz Business Centre, The Penthouse, 7 Temasek Boulevard, #44-01 Suntec Tower One, Singapore 038987 (for Singapore Shareholders) on 16 December 2019 at 10:00 a.m., is set out on pages 55 to 57 of this circular. The Proxy Form for use at the EGM is also enclosed. Such Proxy Form is also published on the respective website of the SEHK (www.hkexnews.hk), SGX-ST (www.sgx.com) and of the Company (www.eleceltek.com).

Whether or not you are able to attend the EGM, you are requested to complete the accompanying Proxy Form in accordance with the instructions printed thereon, and return the same to the registered office of the Company at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624 (for Singapore Shareholders) or the office of the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for Hong Kong Shareholders) as soon as possible, and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the Proxy Form will not preclude you from attending and voting in person at the EGM (or any adjournment of such meeting) should you so wish, and in such event, the Proxy Form shall be deemed to be revoked.

* For identification purposes only

26 November 2019

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DEFINITIONS

The following expressions have the meanings as set out below unless the context requires otherwise:

“2016 Announcement”	the Company’s announcement dated 7 November 2016, in relation to certain continuing connected transactions of the Company, including those contemplated under the 2016 CCT Agreements
“2016 CCT Agreements”	the 2016 EPF Agreement and the 2016 MSP Agreement
“2016 EPF Agreement”	the existing equipment purchase framework agreement dated 7 November 2016, for the purchase of certain Equipment, details of which are described in the 2016 Announcement
“2016 MSP Agreement”	the existing master sales and purchases framework agreement dated 7 November 2016, for the sale and purchase of certain goods and/or services, details of which are described in the 2016 Announcement
“2019 Announcement”	the Company’s announcement dated 28 October 2019 in relation to CCTs
“2019 CCT Agreements”	the 2019 EPF Agreement and the 2019 MSP Agreement
“2019 EPF Agreement”	the equipment purchase framework agreement dated 28 October 2019, for the purchase of certain Equipment
“2019 MSP Agreement”	the master sales and purchases framework agreement dated 28 October 2019, for the sale and purchase of certain goods and/or services
“Act”	the Companies Act (Chapter 50) of Singapore, as may be amended or modified from time to time
“Board”	the board of Directors
“CCTs”	transactions contemplated under each of the 2019 CCT Agreements

DEFINITIONS

“Company”	Elec & Eltek International Company Limited (依利安達集團有限公司*) (stock code: 1151), a company incorporated in Singapore with limited liability, the shares of which are listed on the main board of the SGX-ST and the main board of the SEHK
“Director(s)”	the director(s) of the Company
“EEIC Group”	the Company and its subsidiaries
“EGM”	the extraordinary general meeting of the Company to be convened to approve the 2019 CCT Agreements, and the transactions and the Proposed Annual Caps contemplated thereunder
“Equipment”	all kinds of machineries and equipment for use in the PCB industry
“Existing Annual Caps”	the annual caps for the 2016 CCT Agreements for FY2017, FY2018 and FY2019
“FY”	a financial year of the Company ended or ending 31 December
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Listing Rules”	the Rules Governing the Listing of Securities on the SEHK
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the INEDs, namely Mr. Stanley Chung Wai Cheong, Mr. Ong Shen Chieh and Mr. Kong Tze Wing, and formed to consider and advise the Independent Shareholders in relation to each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps
“Independent Shareholders”	any Shareholder that is not required to abstain from voting at the EGM
“INEDs”	the independent non-executive Directors

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DEFINITIONS

“Karl Thomson”	Karl Thomson Financial Advisory Limited, a corporation licensed under the SFO to carry out type 6 regulated activities (advising on corporate finance), the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to each of the CCT Agreements, the CCTs and the respective Proposed Annual Caps
“Kingboard”	Kingboard Holdings Limited (stock code: 148), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the SEHK
“Kingboard Group”	Kingboard and its subsidiaries (other than the EEIC Group)
“Latest Practicable Date”	18 November 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“PCB(s)”	an acronym for printed circuit boards, a flat panel composite with alternating layers of printed conductors and electrical insulation, typically interconnected by conductive holes; PCBs provide platforms to connect semiconductors and other electronic, optical or mechanical devices to form a circuit or functional system
“PRC”	the People’s Republic of China, which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Caps”	the proposed annual caps relating to each of the 2019 CCT Agreements for FY2020, FY2021 and FY2022
“RMB”	Renminbi, the lawful currency of the PRC
“SEHK”	The Stock Exchange of Hong Kong Limited
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Share(s)”	ordinary share(s) in the share capital of the Company
“Singapore”	the Republic of Singapore
“Singapore Listing Manual”	the listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“Singapore Take-over Code”	the Singapore Code on Take-overs and Mergers, as amended, supplemented, or modified from time to time
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

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

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

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

For the purpose of this circular, amounts denominated in RMB have been converted (for informational purposes only) in USD at the exchange rate of RMB1 to USD0.146 and amounts denominated in HK\$ have been converted (for informational purposes only) in USD at the exchange rate of HK\$1 to USD0.128. Such conversion shall not be construed as a representation that amounts in RMB or HK\$, as the case may be, were or may have been converted into USD at such exchange rates or any other exchange rates.

LETTER FROM THE BOARD



Elec & Eltek 依利安達

Elec & Eltek International Company Limited

依利安達集團有限公司*

(Incorporated in the Republic of Singapore with Limited Liability)

Singapore Company Registration Number: 199300005H

(Hong Kong Stock Code: 1151)

(Singapore Stock Code: E16.SI)

Executive Directors:

Ms. Stephanie Cheung Wai Lin (*Chairman*)

Mr. Chang Wing Yiu

Registered Office:

80 Raffles Place

#33-00 UOB Plaza 1

Singapore 048624

Independent non-executive Directors:

Mr. Stanley Chung Wai Cheong

Mr. Ong Shen Chieh

Mr. Kong Tze Wing

Head Office and Principal Place of

Business in Hong Kong:

23/F, Delta House

3 On Yiu Street, Shek Mun

Shatin, New Territories

Hong Kong

26 November 2019

To the Shareholders

Dear Sir or Madam

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the 2019 Announcement, in which the Board announced that on 28 October 2019, the Company entered into the 2019 CCT Agreements with Kingboard. Pursuant to (i) the 2019 EPF Agreement, the Kingboard Group will sell Equipment to the EEIC Group from time to time; and (ii) the 2019 MSP Agreement, the Kingboard Group will sell certain goods and/or services, including but not limited to copper foil, kraft paper, copper balls, laminates, glass fibre and prepreg, to the EEIC Group, and the EEIC Group will sell certain goods and/or services, including but not limited to drill maintenance services and green laminates, to the Kingboard Group from time to time.

* For identification purposes only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the 2019 CCT Agreements, recommendations from the Independent Board Committee in respect of each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps, the advice from Karl Thomson to the Independent Board Committee and the Independent Shareholders in respect of each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps and a notice of the EGM at which resolutions will be proposed to consider and, if thought fit, approve each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps.

THE 2019 CCT AGREEMENTS

Principal terms of the 2019 CCT Agreements, namely the 2019 EPF Agreement and the 2019 MSP Agreement, include, among others, the following:

1. 2019 EPF Agreement

Date: 28 October 2019

Parties: (1) The Company; and
(2) Kingboard

Nature of transaction: The Kingboard Group (including, for the purpose of the 2019 EPF Agreement, the associated companies of Kingboard as defined in the Singapore Listing Manual) will sell certain Equipment to the EEIC Group (including, for the purpose of the 2019 EPF Agreement, the associated companies of the Company as defined in the Singapore Listing Manual) from time to time. The continuing connected transactions contemplated under the 2019 EPF Agreement are conducted on a non-exclusive basis.

The 2019 EPF Agreement comprises the general terms and conditions upon which the EEIC Group may purchase Equipment from the Kingboard Group. The EEIC Group and the Kingboard Group may, from time to time, enter into purchase agreements or the EEIC Group may submit purchase orders setting out the detailed terms for the purchase of Equipment, provided that such detailed terms shall not be inconsistent with the terms of the 2019 EPF Agreement. The Kingboard Group will not be obligated to sell any prescribed quantity of Equipment or at any specific prices to the EEIC Group during the term of the 2019 EPF Agreement. The EEIC Group will not be obligated to purchase any prescribed quantity of Equipment or at any specific prices from the Kingboard Group during the term of the 2019 EPF Agreement.

LETTER FROM THE BOARD

- Term: Three years from 1 January 2020 to 31 December 2022
- Condition: The 2019 EPF Agreement is conditional upon the approval of the 2019 EPF Agreement, and the transactions and the Proposed Annual Caps thereunder for the FY2020, FY2021 and FY2022, by the Independent Shareholders (where required).
- Pricing: The price of Equipment to be supplied by the Kingboard Group under the 2019 EPF Agreement will be determined on an arm's length and a case-by-case basis, depending on the type and specification of Equipment and with reference to the prevailing market price, which will be obtained through the market or independent third party suppliers of the EEIC Group.

Whenever any company of the EEIC Group intends to purchase Equipment pursuant to the 2019 EPF Agreement, in order to determine if the prices offered by the relevant company in the Kingboard Group are in accordance with the above pricing policy and are comparable to, or not less favourable than, the prices offered by independent third parties, the procurement department will firstly inform the potential suppliers (including the Kingboard Group) of the amount and type of Equipment intended to be purchased and the technical requirements of such purchase, and the operation department will then assess and evaluate the technical capabilities of such suppliers and the related quotations. The EEIC Group will ask for quotations from, where available, at least two independent suppliers which are able to meet the technical requirements of the EEIC Group of comparable scale pursuant to which such Equipment were supplied under normal trading conditions, and report to the senior management accordingly.

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

LETTER FROM THE BOARD

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

Terms of payment:

Unless otherwise agreed between the parties to the relevant agreement, the standard payment term applicable to the purchase of Equipment shall be prescribed as follows: (a) a deposit of 30% of the purchase price payable upon execution of the relevant agreement or purchase order; (b) 50% of the purchase price will be due within one month upon the Equipment being received by the relevant company within the EEIC Group; and (c) the balance of 20% of the purchase price will be due within one month following the certified acceptance of the Equipment as suitable for use. Payment terms for different types of Equipment categories may be subject to other progressive payment terms as mutually agreed between the relevant company within the EEIC Group and the Kingboard Group from time to time.

Notes:

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

* For identification purposes only

LETTER FROM THE BOARD

2. 2019 MSP Agreement

Date: 28 October 2019

Parties: (1) the Company; and
(2) Kingboard

Nature of transaction: Pursuant to the 2019 MSP Agreement, the Kingboard Group (including, for the purpose of the 2019 MSP Agreement, the associated companies of Kingboard as defined in the Singapore Listing Manual) will sell certain goods and/or services, including but not limited to copper foil, kraft paper, copper balls, laminates, glass fibre and prepreg, to the EEIC Group (including, for the purpose of the 2019 MSP Agreement, the associated companies of the Company as defined in the Singapore Listing Manual), and the EEIC Group will sell certain goods and/or services, including but not limited to drill maintenance services and green laminates, to the Kingboard Group from time to time. The continuing connected transactions contemplated under the 2019 MSP Agreement are conducted on a non-exclusive basis.

The 2019 MSP Agreement comprises the general terms and conditions upon which any company within the Kingboard Group may purchase goods and/or services from any company within the EEIC Group and vice versa. The relevant party(ies) may from time to time enter into purchase agreements or submit purchase orders setting out the detailed terms for the purchase of the goods and/or services, provided that such detailed terms shall not be inconsistent with the terms of the 2019 MSP Agreement. The Kingboard Group will not be obligated to sell or purchase any prescribed quantity of goods and/or services or at any specific prices to or from the EEIC Group, and the EEIC Group will not be obligated to sell or purchase any prescribed quantity of goods and/or services or at any specific prices to or from the Kingboard Group during the term of the 2019 MSP Agreement.

LETTER FROM THE BOARD

Goods and/or services that could be purchased by the EEIC Group from the Kingboard Group:	Aluminium sheets, carton boxes, chemicals, copper foil, kraft paper, copper ball, drill bits, laminates, prepreg, glass fibre, epoxy, glacial acetic acid, phenolic board, back-up board, punch mould, dry film, fixture, spare parts, printed materials, copper foil scrap, drilling services, routing services, electroless nickel and immersion gold, lead-free hot air solder levelling, gold plating services, innerlayer, value-added sub-contract services relating to PCB manufacturing, microdrilling services for PCB, and other services which are incidental to or in connection with the provision of the services outlined above and as mutually agreed in writing by the Kingboard Group and the EEIC Group from time to time
Goods and/or services that could be purchased by the Kingboard Group from the EEIC Group:	PCBs, process sub-contracting services, soldermask or marking ink, repair of drill spindle services, prepreg, laminates, any other value-added sub-contract services and goods relating to PCB manufacturing, microdrilling services for PCBs, and other services which are incidental to or in connection with the provision of the services outlined above and as mutually agreed in writing by the Kingboard Group and the EEIC Group from time to time
Term:	Three years from 1 January 2020 to 31 December 2022
Condition:	The 2019 MSP Agreement is conditional upon the approval of the 2019 MSP Agreement, and the transactions and the Proposed Annual Caps thereunder for the FY2020, FY2021 and FY2022, by the Independent Shareholders (where required).
Pricing:	The goods and services to be supplied pursuant to the 2019 MSP Agreement by the relevant party to the other party will be determined on an arm's length and case-by-case basis, depending on the type and specification of the goods and/or services and with reference to the prevailing market price, which will be obtained through the market or independent third party suppliers/customers of the EEIC Group.

LETTER FROM THE BOARD

Whenever the EEIC Group intends to obtain or provide goods and/or services pursuant to the 2019 MSP Agreement, in order to determine if the prices offered by the Kingboard Group in respect of the EEIC Group's procurement of goods and/or services, or the prices offered to the Kingboard Group in respect of the EEIC Group's provision of goods and/or services (as the case may be), are in accordance with the above pricing policy and are comparable to, or not less favourable than the prices offered by independent third party suppliers or price offered to independent third party customers (as the case may be), (i) in respect of procurement, the procurement department of the relevant company in the EEIC Group will inform the potential suppliers (including the relevant company in the Kingboard Group) of the amount and type of intended procurement and ask for quotations from, where available, at least two independent third party suppliers of comparable scale where such goods and/or services were supplied under normal trading conditions, and report to the senior management accordingly; and (ii) in respect of the EEIC Group's sales, the sales department of the relevant company in the EEIC Group will consider two comparable transactions with independent customers, where available, and report to the senior management of the EEIC Group accordingly (*Note 1*).

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

LETTER FROM THE BOARD

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

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

Notes:

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

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LETTER FROM THE BOARD

Internal control mechanism for the pricing of the CCTs

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

- as disclosed in the respective pricing policies for the CCTs, the price of Equipment provided by the Kingboard Group, and the goods and/or services to be supplied by the Kingboard Group or the EEIC Group, will be determined on an arm's length basis and will be fixed on a case-by-case basis and with reference to the prevailing market price, which will be obtained through the market or independent third party suppliers or customers (as the case may be). Please refer to the paragraphs headed "Pricing" under the section headed "The 2019 CCT Agreements" for the pricing policy under the respective 2019 CCT Agreements and the relevant pricing procedures and internal control mechanisms;
- the procurement department, based on its experience in the industry, is generally familiar with the market information of the Equipment and the goods and/or services contemplated under the respective 2019 CCT Agreements. Additionally, based on the price quotation comparisons to be done by the relevant procurement and sales department, they will be able to assess if the prices offered by the relevant party under the 2019 CCT Agreements are in accordance with the above pricing policy and is comparable to or not less favourable than price offered by or to independent third parties (as the case may be). The respective heads of the procurement and sales departments, as the case may be, will review the prices to approve the orders;
- the finance department will review the implementation of the approved annual caps of the CCTs and report to the management on a monthly basis, and communicate with the relevant procurement and sales departments on a regular basis, to ensure the transaction amounts would not exceed the approved annual caps;
- the audit committee of the Board will review the annual report each year, which contains the information on the implementation of the CCTs, on an annual basis. The INEDs will give their views on the CCTs, mainly including whether the CCTs are fair and reasonable, and whether the actual transaction amounts incurred by the CCTs are within the approved annual caps; and
- the external auditor of the Company will conduct an annual audit each year, and review the implementation of the CCTs by the Company, including whether the amounts incurred by the CCTs are within the annual caps during the relevant year, pursuant to the requirements of the HK Listing Rules.

LETTER FROM THE BOARD

The Board considers that the above internal control measures will provide safeguards to the EEIC Group to supervise and monitor (i) that the pricing terms of CCTs are in accordance with the 2019 CCT Agreements and conducted on terms that are comparable to, or no less favourable than, prices offered by independent third parties; and (ii) that the annual caps to be approved by the Independent Shareholders are adhered to, and the CCTs will be conducted within the approved annual caps during the relevant year, pursuant to the requirements under the HK Listing Rules.

HISTORICAL FIGURES, EXISTING ANNUAL CAPS AND PROPOSED ANNUAL CAPS

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

	For FY2017		For FY2018		For FY2019		
	Annual cap (USD)	Actual amount (USD)	Annual Cap (USD)	Actual amount (USD)	Annual cap (USD)	Actual Amount (up to 30 September 2019) (USD)	Estimated amount (up to 31 December 2019) (USD)
2016 EPF Agreement	10,000,000	4,613,000	11,000,000	9,867,000	12,100,000	8,203,000	10,937,000
2016 MSP Agreement (purchase of certain goods and/or services by the EEIC Group from the Kingboard Group)	165,000,000	107,881,000	189,800,000	140,830,000	218,300,000	131,364,000	175,152,000
2016 MSP Agreement (sale of certain goods and/or services by the EEIC Group to the Kingboard Group)	26,200,000	25,058,000	30,100,000	28,888,000	34,600,000	15,016,000	20,021,000

LETTER FROM THE BOARD

PROPOSED ANNUAL CAPS

Proposed Annual Caps for the 2019 EPF Agreement

The Proposed Annual Caps under the 2019 EPF Agreement are USD15,000,000, USD18,000,000 and USD21,600,000, for FY2020, FY2021 and FY2022, respectively.

The Proposed Annual Caps under the 2019 EPF Agreement were determined with reference to the internal projections of the purchases to be incurred, having regard to the following:

- (i) the expected growth of the global PCB market;
- (ii) normal wear-and-tear of Equipment;
- (iii) the anticipated growth in demand for Equipment;
- (iv) the prevailing market prices of Equipment;
- (v) inflation;
- (vi) the expected sales of the EEIC Group; and
- (vii) the business development plan of the EEIC Group, including the development of 5G-compatible PCB products to meet the rising demand as a result of the application of 5G technology, the expansion of the market share of certain PCB-related industries such as the high density interconnect PCB market and the maintenance of a more balanced portfolio of products.

In determining the Proposed Annual Caps under the 2019 EPF Agreement, and in relation to the factors as disclosed above, the following assumptions and additional considerations were taken into account:

- (i) the purchase amounts of Equipment have been in an upward trend for the past three years. Based on the historical purchase amount for FY2018 and the annualised purchases amount for FY2019, the compound annual growth rate is approximately 53.96%;
- (ii) the EEIC Group has made investments to upgrade its existing PCB production facilities since 2017 in order to capture the business opportunities arising from the application of the new 5G technology. As the technical standards required of PCBs in use for 5G technology are much higher than traditional PCBs, the EEIC Group is required to continue to upgrade its production facilities in order to meet the higher technical standards required;

LETTER FROM THE BOARD

- (iii) the purchase amounts of new Equipment by the EEIC Group from the Kingboard Group and third party suppliers have been increasing since 2017. It is expected that the EEIC Group will continue to maintain its capital expenditure to upgrade its Equipment in order to expand its production capacity for high-end PCBs and related electronic products for the telecommunication and automotive segments;
- (iv) one of the major customers of the EEIC Group is a key 5G vendor currently launching commercial 5G services. The 5G vendor would need to upgrade its core networking infrastructure to support its new commercial 5G services. PCBs will be applied in producing core network and radio access network components. It is anticipated that the EEIC Group will continue to supply PCBs to this customer for such purpose; and
- (v) the development of 5G technology is expected to drive growth in demand for PCBs in the PRC. The PRC government supports industry research and development in order to achieve 5G commercialisation by 2020, and has included the development of 5G technology as part of its “Made in China 2025” plan. In view of the PRC government’s policies on the development of 5G technology, it is expected that the demand for PCBs will grow in the PRC.

Taking into account (i) the above assumptions and additional considerations, (ii) the percentage of the relevant annual caps that historical and estimated procurement amounts (as the case may be) account for; and (iii) the buffer required to meet the expected increase in demand for machineries, and the expected demand for the PCBs used in the high end technology products, the Directors consider that (a) the Proposed Annual Cap for FY2020 under the 2019 EPF Agreement; and (b) the 20% growth for the Proposed Annual Caps under the 2019 EPF Agreement for FY2021 and FY2022 are reasonable.

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

Proposed Annual Caps for the 2019 MSP Agreement

The Proposed Annual Caps under the 2019 MSP Agreement are: (i) in respect of the purchase of goods and/or services by the EEIC Group from the Kingboard Group, USD230,000,000, USD264,500,000 and USD304,175,000; and (ii) in respect of the sale of goods and/or services by the EEIC Group to the Kingboard Group, USD28,000,000, USD32,200,000 and USD37,030,000, for FY2020, FY2021 and FY2022, respectively.

The Proposed Annual Caps under the 2019 MSP Agreement have been determined with reference to the internal projections of the sales and purchases to be incurred, having regard to the following:

- (i) the expected growth of the global PCB market;

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- (ii) the anticipated growth in demand of such goods and/or services;
- (iii) the prevailing market prices of such goods and/or services;
- (iv) inflation; and
- (v) the business development plan of the EEIC Group, including the development of 5G-compatible PCB products to meet the rising demand as a result of the application of 5G technology, the expansion of the market share of certain PCB-related industries such as the high density interconnect PCB market and the maintenance of a more balanced portfolio of products.

In determining the Proposed Annual Caps under the 2019 MSP Agreement, and in relation to the factors as disclosed above, the following assumptions and additional considerations were taken into account:

- (i) under the 2019 MSP Agreement, prices of certain goods and/or services to be sold or provided by Kingboard Group may fluctuate according to prices of copper and crude oil, which in turn may affect the Proposed Annual Caps. In light of (a) the fluctuation in the price of copper and crude oil in the past; (b) the trade dispute between the PRC and the United States of America; and (c) the implementation by The Organization of the Petroleum Exporting Countries of a production cut since 2016, which has caused the crude oil price to fluctuate, it is expected that the price of copper and crude oil will remain volatile;
- (ii) in respect of purchases of goods and services from the Kingboard Group by the EEIC Group, the compound annual growth rate for the five years ending September 2019 was 12.33%. It is expected that there will be growth in such purchases in the coming three years; and
- (iii) in respect of supply of goods and services to the Kingboard Group by the EEIC Group under the 2016 MSP Agreement, the utilisation rate for the Existing Annual Caps in the last two years was more than 95%.

In light of the above, and having considered (i) the historical purchase/sale of certain goods and service by the EEIC group from/to the Kingboard Group since 2016; and (ii) the anticipated fluctuation in the price of copper and crude oil, the higher Proposed Annual Caps for the transactions contemplated under the 2019 MSP Agreement were proposed despite the historical actual amounts in 2017 to 2019.

Taking into account (i) the above assumptions and additional considerations, (ii) the percentage of the relevant annual caps that historical or estimated amounts (as the case may be) account for; and (iii) the buffer required to meet the (A) potential upward movement of the copper price and growth in the demand for PCBs in respect of procurements of the EEIC Group; and (B) future potential price fluctuations of laminates and potential fluctuations in

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sales amount in respect the sales by the EEIC Group, the Directors consider that (a) the Proposed Annual Cap for FY2020 under the 2019 MSP Agreement; and (b) the 15% growth for the Proposed Annual Caps under the 2019 MSP Agreement for FY2021 and FY2022, are reasonable.

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

In respect of the Proposed Annual Caps under each of the 2019 CCT Agreements, as disclosed in the Company's 2018 annual report, the EEIC Group will continue to work on upgrading its mix of products of high-tech and high layer count PCB products to cope with changing market demand. In 2018, the EEIC Group continued to maintain a balanced portfolio of PCB products that were manufactured. The change in the percentage of sales of which key products of the EEIC Group account for, out of its total revenue, remains steady in 2018, as compared to 2017. The Company believes that the key drivers underlying the increase in Proposed Annual Caps, as against the actual historical figures, include, among others, (a) the expected increase in demand for Equipment supplied under the 2019 EPF Agreement due to replacement and expansion in production capacities of machineries; and (b) the potential increase in raw material prices of the goods and/or services to be supplied and provided under the 2019 MSP Agreement.

REASONS FOR AND BENEFITS OF THE CCTS

2019 EPF Agreement

The EEIC Group has been continuously expanding its PCB business and anticipates that more Equipment for the manufacture of PCBs will be required to further expand the business. Taking into account a range of factors, including the reduction in transportation costs and the quality and price of Equipment manufactured by the Kingboard Group for the production of PCBs, the EEIC Group considers that the purchase of Equipment under the 2019 EPF Agreement is necessary to facilitate its business development plan and will improve the competitiveness, quality and price of the PCBs manufactured by the EEIC Group.

2019 MSP Agreement

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

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE HK LISTING RULES

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

The 2019 EPF Agreement

As the highest applicable percentage ratio (under Chapter 14A of the HK Listing Rules) of the aggregate amount to be paid by the EEIC Group on an annual basis under the 2019 EPF Agreement for each of FY2020, FY2021 and FY2022 is equal to or greater than 5%, the transactions contemplated under the 2019 EPF Agreement are subject to the annual review, reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

The 2019 MSP Agreement

As the highest applicable percentage ratio (under Chapter 14 of the HK Listing Rules) of the aggregate amount to be paid or received by the EEIC Group (as the case may be) on an annual basis under the 2019 MSP Agreement for each of FY2020, FY2021 and FY2022 is equal to or greater than 5%, the transactions contemplated under the 2019 MSP Agreement are subject to the annual review, reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

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

Kingboard and its associates will abstain from voting at the EGM. Mr. Chang Wing Yiu, being an executive Director, who is also a Shareholder, holds directorships in, and shares and share options of, Kingboard and certain other members of the Kingboard Group. Accordingly, Mr. Chang Wing Yiu has abstained from voting on the relevant board resolution, and he and his associates will also abstain from voting at the EGM. To the best knowledge of the Company after having made all reasonable enquiries, as at the Latest Practicable Date, there were no other Shareholders (save as disclosed above) who were required to abstain from voting in respect of the ordinary resolutions proposed to be considered and, if thought fit, approved by the Independent Shareholders at the EGM. As Ms. Stephanie Cheung Wai Lin, being an executive Director, holds directorships in, and shares and share options of, Kingboard and certain other members of the Kingboard Group, she has also abstained from voting on the relevant board resolutions. Mr. Kong Tze Wing, together with his spouse, holds 1,500 shares of Kingboard Laminates Holdings Limited, a subsidiary of Kingboard whose shares are listed on the Main Board of the Stock Exchange, representing less than 0.0001% of the issued share capital of Kingboard Laminates Holdings Limited. In accordance with the articles of

LETTER FROM THE BOARD

association of the Company, the Board determined and was of the view that such indirect interest in the 2019 CCT Agreements was not material and that Mr. Kong Tze Wing was not required to abstain from voting on the relevant board resolutions. As such, Mr. Kong Tze Wing has not abstained from voting on such board resolutions.

The Independent Board Committee, comprising all the INEDs, has been formed to advise the Independent Shareholders as to whether the CCTs were conducted in the ordinary and usual course of business of the EEIC Group, whether the terms of each of the 2019 CCT Agreements are on normal commercial terms or better, and whether the terms of each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Your attention is drawn to the letter from the Independent Board Committee containing its advice set out on pages 23 to 24 of this circular.

Karl Thomson has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the CCTs were conducted in the ordinary and usual course of business of the EEIC Group, whether the terms of each of the 2019 CCT Agreements are on normal commercial terms or better, and whether the terms of each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from Karl Thomson is set out on pages 25 to 49 of this circular.

GENERAL

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

Kingboard is an investment holding company. The Kingboard Group is principally engaged in the manufacture and sale of laminates, copper foil, glass fabric, glass yarn, bleached kraft paper, packing cartons, PCBs, chemicals, liquid crystal displays and magnetic products, as well as property development and investment. As at the Latest Practicable Date, (i) Hallgain Management Limited (“**Hallgain**”) owned approximately 39.00% of the issued share capital of Kingboard, and (ii) no shareholder of Hallgain was entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at general meetings of Hallgain, and Hallgain and its directors were not accustomed to act in accordance with any shareholder’s direction.

THE EGM

The Company will convene the EGM: (a) in Hong Kong, at 23/F, Delta House, 3 On Yiu Street, Shek Mun, Shatin, New Territories, Hong Kong (for Hong Kong Shareholders); and (b) in Singapore, via video-conferencing in the Conference Room at Wangz Business Centre, The Penthouse, 7 Temasek Boulevard, #44-01 Suntec Tower One, Singapore 038987 (for Singapore

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Shareholders) on 16 December 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the ordinary resolutions to approve the terms of each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps. A notice convening the EGM is set out on pages 55 to 57 of this circular.

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

The Proxy Form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the Proxy Form in accordance with the instructions printed thereon and return it to the registered office of the Company at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624 (for Singapore Shareholders) or the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders) as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the Proxy Form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish, and in such event, the Proxy Form shall be deemed to be revoked.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 23 to 24 of this circular, which contains its recommendation to the Independent Shareholders concerning the terms of each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps; and (ii) the letter from Karl Thomson set out on pages 25 to 49 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps and the principal factors and reasons considered by it in formulating its advice.

The Directors (including the INEDs having taken into account the advice of Karl Thomson) consider that the CCTs were conducted in the ordinary and usual course of business of the EEIC Group, the terms of each of the 2019 CCT Agreements are on normal commercial terms or better, and the terms of each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For ascertaining Shareholders' right to attend and vote at the EGM, the register of members of the Company will be closed from 11 December 2019 to 16 December 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's principal share registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) no later than 5:00 p.m. on 10 December 2019, or the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders) no later than 4:30 p.m. on 10 December 2019.

For the purpose of determination of Shareholders registered under the Singapore principal register of members and the Hong Kong branch register of members of the Company, all necessary documents and remittances accompanied by the relevant share certificates in respect of removal of Shares between the two register of members, must be submitted no later than 5:00 p.m. and 4:30 p.m. on 2 December 2019 to the Company's Singapore principal share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) and the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders), respectively.

ADDITIONAL INFORMATION

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

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

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



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)

26 November 2019

To the Independent Shareholders

Dear Sir or Madam

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 26 November 2019 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether the CCTs were conducted in the ordinary and usual course of business of the EEIC Group, whether the terms of each of the 2019 CCT Agreements are on normal commercial terms or better, and whether the terms of each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we have appointed Karl Thomson as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board on pages 5 to 22 of the Circular, which sets out information in connection with the CCTs and the respective Proposed Annual Caps. We also wish to draw your attention to the letter from Karl Thomson to the Independent Board Committee and the Independent Shareholders, which contains its advice to us in respect of the CCTs and the respective Proposed Annual Caps as set out on pages 25 to 49 of the Circular.

Having considered the information contained in the letter from the Board, and taking into account the advice and recommendation of Karl Thomson, we, the Independent Board Committee, consider that the CCTs were conducted in the ordinary and usual course of business of the EEIC Group, the terms of each of the 2019 CCT Agreements are on normal

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

commercial terms or better, and the terms of each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend that the Independent Shareholders vote at the EGM in favour of the ordinary resolutions to approve each of the 2019 CCT Agreements, the CCTs and the respective Proposed Annual Caps.

Yours faithfully

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

Stanley Chung Wai Cheong

Ong Shen Chieh

Kong Tze Wing

Independent non-executive Directors

LETTER OF ADVICE FROM KARL THOMSON

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



Karl Thomson Financial Advisory Limited

Rm606-610, 6/F Tai Yau Building, 181 Johnston Road,
Wan Chai, Hong Kong
香港灣仔莊士敦道181號大有大廈6字樓606-610室

26 November 2019

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

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the continuing connected transactions contemplated under the 2019 EPF Agreement and the 2019 MSP Agreement (the “**Continuing Connected Transactions**”) and the proposed annual caps for each of the Continuing Connected Transactions for the financial years ending 31 December 2020, 2021 and 2022 (the “**Proposed Annual Caps**”), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular of the Company dated 26 November 2019 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise requires.

On 28 October 2019, the Company entered into the 2019 EPF Agreement with Kingboard, pursuant to which Kingboard Group (including, for the purpose of the 2019 EPF Agreement, the associated companies of Kingboard as defined in the Singapore Listing Manual) will sell Equipment to the EEIC Group (including, for the purpose of the 2019 EPF Agreement, the associated companies of the Company as defined in the Singapore Listing Manual) from time to time. On the same date of the 2019 EPF Agreement, the Company entered into the 2019 MSP Agreement with Kingboard, pursuant to which Kingboard Group (including, for the purpose of the 2019 MSP Agreement, the associated companies of Kingboard as defined in the Singapore Listing Manual) will sell certain goods and/or services including but not limited to copper foil, kraft paper, copper balls, laminates, glass fibre and prepreg etc. to EEIC Group (including, for

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

Kingboard, through its wholly-owned subsidiaries, owns approximately 73.65% of the issued share capital of the Company. Since Kingboard is a substantial shareholder of the Company, each of Kingboard and its subsidiaries is a connected person of the Company as defined under the Listing Rules. Any transactions between Kingboard and the Company will, as a result, constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios of the Proposed Annual Caps for each of the Continuing Connected Transactions on an annual basis exceeds 5% and the annual consideration is more than HK\$10,000,000, the transactions contemplated under the 2019 CCT Agreements are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent board committee has been established to advise the Independent Shareholders as to (i) whether the terms of the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Continuing Connected Transactions is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Continuing Connected Transactions at the EGM. Karl Thomson has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We are independent of the Company for the purposes of Rule 13.84 of the Listing Rules. We are not engaged by Kingboard in respect of the transactions contemplated under the Circular.

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the executive Directors and the management (the "**Representatives**") of the Company. We have assumed that all statements and representations made or referred to in the Circular are true in all material respects at the time they were made and will continue to be true in all material respects up to the date of the EGM. We have also assumed that all statements of belief, opinion and intention made by the Representatives of the Company in the Circular have been reasonably made after due enquiry based on their best knowledge and belief. We consider that we have been provided with sufficient information to form a reasonable basis for issuing our

LETTER OF ADVICE FROM KARL THOMSON

opinion. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Representatives of the Company, and have no reason to doubt that any relevant material facts have been withheld or omitted. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the EEIC Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

Background information of the EEIC Group and Kingboard

(i) *Background information of the EEIC Group*

The EEIC Group is principally engaged in the design, development, manufacture and distribution of high-density, doubled-sided and multi-layered PCBs to global customers in different electronics sectors including Communication & Networking, Automotive Industries, Computer & Computer Peripherals and Consumer Electronics. The EEIC Group is currently operating four production factories in Kaiping, Guangzhou, Yangzhou and Thailand. It has its own laminate facilities for internal consumption, which could benefit the Group in cost control and material supply through vertical integration.

Set out below is certain summarised financial information as extracted from the annual report of the EEIC Group for the financial year ended 31 December 2018 (the “FY2018 Annual Report”):

	For the financial year ended 31 December	
	2018	2017
	<i>USD’000</i>	<i>USD’000</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	602,634	500,388
Net profit attributable to owners of the Company	24,299	36,161
	As at 31 December	
	2018	2017
	<i>USD’000</i>	<i>USD’000</i>
	<i>(audited)</i>	<i>(audited)</i>
Total assets	726,525	666,877
Total liabilities	316,578	265,509

LETTER OF ADVICE FROM KARL THOMSON

During the year ended 31 December 2018, the Company recorded revenue of approximately USD602,634,000, representing an increase of 20.43% when compared to the revenue of approximately USD500,388,000 recorded for the corresponding period in 2017. The Company also recorded the net profit attributable to owners of the Company of US\$24,299,000 for the year ended 31 December 2018, representing a decrease of 32.8% as compared with that of the corresponding period in 2017. As disclosed in FY2018 Annual Report, the decrease in net profit was mainly due to the drop in sale price of laminates, allowance for expected credit losses and inventory provision as well as the increase of depreciation for additional property, plant and equipment.

As at 31 December 2018, the Group had total assets and total liabilities of approximately USD726,525,000 and USD316,578,000 respectively.

(ii) Background information of Kingboard

Kingboard is an investment holding company, the subsidiaries of which are principally engaged in manufacturing and sale of laminates, printed circuit boards, chemicals and property development and investments.

As advised by the management of the Company, the Group and Kingboard Group have maintained a long-term positive business relationship with each other. In particular, the EEIC Group has been purchasing certain materials from the Kingboard Group and since early 2000 and at such time the Kingboard Group was not a connected person of the Company. In 2004, Kingboard successfully acquired the Company, and became a substantial Shareholder of the Company.

Reasons and benefit of entering into the 2019 CCT Agreements

We understand that the purpose of entering into the 2019 CCT Agreements is solely for the renewal of terms and the annual caps of the transactions contemplated under the 2016 CCT Agreements for a further period of three years from 1 January 2020 to 31 December 2022, in order to facilitate continuing the purchase and sale transactions under the respective agreements. The purchase and sale transactions are of a recurrent nature and will be carried out on a regular and continuing basis in the ordinary and usual course of business of the Group and Kingboard Group respectively. The purpose of the 2019 CCT Agreements is therefore to provide a framework to the parties for the supplies and purchases of materials from time to time on non-exclusive basis.

Given that the business of the EEIC Group and the Kingboard Group are complementary to each other, the Kingboard Group would have better understanding of the business nature of the EEIC Group and is able to provide the EEIC Group with appropriate Equipment for PCBs production. According to the management of the EEIC Group, the Kingboard Group is a reliable supplier who has been supplying Equipment with good quality at competitive pricing. Furthermore, when comparing the transportation costs with purchasing oversea, the

LETTER OF ADVICE FROM KARL THOMSON

transportation costs would be substantially lower since the Equipment is transferred within the PRC. We consider that the entering of the 2019 EPF Agreement will continue to secure a long term supply of high-quality Equipment which will be beneficial to the business growth of the Group.

During the production process of PCBs, the EEIC Group requires materials such as cooper foil, kraft paper, copper balls, laminates, glass fabric and prepreg as the key components. On the other hand, the Kingboard Group requires materials and services including but not limited to green laminates and drill maintenance services to produce PCBs and laminates. Therefore, a reliable source of the goods and services is crucial to the maintaining of smooth operation of both the EEIC Group and the Kingboard Group. Given the fact that the EEIC Group has a long term and solid business relationship with the Kingboard Group, both of them are familiar with each other's standards and specifications on the goods and services and therefore able to respond quickly and achieve greater synergy when they provides goods and services to each other. Based on the above discussion, the entering of the 2019 MSP Agreement will continue to secure a long term supply of goods and services and is beneficial to the business of the EEIC Group and the Kingboard Group.

Given the established business relationship between the EEIC Group and the Kingboard Group and the nature of the transactions contemplated under the 2019 CCT Agreements, we consider that the entering of the 2019 CCT Agreements is in the interests of the Group and the Shareholders as a whole.

A. 2019 EPF Agreement

(i) The terms of 2019 EPF Agreement

Key terms of the 2019 EPF Agreement are summarised as below:

Date	28 October 2019
Parties	(1) Kingboard; and (2) the Company
Product to be purchased	purchase of Equipment from the Kingboard Group
Pricing	The price of Equipment to be supplied by Kingboard Group will be determined on an arm's length basis and will be fixed on a case-by-case basis, depending on the type and specification of Equipment and with reference to the prevailing market price, which will be obtained through the market or independent third party suppliers of the EEIC Group.

LETTER OF ADVICE FROM KARL THOMSON

Whenever any company of the EEIC Group intends to purchase Equipment pursuant to the 2019 EPF Agreement, in order to determine if the prices offered by the relevant company in the Kingboard Group are in accordance with the above pricing policy and are comparable to, or not less favourable than, the prices offered by independent third parties, the procurement department will firstly inform the potential suppliers (including the Kingboard Group) of the amount and type of Equipment intended to be purchased and the technical requirements of such purchase, and the operation department will then assess and evaluate the technical capabilities of such suppliers and the related quotations. The EEIC Group will ask for quotations from, where available, at least two independent suppliers which are able to meet the technical requirements of the EEIC Group of comparable scale pursuant to which such Equipment were supplied under normal trading conditions, and report to the senior management accordingly.

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

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

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Terms of payment	Unless otherwise agreed between the parties to the relevant agreement, the standard payment term applicable to the purchase of Equipment shall be prescribed as follows: (a) a deposit of 30% of the purchase price payable upon execution of the relevant agreement or purchase order; (b) 50% of the purchase price will be due within one month upon the Equipment being received by the relevant company within the EEIC Group; and (c) the balance of 20% of the purchase price will be due within one month following the certified acceptance of the Equipment as suitable for use. Payment terms for different types of Equipment categories may be subject to other progressive payment terms as mutually agreed between the relevant company within the EEIC Group and the Kingboard Group from time to time.
Term	Three years from 1 January 2020 to 31 December 2022.

Notes:

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

According to the terms of the 2019 EPF Agreement, the Kingboard Group will not be obligated to sell any prescribed quantity of Equipment or at any specific prices to the EEIC Group and the EEIC Group will not be obligated to purchase any prescribed quantity of Equipment or at any specific prices from the Kingboard Group during the term of the 2019 EPF Agreement. Therefore, there is no limitation on the maximum or minimum quantity of products to be purchased by the EEIC Group and it is to be determined and agreed between the parties from time to time. The EEIC Group does not exclusively rely on the Kingboard Group for the supply of Equipment. The Company is free to select other suppliers to allow a greater flexibility in selecting the quality of Equipment and negotiating the price of Equipment. The transactions contemplated under the 2019 EPF Agreement are conducted on a non-exclusive basis. The price of each transaction will be determined

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

(ii) Historical Transaction Records and Internal Control

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

For the purpose of formulating our advice, we have selected on a random basis and reviewed sample purchase orders and quotations regarding the transactions with the Kingboard Group under 2016 EPF Agreement during January 2017 to September 2019 (the "**Period under Review**"). In view of the numerous transactions conducted in the Period under Review, we have tried to pick one set of sample for each month. However, after discussion with the Company, we noted that purchase of Equipment is not made in every month during Period under Review. Accordingly, we have randomly selected 10 sets of sample purchase orders and quotations for each of the financial years.

Following from the above, we have reviewed a total of 30 sets of sample purchase orders and quotations for historical purchase transactions between the EEIC Group and the Kingboard Group against those similar transactions between

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the EEIC Group and the independent third party suppliers. Based on the purchase orders and quotations provided to us, we noted that for each transaction, the purchasing department has obtained at least two quotations from the independent third party suppliers for price comparison. In particular, we noted that the prices and terms offered by the Kingboard Group are no less favourable than those quotes offered by independent third party suppliers. Based on the above, we are of the view that adequate internal control procedures have been duly applied by the EEIC Group to ensure that the price offered by the Kingboard Group are determined in accordance with the prevailing market prices and no less favourable than those offered by independent third party suppliers. Therefore, the pricing arrangement is on normal commercial terms and the transactions under the 2019 EPF Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

(iii) Historical amounts and the proposed annual caps

The table below set out the historical figures, the Existing Annual Caps in relation to purchases of Equipment by the EEIC Group from the Kingboard Group and the proposed annual caps in relation to the 2019 EPF Agreement:

	For the year ended 31 December		For the year ending 31 December	
	2017	2018	2019	2019
Historical purchases (USD'000)	4,613	9,867	8,203 <i>(Note 1)</i>	10,937 <i>(Note 2)</i>
Annual growth rate (%)	–	113.90	–	10.84
Historical caps (USD'000)	10,000	11,000	–	12,100
% of utilisation	46.13	89.70	–	90.39
			For the year ending 31 December	
			2020	2021
Proposed annual caps (USD'000)		15,000	18,000	21,600
Annual growth rate (%)		–	20.00	20.00

Notes:

1. This is the actual amount for the nine months ended 30 September 2019.
2. This is an estimated figure by straight-line multiplication from the historical purchases of nine months ended 30 September 2019.

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In determining the proposed annual caps for the 2019 EPF Agreement for each of the three years ending 31 December 2019, the management of the Company has taken into account: (i) the expected growth rate of the global PCB market; (ii) normal wear-and-tear of the Equipment; (iii) the anticipated growth in demand for Equipment; (iv) the prevailing market prices of the Equipment; (v) inflation; (vi) the expected sales of the EEIC Group; and (vii) the business development plan of the EEIC Group, including the development of 5G-compatible PCB products to meet the rising demand as a result of the applications of 5G technology, the expansion of the market share of certain PCB-related industries such as the high density interconnect PCB market and the maintenance of a more balanced portfolio of products.

As indicated in the table above, the historical purchases of Equipment by the EEIC Group from the Kingboard Group for 2017 was amounted to approximately USD4,613,000 and the purchases amount sharply increased to approximately USD9,867,000 in 2018. The estimated purchases amount for the financial year ending 31 December 2019 is approximately USD10,937,000 calculated by annualising the purchases amount for the nine months ended 30 September 2019.

We note that there was an upward trend in the purchases amount of Equipment for the past three years. Based on the historical purchases amount for years ended 31 December 2017 and 2018 and the annualised purchases amount for the year ending 31 December 2019, the compound annual growth rate (“CAGR”) is approximately 53.96%. We have requested the Company to provide us the total purchases amount of Equipment of the Group for years ended 31 December 2017 and 2018 as well as for the nine months ended 30 September 2019. Based on the information provided by the Company, we noted that the amount of purchases from the Kingboard Group attributed for approximately 7.43% and 12.56% of the total purchase amount of Equipment of the Group in 2017 and 2018 and approximately 26.49% of the total purchase amount of Equipment of the Group for the nine months ended 30 September 2019 respectively. The figures show that the EEIC Group did not solely rely on the Kingboard Group for the supply of Equipment.

Upon discussion with the management of the Company, we were advised that the increase in purchases amount of Equipment from the Kingboard Group in 2017 to 2018 was due to the expansion of capital expenditure of the EEIC Group since 2017. The EEIC Group has made certain investments to upgrade its existing PCBs plants since 2017 in order to capture the business opportunities arising from the launch of new 5G technology. As the technical standards for PCBs applying in 5G technology require much higher precision, the EEIC Group needs to upgrade its production facilities in order to meet higher and comprehensive technical standards of PCBs such as speed, integration, heat dissipation, frequency and multi-layering.

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According to the capital expenditure schedule provided by the Company, we note that the purchases amount of new equipment by the EEIC Group from both third party suppliers and the Kingboard Group has been increasing since 2017. Based on the internal forecast on the capital expenditure for next three years, we note that the EEIC Group will continue to maintain its capital expenditure to upgrade its Equipment with the view to expanding its production capacity for high-ended PCBs and related electronic products for telecommunication and automotive segments. Hence, it is expected that the purchases amount of equipment from the Kingboard Group will continue to increase in the next three years.

We have also requested the Company to provide us a list of major customers for the past three years. Based on the information provided, we note that one of the major customers of the EEIC Group is a giant multinational networking and telecommunications company, and also a key 5G vendor currently launching commercial 5G service. In order to facilitate the 5G technology, such 5G vendor needs to upgrade their core and access networking infrastructure to support new services for commercial use. PCBs will be applied in producing core network and radio access network components such as base stations and antenna arrays. Therefore, it is anticipated that the EEIC Group will continue to supply PCBs to its customer for such purpose.

The 5G technology is expected to provide a huge market and new opportunities to the PCB industry, especially in China. The Chinese government is promoting 5G as part of “Made in China 2025” plan to support industry R&D and strive for 5G commercialisation in 2020. In June 2019, the Ministry of Industry and Information Technology (“MIIT”) (中華人民共和國工業和資訊化部) of PRC granted 5G licences for commercial use, officially beginning a new era in the telecommunication industry. According to the data published by the MIIT, the consumption of information products and services in the PRC was approximately RMB9.56 trillion, representing an annual growth of 20.3%. In view of the release of 5G licences and accelerated policy on the development of information products and services under the “Made in China 2025” plan, automotive and telecommunications equipment will become the new engine for industry growth in the next five years.

The annual caps for the 2019 EPF Agreement for the years ending 31 December 2020, 2021 and 2022 are proposed to be USD15,000,000, USD18,000,000 and USD21,600,000 respectively. The proposed annual cap for 2020 of USD15,000,000 represents an increment of approximately 37.15% on the estimated purchases amount for the year ending 31 December 2019. In calculation of the proposed annual caps for 2021 and 2022, an annual growth rate of approximately 20% has been applied for each year. Comparing with the proposed annual caps for 2021 and 2022, a higher growth rate has been applied on the proposed annual cap for 2020. Upon discussion with the management of the

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Company, we note that the utilisation rates for the existing annual caps of 2018 and 2019 would be approximately 90%. To minimising the possibility of exceeding the annual caps and future revision of annual caps, a larger annual cap for 2020 is proposed.

Taking into account the three-year CAGR of historical purchases of Equipment from the Kingboard Group of approximately 53.96% as well as the expected increase in demand on Equipment as discussed above, we consider the Directors' approach to incorporate a growth rate of approximately 20% on proposed annual caps for 2021 and 2022 is relatively prudent. Based on the above discussion, we consider that the sizes of the proposed annual caps and the bases in which the Company has taken into account in determining the size of the proposed annual caps of the 2019 EPF Agreement are fair and reasonable.

B. The 2019 MSP Agreement

(i) Terms of the 2019 MSP Agreement

Key terms of the 2019 MSP Agreement are summarised as below:

Date:	28 October 2019
Parties:	(1) Kingboard; and (2) the Company
Goods and/or services could be purchased by the EEIC Group from the Kingboard Group:	Aluminium sheets, carton boxes, chemicals, copper foil, kraft paper, copper ball, drill bits, laminates, prepreg, glass fibre, epoxy, glacial acetic acid, phenolic board, back-up board, punch mould, dry film, fixture, spare parts, printed materials, copper foil scrap, drilling services, routing services, electroless nickel and immersion gold, lead-free hot air solder levelling, gold plating services, innerlayer, value-added sub-contract services relating to PCB manufacturing, microdrilling services for PCB, and other services which are incidental to or in connection with the provision of the services outlined above and as mutually agreed in writing by the Kingboard Group and the EEIC Group from time to time.

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

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

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

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

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

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

Term: Three years from 1 January 2020 to 31 December 2022.

Notes:

1. As part of the internal requirement, the sales personnel and/or the director-in-charge of the relevant company in the EEIC Group, as the case may be, will review the purchase order from the Kingboard Group and compare it against two comparable transactions with independent customers of the EEIC Group, where available. The historical price of comparable transactions will be taken into account. As such, the terms offered to the Kingboard Group in respect of the sales of goods and/or provision of services to the Kingboard Group will be comparable, or not more favourable to, the Kingboard Group.

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2. As part of the internal requirement, the procurement personnel and/or the director-in-charge of the relevant company in the EEIC Group, as the case may be, will review the purchase proposal (including, by comparing the quotations from, where available, at least two independent suppliers and the Kingboard Group and considering the historical price for goods or services of similar specifications and terms) before making the final procurement decision. The relevant procurement personnel will also evaluate the comparable suppliers (including the Kingboard Group) on a regular basis by adopting a merit-based system in monitoring the product/service quality, pricing and other major terms with a view to facilitating the EEIC Group in making any procurement decision of similar nature from time to time.
3. For this purpose, the EEIC Group will also consider information available from industry-related websites, where applicable, such as the prevailing raw material price indices as quoted from time to time on relevant industry websites, such as the Shanghai Metal Market (www.metal.com) for RMB prices of copper, silver, tin and aluminium, the London Metal Exchange (www.lme.com) for USD prices of copper, tin, aluminium, and Treasure Island (Beijing) Information Co., Ltd.* (金銀島(北京)資訊有限公司) (www.315i.com) (a PRC commodity information and transaction service provider) for RMB prices of crude oil, where applicable. In addition, the EEIC Group will also take into account whether the end-users have specified designated suppliers. If so, the selection of suppliers will be restricted accordingly.

The 2019 MSP Agreement comprises the general terms and conditions upon which the Kingboard Group may purchase the goods and/or services from the EEIC Group and vice versa. The relevant party(ies) may from time to time enter into purchase agreements or submit purchase orders setting out the detailed terms for the purchase of the goods and/or services, provided that such detailed terms shall not be inconsistent with the terms of the 2019 MSP Agreement.

Similar to the terms of the 2019 EPF Agreement, we notice that neither the price nor quantity of goods and services to be sold to or purchased from Kingboard is pre-determined. Rather, the actual quantity, specification and price of the goods and/or services will be subject to the individual orders placed by the relevant party with the other party. The price of the goods and/or services to be purchased from or sold to the Kingboard Group will be determined according to the then-prevailing market prices. For the purpose of market price, the Company will consider at least two price quotations offered by independent suppliers and customers of similar goods and services (if any) to ensure that the term offered to the EEIC Group or the Kingboard Group (as the case may be) is comparable to or not less favourable than price offered by independent third party suppliers or price offered to independent third party customers (as the case may be), having regard to the quality, quantity and other conditions of the sale and purchase. In the event that there are no comparable quotations and transactions for procurement, the Company may request for price quotations for goods or services of similar specifications and terms offered by the Kingboard Group to its independent customers for the Company's reference purposes, where applicable. Moreover, in the case of procurement or sales, if there are no comparable quotations and transactions, the Company will seek to obtain the market information through various channels (such as industry-related websites or other public domains), where applicable.

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Since legally binding agreements with clearly defined terms are in place and the price of goods and services to be purchased from or sold to the Kingboard Group will be set with reference to the prevailing market price, we are of the view that the pricing terms of the 2019 MSP Agreement are fair and reasonable.

(ii) Historical Transaction Records and Internal Control

We are advised that the Company has implemented a set of internal control procedures in order to ensure that the transactions with the Kingboard Group will not be more favourable as compared to transactions with independent third parties. The sale procedures to the Kingboard Group are identical to that for independent third party customers. In the previous sales transactions, the EEIC Group would consider at least two comparable transactions with independent third party customers during the same period so that the Company is able to supply goods and services to Kingboard Group under prevailing market conditions.

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

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

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

For the transactions between the EEIC Group and Kingboard Group in respect of the purchase of good and services under the 2016 MSP Agreement, we have selected on a random basis and reviewed sample purchase orders and quotations during the Period under Review. In view of the numerous transactions conducted in the Period under Review, we have randomly selected one sample for every two months of each financial year. Under such basis, a total of 18 sets of purchase orders of the EEIC Group regarding purchase of goods and services were reviewed in which the terms and conditions were compared with the quotations from other independent third party suppliers.

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Based on the purchase orders and quotations provided to us, we noted that at least two quotations were obtained from independent third party suppliers for price comparison of each transaction. In particular, we noted that, the price and payment terms offered by the Kingboard Group were no less favourable than those offered by independent third parties suppliers.

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

For the transactions between the EEIC Group and Kingboard Group in respect of the supply of goods and services under the 2016 MSP Agreement, similar investigations have been conducted as section (a) above. We have selected on a random basis and reviewed sample invoices during the Period under Review. In view of the numerous transactions conducted in the Period under Review, we have randomly selected one sample for every two months of each financial year. As such, a total of 18 sets of invoices of the EEIC Group in relation to the supply of goods and services were reviewed in which the terms and conditions were compared with that offered to other independent third party customers.

We noted that the sale department of the Company has considered at least two similar transactions with independent third party customers purchasing similar goods and/or services in determining the price and payment terms offered to the Kingboard Group. Again, based on the invoices provided to us, we noted that the price and payment terms offered to the Kingboard Group were no more favourable than those offered to independent third parties customers. As advised by the management of the Company, prior to accepting a purchase order, the sale department of the Company will consider the price offered to the Kingboard Group or independent third party customers according to the EEIC Group's pricing benchmark which has taken into account the prevailing market price in the industry. The sales procedures to the Kingboard Group are identical to that of independent third party customers, and the procedures include the steps of order enquiry, price negotiation, order confirmation, product delivery and payment.

Based on the above, we are of the view that the procedures for sale and purchase are generally consistent with the market practices, and the pricing mechanism implemented by the Company have taken into account the prevailing market price of the goods and services. Given the fact that both the price and the quantity of the good and service to be sold or purchased are not fixed under the 2019 MSP Agreement, the Company is able to sell and purchase goods and services under prevailing market condition.

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(iii) Historical amounts and the Proposed Annual Caps

As stated in the Letter from the Board, the Proposed Annual Caps under the 2019 MSP Agreement have been determined by the EEIC Group primarily based on (i) the expected growth of the global PCB market; (ii) the anticipated growth in demand of goods and/or services; (iii) the prevailing market prices of goods and/or services; (iv) inflation; and (v) the business development plan of the EEIC Group, including the development of 5G-compatible PCB products to meet the rising demand as a result of the applications of 5G technology, the expansion of the market share of certain PCB-related industries such as the high density interconnect PCB market and the maintenance of a more balanced portfolio of products. An analysis on the historical transaction amounts and the Proposed Annual Caps in relation to the 2019 MSP Agreement are set out as below:

- (a) Purchase of goods and/or services from the Kingboard Group by the EEIC Group

The table below sets out the historical figures and the Existing Annual Caps in relation to purchases of certain goods and/or services by the EEIC Group from Kingboard Group under the 2016 MSP Agreement and the Proposed Annual Caps under the 2019 MSP Agreement:

	For the year ended		For the year ending	
	31 December		31 December	
	2017	2018	2019	2019
Historical purchases <i>(USD'000)</i>	107,881	140,830	131,364 <i>(Note 1)</i>	175,152 <i>(Note 2)</i>
Annual growth rate <i>(%)</i>	–	30.54	–	24.37
Historical caps <i>(USD'000)</i>	165,000	189,800	–	218,300
% of utilisation	65.38	74.20	–	80.23
			For the year ending	
			31 December	
			2020	2021
Proposed annual caps <i>(USD'000)</i>		230,000	264,500	304,175
Annual growth rate <i>(%)</i>		–	15.00	15.00

Notes:

1. This is the actual amount for the nine months ended 30 September 2019.
2. These are estimated figures by straight-line multiplication from the historical purchase of nine months ended 30 September 2019.

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To access the fairness of the sizes of the Proposed Annual Caps, we have examined (i) the historical purchase of certain goods and/or service by the EEIC Group from the Kingboard Group since 2015 and (ii) price volatility of the goods and service.

(i) Historical purchases of certain goods and/or services from Kingboard Group by the EEIC Group since 2015

Table below summarised the historical purchase of certain goods and/or services by the EEIC Group from the Kingboard Group for the last four financial years ended 31 December 2018 and the estimated purchases for the year ending 31 December 2019:

	For the year ended 31 December				For the nine months ended 30 September 2019	For the year ending 31 December 2019
	2015	2016	2017	2018		
<i>Purchases of certain goods and/or services (USD'000)</i>	110,009	128,562	107,881	140,830	131,364 <i>(Note 1)</i>	175,152 <i>(Note 2)</i>
Annual growth rate (%)	–	16.86	-16.09	30.54	–	24.37
% of total Purchase	28.95	37.86	29.14	32.92	–	38.92

Notes:

1. This is the actual amount for the nine months ended 30 September 2019.
2. This is an estimated figures by straight-line multiplication from the historical purchase of nine months ended 30 September 2019.

We are advised by the management of the Company that the total purchases of certain goods and/or service from the Kingboard Group for the year ending 31 December 2019 is estimated by annualising the purchase amount for the nine months ended 30 September 2019 of approximately HK\$131,364,000. The annualised purchase amount is approximately HK\$175,152,000. Based on the annualised purchase amount for 2019 and the historical purchase amount, the CAGR of the purchase amount of certain goods and/or services from the Kingboard Group for the past five financial years ending 31 December 2019 is estimated as approximately 12.33%.

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As shown in the above table, we also note that purchase of certain goods and services from the Kingboard Group contributed around 30% to 40% of the total purchase of goods and services by the EEIC Group, which is relatively stable.

(ii) Price volatility of the goods and service

Under the 2019 MSP Agreement, the Kingboard Group will sell certain goods and/or services including but not limited to copper foil, kraft paper, copper balls, laminates, glass fibre and prepreg etc. to the EEIC Group. Among them, laminates, copper foil and copper balls are mainly produced from copper. The price fluctuations in copper would have significant impact on the selling price of the goods and services, which in turn would affect the Proposed Annual Caps. In view of this, we have conducted a review on the historical copper price.

Based on the historical copper price quoted on the London Metal Exchange in USD per ton from January 2018 to September 2019, the movement of copper price is showing a downward trend over the period. The average copper price in first half of 2018 had been fluctuating between USD6,500 per ton to USD7,200 per ton. In the second half of 2018, the copper price started to slump and has dropped to USD5,800 per ton in August 2018. Copper price was then stabilised and ranged between USD6,000 per ton and USD6,500 per ton. In May 2019, the downward trend continued and the price subsequently dropped to USD5,600 per ton in September 2019. It is believed that the subsequent decrease in the copper price was mainly due to the decrease in demand in copper arising from the slowing down of economic growth in China as well as the recent trade dispute between China and the US. It was found that the country's PMI data is closely correlated to commodity prices. In this regard, the economic growth in the PRC will have great impact on the copper price. Moreover, the recent devaluation in the Renminbi has also compounded the pressure on the copper price. It is expected that the copper price will continue to be volatile.

Looking forward, it is expected that the demand for copper will keep growing as a result of the "Made in China 2025" plan. Under the plan, China aims to upgrade its industrial production to achieve higher efficiency and better environmental performance, through the use of smart production. More efficient technologies require a larger amount of copper, which results in potential demand growth over the next 10 years. Consequently, it is believed that the anticipated consumption will support the copper price.

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Apart from the copper price, we also take into account the recent price fluctuations in crude oil. Chemicals such as methanol, formalin, phenol, acetone, phenol resin and caustic soda refined from the crude oil are essential for the production of laminates and related upstream components. As such, the price fluctuations in crude oil will also affect the selling price of the laminates. Based on the historical crude oil price quoted on New York Mercantile Exchange for the period from 1 January 2017 to 31 October 2019, crude oil price was originally ranging from around US\$50/barrel to around US\$60/barrel in the first half year of 2017. In the second half of 2017, the crude oil price has sharply increased by 55% from US\$45/barrel to around US\$70/barrel, as Organization of the Petroleum Exporting Countries (OPEC) member countries decided to reduce its production by around 1.8 million daily barrels, with the objective of supporting the crude oil price. The upward trend continued and the price further climbed to highest level of US\$75/barrel in June 2018. After reaching the peak, oil price then sharply slumped to US\$46/barrel in December 2018. Such decline in crude oil price reflected the fears of a global recession outweigh concerns of production cut. Crude oil price restored to around US\$55/barrel after successive price movements.

We noted that such fluctuations in crude oil price was mainly affected by the production cut implemented by the OPEC and other non-OPEC countries since 2016. It is expected that crude oil price will remain volatile as a result of the global recession, the trade dispute between China and the United States as well as the uncertainty in crude oil production.

The annual caps in respect of the purchase of goods and/or services by the EEIC Group from the Kingboard Group under the 2019 MSP Agreement for the years ending 31 December 2020, 2021 and 2022 are proposed to be USD230,000,000, USD264,500,000 and USD304,175,000 respectively. The proposed annual cap for 2020 of USD230,000,000 represents an increment of approximately 31.31% on the estimated purchases amount for the year ending 31 December 2019.

Taking into account the price fluctuations in copper and crude oil and the four-year CAGR of the purchases amount from the Kingboard Group of approximately 12.33%, we considered that a higher buffer on the proposed annual cap for 2020 allows more flexibility for the EEIC Group to accommodate the price fluctuations in raw materials as well as the growth in purchases amount in the coming three years. In calculating the proposed annual caps for 2021 and 2022, a smaller annual growth rate of approximately 15% has been applied for each year. As the proposed annual cap of 2020 has already considered the future price fluctuation in

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copper and crude oil, we consider that the adoption of a smaller annual growth rate for 2021 and 2022 is reasonable. Given that such growth rate is comparable to four-year CAGR, we are in the opinion that the growth rate of 15% on the proposed annual cap for 2021 and 2022 is justified. Having considered the bases for determining the Proposed Annual Caps and our assessment set out above, we are of the view that the Proposed Annual Caps in relation to purchases of certain goods and/or services by the EEIC Group from Kingboard Group under the 2019 MSP Agreement are fair and reasonable as far as the Independent Shareholders are concerned.

- (b) Supply of goods and/or services to the Kingboard Group by the EEIC Group

The table below sets out the historical figures and the Existing Annual Caps in relation to sale of certain goods and/or services by the EEIC Group to Kingboard Group under the 2016 MSP Agreement and the Proposed Annual Caps under the 2019 MSP Agreement:

	For the year ended 31 December 2017		For the year ending 31 December 2019	
Historical sales (USD'000)	25,058	28,888	15,016 (Note 1)	20,021 (Note 2)
Annual growth rate (%)	–	15.28	–	-30.69
Historical caps (USD'000)	26,200	30,100	–	34,600
% of utilisation	95.64	95.97	–	57.86
			For the year ending 31 December	
			2020	2021
Proposed annual caps (USD'000)		28,000	32,200	37,030
Annual growth rate (%)		–	15.00	15.00

Notes:

1. This is the actual amount for the nine months ended 30 September 2019.
2. This is an estimated figure by straight-line multiplication from the historical sales of nine months ended 30 September 2019.

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To access the fairness of the sizes of the Proposed Annual Caps, we have examined the historical sales of certain goods and/or services by the EEIC group to the Kingboard Group for the last four financial years ending 31 December 2019, details of which are as follows:

	For the year ended 31 December			For the nine months ended	For the year ending
	2016	2017	2018	30 September 2019	31 December 2019
<i>Sales of certain goods and/or services (USD'000)</i>	15,882	25,058	28,888	15,016 <i>(Note 1)</i>	20,021 <i>(Note 2)</i>
Annual growth rate (%)	–	57.78	15.28	–	-30.69

Notes:

1. This is the actual amount for the nine months ended 30 September 2019.
2. This is an estimated figure by straight-line multiplication from the historical sales of nine months ended 30 September 2019.

As shown in the table above, we noted that the sales of the certain goods and/or services has been increasing from around USD15,882,000 in 2016 to USD28,888,000 in 2018. However, the trend is likely to level down in 2019 as the estimated sales amount of the certain goods and/or services for the year ending 31 December 2019 is only approximately USD20,021,000, representing a decrease of 30.69% in comparison with the sales of the previous year. As advised by the management of the Company, such decrease was mainly due to decrease in selling price of the laminates in 2019 after the selling price reaching the record high in 2017.

We are further advised by the management of the Company that supply of laminates from the EEIC Group has been increasing since 2017. The EEIC Group has its own factory in the PRC to produce laminates for internal consumption. Before 2017, the laminates would be only sold to customers when the laminates are in excess of the production's needs. Therefore, the sales amount of laminates was relatively insignificant. As part of its expansion plan, the EEIC Group has optimised the laminates plant by adding an extra production line during 2017. The production capacity of the laminates was then increased by around 60%. Since then, the sales amount of laminates to the KB Group as well as independent third party customer have been increasing.

For the purpose of formulating our advice, we have further made a comparison between the sales of laminates and the total turnover of the Group. Based on the information provided by the Company, we note that the

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percentage sale of laminates contributed to the total sales of the EEIC Group has been increased from 8% to 15% over the past three years. On the other hand, the percentage sale of laminates to the Kingboard Group contributed to the total sales of the EEIC Group was increased from 3% to 5% over the past three years. Despite the increasing sale amount of laminates to Kingboard Group in the past three years, the sale amount of laminates is relatively minor when compared to the sale amount of PCB products.

The annual caps in respect of the sale of goods and/or services by the EEIC Group to the Kingboard Group under the 2019 MSP Agreement for the years ending 31 December 2020, 2021 and 2022 are proposed to be USD28,000,000, USD32,200,000 and USD37,030,000 respectively. The proposed annual cap for 2020 of USD28,000,000 represents an increment of approximately 39.85% on the estimated sales amount for the year ending 31 December 2019. Comparing with the historical sales amount, a significant growth rate has been applied on the proposed annual cap for 2020. Upon discussion with the management of the Company, we note that the utilisation rates for the existing annual caps in the last two year are more than 95%. To avoid the possibility of exceeding the annual caps and a future revision of annual caps, a larger annual cap for 2020 is proposed. Besides, the price fluctuations in raw materials such as copper and crude oil would have significant impact on the price of the goods and service and we therefore also took into account the price fluctuations in copper and crude oil. As discussed in the previous section, it is expected that the copper price and the crude oil price will remain volatile as a result of the trade dispute between China and the United States. We consider that a higher buffer on the proposed annual cap for 2020 also allows more flexibility for the EEIC Group to accommodate the price fluctuations in the raw materials in the coming three years.

Regarding the estimation of the proposed annual caps for 2021 and 2022, an annual growth rate of 15% is proposed. As the proposed annual cap of 2020 has already considered the future price fluctuations in the raw materials, we consider that the adoption of an annual growth rate of 15% for 2021 and 2022 is actually a prudent estimation. Having considered the bases for determining the Proposed Annual Caps and our work done on the assessment set out above, we are of the view that the Proposed Annual Caps under 2019 MSP Agreement are fair and reasonable as far as the Independent Shareholders are concerned.

IV. OUR RECOMMENDATION

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

- (i) the historical relationship between the Company and the Kingboard Group;

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- (ii) that the purpose of entering into the 2019 EPF Agreement and 2019 MSP Agreement is for the purpose of the renewal of the 2016 EPF Agreement and 2016 MSP Agreement so as to ensure smooth operation of the EEIC Group in the next three financial years;
- (iii) that the terms and conditions of the 2019 EPF Agreement and 2019 MSP Agreement are normal commercial terms and no less favourable to the EEIC Group than those offered to or by independent third parties; and
- (iv) that the size of the Proposed Annual Caps of each of the 2019 EPF Agreement and 2019 MSP Agreement are determined by the executive Directors under a prudent approach and are fair and reasonable.

We conclude that the terms of the Continuing Connected Transactions and the size of corresponding Proposed Annual Caps are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions be proposed at the EGM to approve the 2019 CCT Agreements and the corresponding Proposed Annual Caps.

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

Mr. Alex Chow is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Karl Thomson Financial Advisory Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 20 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

(a) Long positions in the Shares

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of shareholding in the Company
Mr. Chang Wing Yiu	Beneficial owner	486,600	0.26%

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

Name of Director	Capacity	Number of issued Kingboard Shares held	Approximate percentage of shareholding
Ms. Stephanie Cheung Wai Lin (<i>Note 1</i>)	Beneficial owner/ Interest of spouse	1,199,000	0.11%
Mr. Chang Wing Yiu (<i>Note 2</i>)	Beneficial owner/ Interest of spouse	11,587,228	1.05%

Notes:

1. Out of the 1,199,000 Kingboard Shares, 1,179,000 and 20,000 Kingboard Shares were held by Ms. Stephanie Cheung Wai Lin and her spouse, respectively.
2. Out of the 11,587,228 Kingboard Shares, 10,916,488 and 670,740 Kingboard Shares were held by Mr. Chang Wing Yiu and his spouse, respectively.

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

Name of Director	Capacity	Interest in underlying Kingboard Shares pursuant to the Kingboard Share Options
Ms. Stephanie Cheung Wai Lin	Beneficial owner	1,750,000

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

Name of Director	Capacity	Number of issued KLHL Shares held	Approximate percentage of shareholding
Mr. Chang Wing Yiu (<i>Note 1</i>)	Beneficial owner/ Interest of spouse	8,300,000	0.27%
Mr. Kong Tze Wing (<i>Note 2</i>)	Beneficial owner/ Interest of spouse	1,500	0.00%

Notes:

- (1) Out of the 8,300,000 KLHL Shares, 7,500,000 and 800,000 KLHL Shares were held by Mr. Chang Wing Yiu and his spouse, respectively.
- (2) Out of the 1,500 KLHL Shares, 1,000 and 500 KLHL Shares were held by Mr. Kong Tze Wing and his spouse, respectively.

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

Name of Director	Capacity	Number of non-voting deferred shares held <i>(Note)</i>
Mr. Chang Wing Yiu	Beneficial owner	423,200

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

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

3. DIRECTORS' SERVICE CONTRACTS

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

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

As at the Latest Practicable Date,

- (a) save for Ms. Stephanie Cheung Wai Lin and Mr. Chang Wing Yiu (both being executive Directors and executive directors of Kingboard), none of the Directors was a director or employee of a company that had an interest or short position in the Shares and underlying shares of the Company, which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO;

- (b) save for the 2016 EPF Agreement and the 2016 MSP Agreement (to the extent that Ms. Stephanie Cheung Wai Lin and Mr. Chang Wing Yiu (both being executive Directors) are interested because they are also executive directors of Kingboard and hold shares and share options to subscribe for shares of Kingboard), none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date, which was significant in relation to the business of the EEIC Group, apart from their service contracts;
- (c) none of the Directors and his/her respective close associates had any competing interests (as would be required to be disclosed under Rule 8.10 of the HK Listing Rules as if each of them was a controlling shareholder); and
- (d) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2018, being the date to which the latest published audited financial statements of the EEIC Group were made up, acquired or disposed of by or leased to any member of the EEIC Group, or were proposed to be acquired or disposed of by or leased to any member of the EEIC Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the EEIC Group since 31 December 2018, being the date to which the latest published audited financial statements of the EEIC Group were made up.

6. QUALIFICATIONS AND CONSENTS OF EXPERT

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

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

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

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

As at the Latest Practicable Date, Karl Thomson had no interest, direct or indirect, in any assets which had been, since 31 December 2018, being the date to which the latest published audited financial statements of the EEIC Group were made up, acquired or disposed of by or leased to any member of the EEIC Group, or which were proposed to be acquired or disposed of by or leased to any member of the EEIC Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office of the Company in Hong Kong at 23/F, Delta House, 3 On Yiu Street, Shek Mun, Shatin, New Territories, Hong Kong during normal business hours on any weekdays (except public holidays) from the date of this circular up to and including the date of the EGM:

- (a) the 2019 EPF Agreement
- (b) the 2019 MSP Agreement
- (c) the 2016 EPF Agreement; and
- (d) the 2016 MSP Agreement.

NOTICE OF THE EGM



Elec & Eltek 依利安達

Elec & Eltek International Company Limited

依利安達集團有限公司*

(Incorporated in the Republic of Singapore with Limited Liability)

Singapore Company Registration Number: 199300005H

(Hong Kong Stock Code: 1151)

(Singapore Stock Code: E16.SI)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Elec & Eltek International Company Limited (the “**Company**”) will be held: (a) in Hong Kong, at 23/F, Delta House, 3 On Yiu Street, Shek Mun, Shatin, New Territories, Hong Kong (for Hong Kong shareholders); and (b) in Singapore, via video-conferencing in the Conference Room at Wangz Business Centre, The Penthouse, 7 Temasek Boulevard, #44-01 Suntec Tower One, Singapore 038987 (for Singapore shareholders) on 16 December 2019 at 10:00 a.m. (the “**EGM**”), for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the entering into of the 2019 EPF Agreement (as defined in the circular to the shareholders of the Company dated 26 November 2019 (the “**Circular**”), a copy of which has been produced to the meeting, marked “A” and signed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder and the Proposed Annual Caps (as defined in the Circular) relating thereto be and are hereby approved, confirmed and ratified, and any director of the Company be and is hereby authorised to do, approve and transact all such acts and things as he/she may in his/her discretion consider necessary, desirable or expedient in connection therewith.”
2. “**THAT** the entering into of the 2019 MSP Agreement (as defined in the Circular, a copy of which has been produced to the meeting, marked “B” and signed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder and the Proposed Annual Caps (as defined in the Circular) relating thereto be and are hereby approved, confirmed and ratified, and any director of the Company be and is hereby authorised to do, approve and transact all such acts and things as he/she may in his/her discretion consider necessary, desirable or expedient in connection therewith.”

Yours faithfully

By Order of the Board

Elec & Eltek International Company Limited

Stephanie Cheung Wai Lin

Chairman

Hong Kong, 26 November 2019

** for identification purposes only*

NOTICE OF THE EGM

Registered office:

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

Head office and principal place of business in

Hong Kong:
23/F, Delta House
3 On Yiu Street, Shek Mun
Shatin, New Territories
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one (1) proxy or two (2) proxies (or, in the case of a corporation, appoint its authorised representative or proxy) to attend and vote on his behalf. Such proxy(ies) need not be a member of the Company.
2. Whether or not you are able to attend the meeting, you are requested to complete the accompanying Proxy Form in accordance with the instructions printed thereon and return it to the registered office of the Company at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624 (for Singapore shareholders) or the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong shareholders) as soon as possible, but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof, in order for the proxy to be entitled to attend and vote at the EGM. Completion and return of the Proxy Form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish and, in such event, the Proxy Form shall be deemed to be revoked.
3. As at the date hereof, the board of directors of the Company consists of Ms. Stephanie Cheung Wai Lin (Chairman) and Mr. Chang Wing Yiu as executive directors of the Company, and Mr. Stanley Chung Wai Cheong, Mr. Ong Shen Chieh and Mr. Kong Tze Wing as independent non-executive directors of the Company.

Personal Data Privacy:

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

NOTICE OF THE EGM

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

The Singapore principal share transfer books, Singapore principal register of members of the Company and the Hong Kong share transfer books and Hong Kong branch register of members of the Company will be closed from 11 December 2019 to 16 December 2019, both days inclusive, during which period no transfer of shares of the Company will be registered, for the purpose of determining the identity of the Company's shareholders (the "Shareholders") who are entitled to attend and vote at the EGM. In order to attend and vote at the EGM, the Shareholders are reminded to ensure that all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's principal share registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) no later than 5:00 p.m. on 10 December 2019, or with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders) no later than 4:30 p.m. on 10 December 2019.

For the purpose of determination of Shareholders registered under the Singapore principal register of members and the Hong Kong branch register of members of the Company, all necessary documents and remittances accompanied by the relevant share certificates in respect of removal of Shares between the two register of members, must be submitted no later than 5:00 p.m. and 4:30 p.m. on 2 December 2019 to the Company's Singapore principal share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) and the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders), respectively.