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# Elec & Eltek International Company Limited
# 依利安達集團有限公司*

*(Incorporated in the Republic of Singapore with Limited Liability)*

**Singapore Company Registration Number: 199300005H**

**(Hong Kong Stock Code: 1151)**

**(Singapore Stock Code: E16.SI)**

## AUDITED FINANCIAL RESULTS AND DIVIDEND ANNOUNCEMENT FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2014

This announcement is made by Elec & Eltek International Company Limited (the **"Company"**) pursuant to the disclosure obligation under Rules 13.09 and 13.10B of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**SEHK**"). This announcement is originally prepared in English. In the case of any inconsistency between the English version and Chinese version, the English version shall prevail.

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

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

**FINANCIAL HIGHLIGHTS**

| | Twelve months ended 31 December | | |
|---|---|---|---|
| | **2014** | 2013 | % Change |
| | **US$'000** | US$'000 | |
| **Revenue** | **517,075** | 504,921 | 2% |
| **EBITDA*** | **54,681** | 60,713 | -10% |
| **EBITDA margin*** | **10.6%** | 12.0% | |
| **Underlying profit before tax*** | **9,397** | 14,614 | -36% |
| **Net profit attributable to owners of the Company** | | | |
| **- Underlying net profit*** | **6,971** | 13,703 | -49% |
| **- Reported profit** | **3,501** | 13,703 | -74% |
| **Basic earnings per share** | | | |
| **- Underlying net profit*** | **US3.73 cents** | US7.33 cents | -49% |
| **- Reported profit** | **US1.87 cents** | US7.33 cents | -74% |
| **Full-year dividend per share** | | | |
| **- Interim dividend per share** | **US3.00 cents** | US7.00 cents | -57% |
| **- Proposed final dividend per share** | **US3.00 cents** | US7.00 cents | -57% |
| **Dividend payout ratio** | **320.3%** | 191.0% | |
| **Net asset value per share** | **US$1.83** | US$1.91 | -4% |
| **Net gearing ratio** | **19.4%** | 14.7% | |

* Excluding the restructuring provision of approximately US$3.5 million made in September 2014 quarter mainly attributable to the provision for impairment of production facilities and other restructuring cost for the Group.

## RESULTS

The board of directors (the "**Board**") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2014 ("**CY2014**") together with the comparative figures for the year ended 31 December 2013 ("**CY2013**").

### Consolidated Statement of Profit or Loss

| | Notes | **CY2014 US$'000** | CY2013 US$'000 | % Change |
|---|---|---|---|---|
| **Revenue** | 2 | **517,075** | 504,921 | 2.4% |
| Cost of sales | | **(472,323)** | (455,078) | 3.8% |
| **Gross profit** | | **44,752** | 49,843 | -10.2% |
| *Gross profit margin* | | ***8.7%*** | *9.9%* | |
| Other operating income and gains | 3 | **3,131** | 4,370 | -28.4% |
| Distribution and selling costs | | **(14,257)** | (14,449) | -1.3% |
| Administrative expenses | | **(20,398)** | (22,894) | -10.9% |
| Other operating expenses and losses | | **(5,746)** | (889) | 546.3% |
| Finance costs | 4 | **(1,555)** | (1,367) | 13.8% |
| **Profit before taxation** | | **5,927** | 14,614 | -59.4% |
| Income tax expense | 5 | **(1,656)** | (761) | 117.6% |
| **Profit for the year** | | **4,271** | 13,853 | -69.2% |
| Profit attributable to: | | | | |
| Owners of the Company | | **3,501** | 13,703 | -74.5% |
| Non-controlling interests | | **770** | 150 | 413.3% |
| | | **4,271** | 13,853 | -69.2% |
| Earnings per share (US cents) | 7 | | | |
| - Basic | | **1.87** | 7.33 | -74.5% |

**Notes to Consolidated Statement of Profit or Loss:**

| | **CY2014** | CY2013 | % Change |
|---|---|---|---|
| | **US$'000** | US$'000 | |
| Depreciation | **43,616** | 44,480 | -1.9% |
| Amortisation of prepaid land use rights | **164** | 406 | -59.6% |
| Allowance (reversal of allowance) for doubtful debts | **496** | (1,074) | -146.2% |
| (Reversal of allowance) allowance for inventory obsolescence | **(7)** | 257 | -102.7% |

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

| | **CY2014** | CY2013 | % Change |
|---|---|---|---|
| | **US$'000** | US$'000 | |
| **Profit for the year** | **4,271** | 13,853 | -69.2% |
| Other comprehensive income : | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Revaluation surplus of properties transferred to investment properties | **—** | 663 | n/m |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | **(97)** | 599 | -116.2% |
| Other comprehensive income for the year, net of tax | **(97)** | 1,262 | -107.7% |
| Total comprehensive income for the year | **4,174** | 15,115 | -72.4% |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | **3,404** | 14,965 | -77.3% |
| Non-controlling interests | **770** | 150 | 413.3% |
| | **4,174** | 15,115 | -72.4% |

*n/m - percentage not meaningful*

## Statements of Financial Position

| | Notes | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| | | **US$'000** | US$'000 | **US$'000** | US$'000 |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and bank balances | | **22,303** | 20,398 | **67** | 23 |
| Trade receivables | 10 | **129,863** | 108,620 | **—** | — |
| Bills receivables | 10 | **518** | 3,938 | **—** | — |
| Other receivables | | **21,203** | 23,449 | **1** | 2 |
| Prepaid land use rights | | **399** | 399 | **—** | — |
| Dividend receivables | | **—** | — | **27,100** | 44,750 |
| Inventories | 11 | **42,729** | 41,543 | **—** | — |
| **Total current assets** | | **217,015** | 198,347 | **27,168** | 44,775 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 9 | **308,017** | 313,788 | **—** | — |
| Prepaid land use rights | | **12,941** | 13,105 | **—** | — |
| Deposits for acquisition of plant and equipment | 9 | **6,263** | 6,189 | **—** | — |
| Investment properties | | **46,592** | 46,446 | **—** | — |
| Subsidiary companies | | **—** | — | **459,849** | 459,224 |
| Deferred tax assets | | **84** | 86 | **—** | — |
| **Total non-current assets** | | **373,897** | 379,614 | **459,849** | 459,224 |
| **Total assets** | | **590,912** | 577,961 | **487,017** | 503,999 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Bank overdraft and loans | 13 | **44,962** | 41,648 | **—** | — |
| Trade payables | 12 | **119,891** | 105,437 | **—** | — |
| Bills payables | 12 | **4,745** | 8,775 | **—** | — |
| Other payables | | **31,970** | 31,550 | **1,350** | 2,662 |
| Amounts due to subsidiary companies | | **—** | — | **234,587** | 263,155 |
| Provision for taxation | | **1,836** | 449 | **—** | — |
| **Total current liabilities** | | **203,404** | 187,859 | **235,937** | 265,817 |
| **Non-current liabilities** | | | | | |
| Bank loans | 13 | **43,665** | 31,149 | **—** | — |
| Deferred tax liabilities | | **1,169** | 1,399 | **—** | — |
| **Total non-current liabilities** | | **44,834** | 32,548 | **—** | — |
| **Capital, reserves and non-controlling interests** | | | | | |
| Share capital | 14 | **113,880** | 113,880 | **113,880** | 113,880 |
| Reserves | | **218,687** | 233,975 | **137,200** | 124,302 |
| Equity attributable to owners of the Company | | **332,567** | 347,855 | **251,080** | 238,182 |
| Non-controlling interests | | **10,107** | 9,699 | **—** | — |
| **Total equity** | | **342,674** | 357,554 | **251,080** | 238,182 |
| **Total liabilities and equity** | | **590,912** | 577,961 | **487,017** | 503,999 |

## Statements of Changes in Equity

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | Capital reserve | Statutory reserve | Revaluation reserve | Other reserve | Retained earnings | Foreign currency translation reserve | Total | Non-controlling interests | Total equity |
| | US $'000 | US $'000 (Note i) | US $'000 (Note ii) | US $'000 (Note iii) | US $'000 (Note iv) | US $'000 | US $'000 | US $'000 | US $'000 | US $'000 |
| THE GROUP | | | | | | | | | | |
| Balance at 1 January 2014 | 113,880 | 1,916 | 5,345 | 2,940 | 166 | 206,735 | 16,873 | 347,855 | 9,699 | 357,554 |
| **Total comprehensive income for the year** | | | | | | | | | | |
| Profit for the year | — | — | — | — | — | 3,501 | — | 3,501 | 770 | 4,271 |
| Exchange differences arising on translation of foreign operations | — | — | — | — | — | — | (97) | (97) | — | (97) |
| Other comprehensive income for the year, net of tax | — | — | — | — | — | — | (97) | (97) | — | (97) |
| Total | — | — | — | — | — | 3,501 | (97) | 3,404 | 770 | 4,174 |
| Transactions with owners, recognised directly in equity | | | | | | | | | | |
| Transfer from retained earnings to statutory reserve | — | — | 8 | — | — | (8) | — | — | — | — |
| Dividend paid in respect of | | | | | | | | | | |
| - previous year | — | — | — | — | — | (13,085) | — | (13,085) | (362) | (13,447) |
| - current year | — | — | — | — | — | (5,607) | — | (5,607) | — | (5,607) |
| Total | — | — | 8 | — | — | (18,700) | — | (18,692) | (362) | (19,054) |
| Balance at 31 December 2014 | 113,880 | 1,916 | 5,353 | 2,940 | 166 | 191,536 | 16,776 | 332,567 | 10,107 | 342,674 |
| Balance at 1 January 2013 | 113,880 | 1,916 | 5,345 | 2,277 | 166 | 226,678 | 16,274 | 366,536 | 9,923 | 376,459 |
| **Total comprehensive income for the year** | | | | | | | | | | |
| Profit for the year | — | — | — | — | — | 13,703 | — | 13,703 | 150 | 13,853 |
| Revaluation of properties transferred to investment properties | — | — | — | 663 | — | — | — | 663 | — | 663 |
| Exchange differences arising on translation of foreign operation | — | — | — | — | — | — | 599 | 599 | — | 599 |
| Other comprehensive income for the year, net of tax | — | — | — | 663 | — | — | 599 | 1,262 | — | 1,262 |
| Total | — | — | — | 663 | — | 13,703 | 599 | 14,965 | 150 | 15,115 |
| Transactions with owners, recognised directly in equity | | | | | | | | | | |
| Dividend paid in respect of | | | | | | | | | | |
| - previous year | — | — | — | — | — | (20,561) | — | (20,561) | (374) | (20,935) |
| - current year | — | — | — | — | — | (13,085) | — | (13,085) | — | (13,085) |
| Total | — | — | — | — | — | (33,646) | — | (33,646) | (374) | (34,020) |
| Balance at 31 December 2013 | 113,880 | 1,916 | 5,345 | 2,940 | 166 | 206,735 | 16,873 | 347,855 | 9,699 | 357,554 |

*Notes:*

i. Capital reserve represents amounts transferred from share option reserve upon the exercise of share options.

ii. Statutory reserve represents amounts set aside by subsidiary companies operating in the People's Republic of China (the "PRC") and Thailand for declaration of dividends as required under the laws of the PRC and Thailand.

iii. The revaluation reserve of the Group represents the gain on revaluation of certain properties of the Group as a result of the transfer from property for own use to investment properties.

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

**Statements of Changes in Equity (continued)**

| | Share capital US$'000 | Capital reserve US$'000 | Retained earnings US$'000 | Total equity US$'000 |
|---|---|---|---|---|
| **THE COMPANY** | | | | |
| Balance at 1 January 2014 | 113,880 | 1,916 | 122,386 | 238,182 |
| Profit for the year, representing total comprehensive expenses for the year | — | — | 31,590 | 31,590 |
| Transactions with owners, recognised directly in equity | | | | |
| Dividend paid in respect of | | | | |
| - previous year | — | — | (13,085) | (13,085) |
| - current year | — | — | (5,607) | (5,607) |
| Balance at 31 December 2014 | 113,880 | 1,916 | 135,284 | 251,080 |
| Balance at 1 January 2013 | 113,880 | 1,916 | 82,370 | 198,166 |
| Profit for the year, representing total comprehensive income for the year | — | — | 73,662 | 73,662 |
| Transactions with owners, recognised directly in equity | | | | |
| Dividend paid in respect of | | | | |
| - previous year | — | — | (20,561) | (20,561) |
| - current year | — | — | (13,085) | (13,085) |
| Balance at 31 December 2013 | 113,880 | 1,916 | 122,386 | 238,182 |

**Consolidated Statement of Cash Flows**

| | **CY2014 US$'000** | CY2013 US$'000 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxation | **5,927** | 14,614 |
| Adjustments for: | | |
| Allowance / (reversal of allowance) for doubtful debts | **496** | (1,074) |
| Finance costs | **1,555** | 1,367 |
| Depreciation of property, plant and equipment | **43,616** | 44,480 |
| Amortisation of prepaid land use rights | **164** | 406 |
| Loss / (gain) on disposal of property, plant and equipment | **1,828** | (119) |
| Impairment loss recognised in respect of property, plant and equipment | **2,374** | — |
| Gain on fair value change of investment properties | **(146)** | (1,599) |
| (Reversal of allowance) / allowance for inventory obsolescence | **(7)** | 257 |
| Interest income | **(51)** | (154) |
| Operating income before movements in working capital | **55,756** | 58,178 |
| Increase in inventories | **(1,179)** | (955) |
| (Increase) / decrease in trade and other receivables | **(16,471)** | 15,228 |
| Increase in trade and other payables | **10,844** | 705 |
| Net cash generated from operations | **48,950** | 73,156 |
| Interest income received | **51** | 154 |
| Interest paid | **(1,778)** | (1,581) |
| Income taxes paid | **(511)** | (1,423) |
| **Net cash from operating activities** | **46,712** | 70,306 |
| **Investing activities** | | |
| Proceeds from disposal of property, plant and equipment | **209** | 2,548 |
| Purchase of property, plant and equipment | **(27,305)** | (32,699) |
| Deposits paid for acquisition of property, plant and equipment | **(13,996)** | (14,931) |
| Proceeds from disposal of land use rights | **—** | 402 |
| **Net cash used in investing activities** | **(41,092)** | (44,680) |

| | **CY2014** **US$'000** | CY2013 US$'000 |
|---|---|---|
| **Financing activities** | | |
| Proceeds from bank borrowings | **57,553** | 34,904 |
| Repayment of bank borrowings | **(41,713)** | (49,437) |
| Dividends paid by the Company | **(18,692)** | (33,646) |
| Dividends paid by subsidiary companies to non-controlling shareholders | **(362)** | (374) |
| **Net cash used in financing activities** | **(3,214)** | (48,553) |
| **Net increase (decrease) in cash and cash equivalents** | **2,406** | (22,927) |
| **Cash and cash equivalents at the beginning of the year** | **20,387** | 43,076 |
| **Effect of foreign exchange rate changes on the balances of cash held in foreign currencies, net** | **(491)** | 238 |
| **Cash and cash equivalents at the end of the year** | **22,302** | 20,387 |
| Cash and cash equivalents consists of: | | |
| Cash and bank balances | **22,303** | 20,398 |
| Bank overdrafts — unsecured | **(1)** | (11) |
| | **22,302** | 20,387 |

*Notes:*

**1. Basis of preparation and principal accounting policies**

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

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

- *Amendments to FRS 32 Financial Instruments : Presentation*

- *Amendments to FRS 36 Impairment of Assets*

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

In 2013, the Group has early adopted the following new and revised standards or amendments to FRS which the mandatory effective date of relevant FRS from financial periods beginning on or after 1 January 2014:

- *FRS 110 Consolidated Financial Statements and FRS 27 Consolidated Separate Financial Statements*

- *FRS 112 Disclosures of Interests in Other Entities*

The early adoption of the FRSs, have not had any material impact on the amounts recognised in the consolidated financial statements.

The Group has not early adopted the following new and revised standards or amendments to FRS which would take effect from financial periods beginning on or after 1 January 2015:

- *FRS 115 Revenue from Contracts with Customers*

- *Improvements to Financial Reporting Standards (January 2014)*

- *Improvements to Financial Reporting Standards (February 2014)*

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

**2. Revenue and segment information**

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

**Revenue by geographical area**

The Group's reveue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

| | **Revenue from external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **CY2014** | CY2013 | **CY2014** | CY2013 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Asia | | | | |
| The People's Republic of China (including Hong Kong) | **248,496** | 261,621 | **350,512** | 355,334 |
| South East Asia* | **76,498** | 79,001 | **23,385** | 24,280 |
| Others* | **39,622** | 18,664 | **—** | — |
| | **364,616** | 359,286 | **373,897** | 379,614 |
| Europe | **104,945** | 91,058 | **—** | — |
| North & Central America* | **42,533** | 52,224 | **—** | — |
| Rest of the world* | **4,981** | 2,353 | **—** | — |
| | **517,075** | 504,921 | **373,897** | 379,614 |

* The revenue from external customers of the countries within these regions are individually less than 10% of the total revenue of the Group from external customers.

## Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

| | **CY2014** | CY2013 |
|---|---|---|
| | **US$'000** | US$'000 |
| Customer A | **83,493** | 61,237 |

**Breakdown of sales**

| | **CY2014 US$'000 (Unaudited)** | CY2013 US$'000 (Unaudited) | % change |
|---|---|---|---|
| (a) Sales reported for first half year | **251,520** | 246,766 | 1.9% |
| (b) Operating profit after tax before deducting non-controlling interests reported for first half year | **5,467** | 8,208 | -33.4% |
| (c) Sales reported for second half year | **265,555** | 258,155 | 2.9% |
| (d) Operating (loss) / profit after tax before deducting non-controlling interests reported for second half year | **(1,196)** | 5,645 | -121.2% |

## 3. Other Operating income and gains

| | **CY2014 US$'000** | CY2013 US$'000 |
|---|---|---|
| Interest income | **51** | 154 |
| Rental income from investment properties | **2,645** | 2,473 |
| Gain on fair value change of investment properties | **146** | 1,599 |
| Gain on foreign exchange | **289** | — |
| Others | **—** | 144 |
| | **3,131** | 4,370 |

## 4. Finance costs

| | **CY2014 US$'000** | CY2013 US$'000 |
|---|---|---|
| Interest on bank loans wholly repayable within five years | **1,778** | 1,581 |
| Less: Amounts capitalised | **(223)** | (214) |
| | **1,555** | 1,367 |

## 5. Income tax expense

| | **CY2014** | CY2013 |
|---|---|---|
| | **US$'000** | US$'000 |
| Current tax: | | |
| Singapore income tax | **2** | 3 |
| PRC enterprise income tax | **1,955** | 510 |
| Hong Kong income tax | **4** | 47 |
| Other jurisdictions | **31** | 19 |
| | **1,992** | 579 |
| Overprovision in prior year | | |
| PRC enterprise income tax | **(418)** | (132) |
| Hong Kong income tax | **(17)** | — |
| | **(435)** | (132) |
| Deferred tax | **99** | 314 |
| | **1,656** | 761 |

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

## 6. Dividend

| | **CY2014** | CY2013 |
|---|---|---|
| | **US$'000** | US$'000 |
| Dividend paid: | | |
| In respect of current financial year | | |
| Interim one-tier tax exempt dividend for 2014 of US3.0 cents (2013: US7.0 cents) per ordinary share | **5,607** | 13,085 |
| In respect of previous financial year | | |
| Final one-tier tax exempt dividend for 2013 of US7.0 cents (2012: US11.0 cents) per ordinary share | **13,085** | 20,561 |
| | **18,692** | 33,646 |
| Dividend proposed: | | |
| Proposed final one-tier tax exempt dividend for 2014 of US3.0 cents (2013: US7.0 cents) per ordinary share | **5,607** | 13,085 |

The Directors have recommended a one-tier tax exempt final dividend of US3.0 cents per ordinary share (2013:US7.0 cents per ordinary share) to be payable in respect of the current year. This dividend will be recorded as a liability on the statement of financial position of the Company and the Group upon approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

## 7. Earnings per share

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

| | Earnings | |
|---|---|---|
| | **CY2014** | CY2013 |
| | **US$'000** | US$'000 |
| Profit attributable to owners of the Company | **3,501** | 13,703 |

| | Number of shares | |
|---|---|---|
| | **CY2014** | CY2013 |
| | **'000** | '000 |
| Weighted average number of ordinary shares used to compute basic earnings per share | **186,920** | 186,920 |
| Earnings per share (US cents) | | |
| - Basic | **1.87** | 7.33 |
| - Diluted | **1.87** | 7.33 |

## 8. Net asset value

| | Group | | Company | |
|---|---|---|---|---|
| | **31 December 2014 US$** | 31 December 2013 US$ | **31 December 2014 US$** | 31 December 2013 US$ |
| Net asset value (including non-controlling interests) per ordinary share based on total number of issued shares excluding treasury shares at the end of the period* | **1.83** | 1.91 | **1.34** | 1.27 |

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

## 9. Additions to property, plant and equipment

During the current reporting period, the Group spent approximately US$41.3 million (CY2013: approximately US$47.6 million) on acquisition of property, plant and equipment including deposits paid.

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

## 10. Trade and bills receivables

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Trade receivables | | |
| - Third parties | **131,482** | 113,580 |
| - Related parties (note) | **3,413** | 110 |
| Less: Allowance for doubtful debts | **(5,032)** | (5,070) |
| | **129,863** | 108,620 |
| Bills receivables | **518** | 3,938 |
| Total | **130,381** | 112,558 |

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

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

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Within 90 days | **116,037** | 99,098 |
| 91 to 180 days | **13,293** | 9,205 |
| Over 180 days | **533** | 317 |
| | **129,863** | 108,620 |

At the end of the reporting period, the bills receivables are aged within 180 days (31 December 2013: within 180 days).

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

## 11. Inventories

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Raw materials | **12,051** | 10,275 |
| Work-in-progress | **21,185** | 18,316 |
| Finished goods | **9,493** | 12,952 |
| | **42,729** | 41,543 |

## 12. Trade and bills payables

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Trade payables | | |
| - Third parties | **70,258** | 64,034 |
| - Related parties (note) | **49,633** | 41,403 |
| | **119,891** | 105,437 |
| Bills payables | **4,745** | 8,775 |
| Total | **124,636** | 114,212 |

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

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

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Within 90 days | **80,003** | 78,718 |
| 91 to 180 days | **31,489** | 21,548 |
| Over 180 days | **8,399** | 5,171 |
| | **119,891** | 105,437 |

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

## 13. Bank borrowings

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Unsecured: | | |
| Bank loans | **88,626** | 72,786 |
| Bank overdraft | **1** | 11 |
| Bank loans - unsecured | **88,627** | 72,797 |
| Comprising amounts following due: | | |
| - Within one year | **44,962** | 41,648 |
| - More than one year | **43,665** | 31,149 |
| | **88,627** | 72,797 |

The Group's total external borrowings increased by approximately 21.7% to approximately US$88.6 million as at 31 December 2014 from 31 December 2013 as additional loans have been drawn down to fund new capital investments.

## 14. Share capital

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

## 15. Share options

There were no share options outstanding as at 31 December 2014 and 31 December 2013, respectively. No share option has been granted under the 2008 Elec & Eltek Employees' Share Option Scheme since its adoption by the Company on 9 May 2008 and as at the date of this announcement.

## 16. Capital commitments

| | GROUP | |
|---|---|---|
| | **CY2014** | CY2013 |
| | **US$'000** | US$'000 |
| Capital expenditure not provided for in the consolidated financial statements: | | |
| Commitments in respect of contracts placed for plant expansion | **18,265** | 29,158 |

## 17. Net current assets and total assets less current liabilities

As at 31 December 2014, the Group's net current assets, defined as current assets less current liabilities, amounted to approximately US$13.6 million (31 December 2013: net current assets approximately US$10.5 million).

As at 31 December 2014, the Group's total assets less current liabilities amounted to approximately US$387.5 million (31 December 2013: approximately US$390.1 million).

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

For the year ended 31 December 2014, there were no material differences between the consolidated financial statements of the Group prepared under FRSs and IFRSs.

## BUSINESS REVIEW

The financial performance of Elec & Eltek International Company Limited and its subsidiaries (the "Group") for the financial year just ended reflects the challenging operating environment for the printed circuit board ("PCB") industry. Group revenue increased by 2.4% to US$517.1 million with net attributable profit (profit after tax and non-controlling interests) of US$3.5 million for CY2014. Earnings before interest, tax, depreciation and amortization for the Group ("EBITDA") stood at US$54.7 million (CY2013: US$60.7 million) — the Group continued to generate steady operating cash flow. As at end of 2014, our net gearing ratio was maintained at a comfortable level of 19.4%.

The Group's financial position remained healthy and in appreciation of our shareholders, long-standing support, the Board has recommended a final one-tier tax exempt dividend of US3.0 cents per share, to be approved at the forthcoming Annual General Meeting. Together with the interim one-tier tax exempt dividend of US3.0 cents per share paid in August 2014, this constitutes a total dividend of US6.0 cents (CY2013: US14.0 cents), representing a payout ratio of 320.3% of net profit for CY2014 (CY2013: 191.0%).

In line with our on-going strategy to achieve a more balanced portfolio of products with long-term growth potential, the Group continues to expand our business in the automotive, communication and mobile phone segments. Communication & Networking products (including mobile phones) accounted for over 47% of our sales in CY2014 while automotive PCB sales also increased substantially by over 26% in value to account for around 18% of our total PCB sales (CY2013: 15%). Sales of High Density Interconnect ("HDI") PCBs accounted for 33% of total PCB sales in CY2014 (CY2013: 26.5%).

The Group's gross profit declined by 10.2% to US$44.8 million in CY2014 and gross margin was trimmed to 8.7% compared to 9.9% a year ago. The decline in gross profit was primarily attributable to average selling price remaining under pressure due to intensive competition in the market and rising operating costs, including wages increase in China.

Income tax expense increased by 117.6% from US$0.8 million in CY2013 to US$1.7 million in CY2014 as a result of increase in the Group's taxable PRC profit.

To the best of the Board's knowledge, nothing has come to the attention of the Board which may render the audited financial results for the year ended 31 December 2014 to be false or misleading in any material respect.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2014, the Group's net current assets was approximately US$13.6 million (31 December 2013: approximately US$10.5 million), making the current ratio 1.07 as compared to 1.06 as at 31 December 2013.

The net working capital cycle was 15 days as at 31 December 2014 (31 December 2013: 15 days) on the following key metrics:

- Inventories, in terms of stock turnover days, remained at 29 days (31 December 2013: 29 days).

- Trade receivables, in terms of debtors turnover days, increased to 83 days (31 December 2013: 82 days).

- Trade payables, in terms of creditors turnover days, increased to 97 days (31 December 2013: 96 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) as at 31 December 2014 was approximately 19.4% (31 December 2013: 14.7%). The proportion of short-term and long-term bank borrowings stood at 51%: 49% (31 December 2013: 57%:43%). The total equity of the Group as at 31 December 2014 was approximately US$342.7 million (31 December 2013: approximately US$357.6 million). As at 31 December 2014, the Group had cash on hand and undrawn loan facilities of approximately US$22.3 million and US$35.46 million respectively.

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

## HUMAN RESOURCES

As at 31 December 2014, the Group had a workforce of approximately 9,337 (31 December 2013: 9,535). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time. The Group awards discretionary bonuses to eligible employees based upon profit achievements of the Company and individual performance.

The Company has in place a share option scheme in order to attract and retain the best available personnel and to align the interests of the employees with the Group's interests.

## PROSPECTS

As we progress into the new financial year, the operating environment for the PCB industry remains challenging. Due to seasonality factors, plant output is likely to be affected by disruption of labour supply in the first quarter of 2015 as migrant workers return home for the Chinese Lunar New Year holiday. Customer orders are expected to improve after this holiday period.

In light of the challenging business environment, the Group will continue to invest and upgrade our production capabilities to meet customer demand. The Group's ongoing strategy is to strive for better production efficiency and progressive quality improvement in order to build a firm foundation to achieve growth in our target business segments.

## CLOSURE OF REGISTER OF MEMBERS IN RESPECT OF SHAREHOLDERS' ENTITLEMENT TO ATTEND THE ANNUAL GENERAL MEETING AND TO FINAL DIVIDEND

The Company will make appropriate announcements at a subsequent date and time to be confirmed.

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

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Stock Exchange.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2014.

## COMPLIANCE WITH THE HONG KONG CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

During the year under review, the Company fully complied with the Code Provisions in the CG Code, save for the following:

**1. Deviation from Code Provision A.4.1**

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

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

**2. Deviation from Code Provision E.1.2**

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

The chairman of the Board of the Company, Mr. Cheung Kwok Wing, delegated the duty of attending the annual general meeting held on 17 April 2014 to the former vice chairman, Mr. Chadwick Mok Cham Hung, who served as the chief executive officer for many years and was able to answer and address questions raised by shareholders at the annual general meeting.

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

## HONG KONG CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

On specific enquiry made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct throughout the year ended 31 December 2014.

## AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The figures for CY2014, prepared in accordance with Singapore FRS, have been audited by the Group's auditors.

## SCOPE OF WORK OF MESSRS. DELOITTE & TOUCHE LLP

The figures in respect of the Group's statements of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income, statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte & Touche LLP, to the amounts set out in the Group's audited consolidated financial statements for the year prepared for the purpose of statutory reporting in Singapore. The work performed by Messrs. Deloitte & Touche LLP in this respect did not constitute an assurance agreement in accordance with Singapore Standards on Auditing, Singapore Standards on Review Engagements or Singapore Standards on Assurance Engagements and consequently no assurance has been expressed by Messrs. Deloitte & Touche LLP on the preliminary announcement.

The auditors' report on the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company as of and for the year ended 31 December 2014, prepared for the purpose of statutory reporting in Singapore, is attached as Appendix 1.

## FORECAST STATEMENT

No forecast statement has been previously disclosed to shareholders.

## DISCLOSURE ON THE WEBSITE OF THE EXCHANGES

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

## INTERESTED PERSONS TRANSACTIONS

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

| Name of Interested Person<br>US$'000 | Aggregate value of all interested person transactions during the period under review (including transactions less than S$100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920)<br>**CY2014** | CY2013 | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than S$100,000)<br>**CY2014** | CY2013 |
|---|---|---|---|---|
| **Purchases of plant and equipment** | | | | |
| Chung Shun Laminates (Macao Commercial Offshore) Limited | **—** | — | **8,093** | 9,121 |
| | **—** | — | **8,093** | 9,121 |
| **Purchases of goods and services** | | | | |
| Chung Shun Laminates (Macao Commercial Offshore) Limited | **—** | — | **118,523** | 98,687 |
| Elec & Eltek Corporate Services Limited | **190** | 686 | **—** | — |
| Heng Yang Kingboard Chemical Co., Ltd. | **—** | — | **2,174** | 4,708 |
| Hong Kong Fibre Glass Company Limited | **—** | — | **12,906** | 7,758 |
| Huizhou Chung Shun Chemical Company Limited | **—** | — | **725** | 399 |
| Jiangmen Kingboard High-tech Company Limited | **—** | — | **—** | 3,129 |
| Joyful Source Group Limited | **27** | 31 | **—** | — |
| Kingfai (Lian Zhou) Electronic Materials Company Ltd. | **—** | — | **—** | 5,598 |
| | **217** | 717 | **134,328** | 120,279 |

| Name of Interested Person<br>US$'000 | Aggregate value of all interested person transactions during the period under review (including transactions less than S$100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920)<br>**CY2014** | CY2013 | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than S$100,000)<br>**CY2014** | CY2013 |
|---|---|---|---|---|
| **Provision of goods and services** | | | | |
| Elec & Eltek Computers Limited | **37** | 41 | **—** | — |
| Elec & Eltek Display Technology Limited | **35** | 43 | **—** | — |
| Express Electronics Limited | **—** | — | **2,776** | 1,879 |
| Heng Yang Kingboard Chemical Co., Ltd. | **—** | — | **—** | 1,874 |
| Techwise (Macao Commercial Offshore) Circuits Limited | **—** | — | **2,190** | 1,388 |
| | **72** | 84 | **4,966** | 5,141 |

## DISCLOSURE PURSUANT TO RULE 704(13) SGX LISTING MANUAL

Please refer to the Company's other Announcement made on 27 February 2015.

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

Hong Kong, 27 February 2015

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

*Executive Directors:-*
*Stephanie Cheung Wai Lin (Vice Chairman)*
*Chang Wing Yiu*
*Ng Hon Chung*

*Non-executive Directors:-*
*Cheung Kwok Wing (Chairman)*

*Independent Non-executive Directors:-*
*Larry Lai Chong Tuck*
*Raymond Leung Hai Ming*
*Stanley Chung Wai Cheong*

** For identification purpose only*

The auditors' report on the full financial statements of Elec & Eltek International Company Limited for the financial year ended 31 December 2014 is as follows:

**"INDEPENDENT AUDITORS' REPORT**
**TO THE MEMBERS OF ELEC & ELTEK INTERNATIONAL COMPANY LIMITED**
**For the financial year ended 31 December 2014**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Elec & Eltek International Company Limited (the "Company") and its subsidiary companies (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 17* to 76*.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

27 February 2015"

** Refer to the pages in the audited financial statements.*