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)

AUDITED FINANCIAL RESULTS AND DIVIDEND ANNOUNCEMENT FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017

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**") (the "**Listing Rule**"). This announcement is originally prepared in English. In the case of any inconsistency between the English version and the Chinese version, the English version shall prevail.

This announcement is prepared in accordance with the relevant regulations of the Singapore Exchange Securities Trading Limited ("**SGX**"). The financial information, except for the consolidated results of the Group (as defined below) 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 economic conditions, shifts in customer demands, customers and partners, and government and policy changes. The Group undertakes no obligation to update or revise any forward-looking statements contained in this announcement to reflect subsequent events or circumstances.

* *For identification purpose only*

FINANCIAL HIGHLIGHTS

	Twelve months ended 31 December		
	2017	2016	% Change
	US$'000	US$'000	
Revenue	**500,388**	478,137	4.7%
EBITDA*	**79,738**	60,868	31.0%
EBITDA margin*	**15.9%**	12.7%	
Underlying profit before tax*	**42,743**	21,567	98.2%
Net profit attributable to owners of the Company			
- Underlying net profit *	**36,161**	16,387	120.7%
- Reported net profit	**36,161**	11,387	217.6%
Basic earnings per share			
- Underlying net profit *	**US$19.35 cents**	US$8.77 cents	120.6%
- Reported net profit	**US$19.35 cents**	US$6.09 cents	217.7%
Full-year dividend per share			
- Proposed final dividend per share	**US$8.00 cents**	US$6.00 cents	33.3%
Dividend payout ratio	**41.3%**	98.5%	
Net asset value per share	**US$2.15**	US$2.02	6.4%
Net gearing ratio	**11.8%**	9.7%	

* Excluding the addition provision for impairment of property, plant and equipment of approximately US$Nil made for the year ended 31 December 2017 (31 December 2016: US$5.0 million).

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 2017 ("**CY2017**") together with the comparative figures for the year ended 31 December 2016 ("**CY2016**").

Consolidated Statement of Profit or Loss

	Notes	**CY2017** **US$'000**	CY2016 US$'000	% Change
Revenue	2	**500,388**	478,137	4.7%
Cost of sales		**(429,704)**	(425,722)	0.9%
Gross profit		**70,684**	52,415	34.9%
Gross profit margin		**14.1%**	11.0%	
Other operating income and gains	3	**4,806**	2,607	84.4%
Distribution and selling costs		**(10,401)**	(10,902)	-4.6%
Administrative expenses		**(19,240)**	(19,372)	0.7%
Other operating expenses and losses		**(1,876)**	(6,597)	-71.6%
Finance costs	4	**(1,230)**	(1,584)	-22.3%
Profit before taxation		**42,743**	16,567	158.0%
Income tax expense	5	**(5,958)**	(4,348)	37.0%
Profit for the year		**36,785**	12,219	201.0%
Profit attributable to:				
Owners of the Company		**36,161**	11,387	217.6%
Non-controlling interests		**624**	832	-25.0%
		36,785	12,219	201.0%
Earnings per share (US$ cents)				
- Basic & diluted	7	**19.35**	6.09	217.7%

Notes to Consolidated Statement of Profit or Loss:

	CY2017 **US$'000**	CY2016 US$'000	% Change
Depreciation of property, plant and equipment	**35,703**	37,573	-5.0%
Amortisation of prepaid land use rights	**164**	164	n/m
Allowance for doubtful debts	**1,389**	3,943	-64.8%
Allowance for inventory obsolescence	**2,629**	2,211	18.9%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	CY2017 **US$'000**	CY2016 US$'000	% Change
Profit for the year	**36,785**	12,219	201.0%
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, representing other comprehensive expense for the year, net of tax	**(875)**	(805)	8.7%
Total comprehensive income for the year	**35,910**	11,414	214.6%
Total comprehensive income attributable to:			
Owners of the Company	**35,286**	10,582	233.5%
Non-controlling interests	**624**	832	-25.0%
	35,910	11,414	214.6%

n/m - percentage not meaningful

Statements of Financial Position

		GROUP		COMPANY	
	Notes	**2017 US$'000**	2016 US$'000	**2017 US$'000**	2016 US$'000
ASSETS					
Current assets					
Cash and bank balances		**25,985**	18,651	**179**	182
Trade receivables	10	**168,280**	131,523	**—**	—
Bills receivables	10	**3,555**	3,341	**—**	—
Other receivables		**13,216**	11,879	**1**	—
Prepaid land use rights		**399**	399	**—**	—
Inventories	11	**44,156**	33,315	**—**	—
Total current assets		**255,591**	199,108	**180**	182
Non-current assets					
Property, plant and equipment	9	**286,660**	260,415	**—**	—
Prepaid land use rights		**12,449**	12,613	**—**	—
Deposits for acquisition of plant and equipment	9	**10,401**	1,547	**—**	—
Investment properties		**101,692**	99,925	**—**	—
Subsidiary companies		**—**	—	**470,324**	468,783
Deferred tax assets		**84**	84	**—**	—
Total non-current assets		**411,286**	374,584	**470,324**	468,783
Total assets		**666,877**	573,692	**470,504**	468,965
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	13	**47,286**	49,523	**—**	—
Trade payables	12	**133,012**	108,232	**—**	—
Bills payables	12	**17,293**	308	**—**	—
Other payables		**36,739**	30,257	**2,258**	3,590
Amounts due to subsidiary companies		**—**	—	**231,454**	219,579
Provision for taxation		**3,234**	1,668	**—**	—
Total current liabilities		**237,564**	189,988	**233,712**	223,169
Non-current liabilities					
Bank loans	13	**25,942**	5,659	**—**	—
Deferred tax liabilities		**2,003**	1,372	**—**	—
Total non-current liabilities		**27,945**	7,031	**—**	—
Capital, reserves and non-controlling interests					
Share capital	14	**113,880**	113,880	**113,880**	113,880
Reserves		**276,146**	252,075	**122,912**	131,916
Equity attributable to owners of the Company		**390,026**	365,955	**236,792**	245,796
Non-controlling interests		**11,342**	10,718	**—**	—
Total equity		**401,368**	376,673	**236,792**	245,796
Total liabilities and equity		**666,877**	573,692	**470,504**	468,965

Statements of Changes in Equity

	Attributable to owners of the Company									
	Share Capital US $'000	Capital reserve US $'000 (Note i)	Statutory reserve US $'000 (Note ii)	Revaluation reserve US $'000 (Note iii)	Other reserve US $'000 (Note iv)	Retained earnings US $'000	Foreign currency translation reserve US $'000	Total US $'000	Non-controlling interests US $'000	Total equity US $'000
THE GROUP										
Balance at 1 January 2017	113,880	1,916	6,252	42,684	166	185,973	15,084	365,955	10,718	376,673
Total comprehensive income for the year										
Profit for the year	—	—	—	—	—	36,161	—	36,161	624	36,785
Exchange differences arising on translation of foreign operations, representing other comprehensive expense for the year, net of tax	—	—	—	—	—	—	(875)	(875)	—	(875)
Total	—	—	—	—	—	36,161	(875)	35,286	624	35,910
Transfer from retained earnings to statutory reserve	—	—	574	—	—	(574)	—	—	—	—
Transactions with owners, recognised directly in equity										
Dividend paid in respect of										
- previous financial year	—	—	—	—	—	(11,215)	—	(11,215)	—	(11,215)
Total	—	—	574	—	—	(11,789)	—	(11,215)	—	(11,215)
Balance at 31 December 2017	113,880	1,916	6,826	42,684	166	210,345	14,209	390,026	11,342	401,368
Balance at 1 January 2016	113,880	1,916	5,805	42,684	166	180,640	15,889	360,980	10,411	371,391
Total comprehensive income for the year										
Profit for the year	—	—	—	—	—	11,387	—	11,387	832	12,219
Exchange differences arising on translation of foreign operations, representing other comprehensive expense for the year, net of tax	—	—	—	—	—	—	(805)	(805)	—	(805)
Total	—	—	—	—	—	11,387	(805)	10,582	832	11,414
Transfer from retained earnings to statutory reserve	—	—	447	—	—	(447)	—	—	—	—
Transactions with owners, recognised directly in equity										
Dividend paid in respect of										
- previous financial year	—	—	—	—	—	(5,607)	—	(5,607)	(525)	(6,132)
Total	—	—	447	—	—	(6,054)	—	(5,607)	(525)	(6,132)
Balance at 31 December 2016	113,880	1,916	6,252	42,684	166	185,973	15,084	365,955	10,718	376,673

Notes:

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

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 in prior years.

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 2017	113,880	1,916	130,000	245,796
Profit for the year, representing total comprehensive income for the year	—	—	2,211	2,211
Transactions with owners, recognised directly in equity				
Dividend paid in respect of				
- previous financial year	—	—	(11,215)	(11,215)
Balance at 31 December 2017	113,880	1,916	120,996	236,792
Balance at 1 January 2016	113,880	1,916	131,839	247,635
Profit for the year, representing total comprehensive income for the year	—	—	3,768	3,768
Transactions with owners, recognised directly in equity				
Dividend paid in respect of				
- previous financial year	—	—	(5,607)	(5,607)
Balance at 31 December 2016	113,880	1,916	130,000	245,796

Consolidated Statement of Cash Flows

	CY2017 US$'000	CY2016 US$'000
Operating activities		
Profit before taxation	**42,743**	16,567
Adjustments for:		
Allowance for doubtful debts	**1,389**	3,943
Finance costs	**1,230**	1,584
Depreciation of property, plant and equipment	**35,703**	37,573
Amortisation of prepaid land use rights	**164**	164
Gain on disposal of property, plant and equipment	**(231)**	(39)
Impairment loss recognised in respect of property, plant and equipment	**—**	5,000
Gain on fair value change of investment properties	**(1,767)**	(1,091)
Allowance for inventory obsolescence	**2,629**	2,211
Interest income	**(102)**	(20)
Operating income before movements in working capital	**81,758**	65,892
Increase in inventories	**(13,470)**	(2,901)
Increase in trade, bills and other receivables	**(39,697)**	(3,682)
Increase (decrease) in trade, bills and other payables	**48,047**	(3,555)
Net cash generated from operations	**76,638**	55,754
Interest income received	**102**	20
Interest paid	**(1,458)**	(1,781)
Income taxes paid	**(3,716)**	(3,427)
Net cash from operating activities	**71,566**	50,566
Investing activities		
Proceeds from disposal of property, plant and equipment	**323**	5,938
Purchase of property, plant and equipment	**(61,852)**	(17,724)
Deposits paid for acquisition of property, plant and equipment	**(8,756)**	(4,396)
Net cash used in investing activities	**(70,285)**	(16,182)

	CY2017 US$'000	CY2016 US$'000
Financing activities		
Proceeds from bank borrowings	**59,688**	37,900
Repayment of bank borrowings	**(41,642)**	(58,045)
Dividends paid by the Company	**(11,215)**	(5,607)
Dividends paid by subsidiary companies to non-controlling shareholders	**—**	(525)
Net cash from (used in) financing activities	**6,831**	(26,277)
Net increase in cash and cash equivalents	**8,112**	8,107
Cash and cash equivalents at the beginning of the year	**18,651**	10,950
Effect of foreign exchange rate changes on the balances of cash held in foreign currencies, net	**(778)**	(406)
Cash and cash equivalents at the end of the year	**25,985**	18,651
Cash and cash equivalents consist of:		
Cash and bank balances	**25,985**	18,651

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 2017 as the most recent audited financial statements as at 31 December 2016.

Adoption of new and revised standards

On 1 January 2017, the Group and the Company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations.

The adoption of these new or revised FRSs and INT FRS does not result in change to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except for certain presentation improvements arising from Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*.

Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes. The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities will be disclosed in the notes to the financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

Pronouncements issued but not yet effective

Adoption of a new financial reporting framework in 2018 - In December 2017, the Accounting Standards Council ("ASC") has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)"), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange ("SGX"), for annual periods beginning on or after 1 January 2018. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Group and the Company will be adopting the new framework for the first time for financial year ending 31 December 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Company's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below).

Management will not be electing the transition option to use fair value as the deemed cost for certain properties and to reset the translation reserve to zero as at date of transition.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at 31 December 2018, they may impact the disclosures of estimated effects described below.

New SFRS(I) that may have impact - The following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application under the new SFRS(I) framework:

Effective for annual periods beginning on or after 1 January 2018

- SFRS(I) 9 *Financial Instruments*

- SFRS(I) 15 *Revenue from Contracts with Customers*

- SFRS(I) 1-40 Investment Property

- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

Effective for annual periods beginning on or after 1 January 2019

- SFRS(I) 16 *Leases*

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

Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 *Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of initial adoption except for the following:

SFRS(I) 9 *Financial instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

Management anticipate that the initial application of the new SFRS(I) 9 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Additional disclosures will also be made in respect of financial instruments including any significant judgement and estimation made. Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) 9 and has anticipated that the adoption of SFRS(I) 9 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption. Management does not plan to early adopt the new SFRS(I) 9.

SFRS(I) 15 *Revenue from contracts with customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Management anticipate that the initial application of the new SFRS(I) 15 will result in changes to the accounting policies relating to revenue recognition. Additional disclosures will also be made in respect of trade receivables and revenue recognition, including any significant judgement and estimation made. Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) 15 and has anticipated that the adoption of SFRS(I) 15 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption. Management does not plan to early adopt the new SFRS(I) 15.

SFRS(I) 1-40 *Investment Property: Transfers of Investment Property*

The pronouncement:

- retains the requirement that a transfer into, or out of, investment property can be made when, and only when, evidence of a change of use of the property exists.

- clarifies that the list of events constituting evidence of a change of use has occurred are only examples.

Management anticipate that the initial application of the new SFRS(I) 1-40 will result in changes to the accounting policies relating to transfers of investment property. Additional disclosures will also be made in respect of investment property, including any significant judgement and estimation made. Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) 1-40 and has anticipated that the adoption of SFRS(I) 1-40 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption. Management does not plan to early adopt the new SFRS(I) 1-40.

SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation applies to a foreign currency transaction when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

The Interpretation clarifies that:

- the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

- if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Management anticipate that the initial application of the new SFRS(I) INT 22 will result in changes to the accounting policies relating to foreign currency transaction and advance consideration. Additional disclosures will also be made in respect of advance consideration, including any significant judgement and estimation made. Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) INT 22 and has anticipated that the adoption of SFRS(I) INT 22 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption. Management does not plan to early adopt the new SFRS(I) INT 22.

SFRS(I) 16 *Leases*

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

Management anticipate that there is no significant impact on financial statements other than certain accounting policies and additional disclosures relating to leases on the initial application of SFRS(I) 16. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the above new SFRS(I) 16.

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

The Interpretation provides guidance on determining the accounting tax position when there is uncertainty over income tax treatments.

The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and

- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

    - if probable, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

    - if not probable, the entity should reflect the effect of uncertainty in determining its accounting tax position.

Management anticipate that there is no significant impact on financial statements other than certain accounting policies and additional disclosures relating to income tax on the initial application of SFRS(I) INT 23. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the above new SFRS(I) INT 23.

Amendments to SFRS(I) 10 *Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The pronouncement addresses the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. In a transaction involving an associate or a joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

When an entity sells or contributes assets that constitute a business to a joint venture or associate, or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised in full.

When an entity sells or contributes assets that do not constitute a business to a joint venture or associate, or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised only to the extent of the unrelated investors' interests in the joint venture or associate, i.e. the entity's share of the gain or loss is eliminated.

Management does not plan to early adopt the amendments to SFRS(I) 10 and SFRS(I) 1-28.

2. **Revenue and segment information**

The Group's operating activities are attributable to two reporting and operating segments on (i) fabrication and distribution of printed circuit boards ("**PCB**"); and (ii) property investment. These reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conform to FRS, that are regularly reviewed by the Executive Directors of the Company.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December 2017	**Fabrication and distribution of PCB**	**Property investment**	**Consolidated**
	US$'000	US$'000	US$'000
Segment revenue			
Revenue from external customers	493,547	6,841	500,388
Segment Results	36,387	7,535	43,922
Corporate and other unallocated expenses			(1,179)
Profit before taxation			42,743

For the year ended 31 December 2016	Fabrication and distribution of PCB US$'000	Property investment US$'000	Consolidated US$'000
Segment revenue			
Revenue from external customers	472,226	5,911	478,137
Segment Results	11,710	5,884	17,594
Corporate and other unallocated expenses			(1,027)
Profit before taxation			16,567

*Note: The directors of the Company ("**Directors**", and each, a "**Director**") are not aware of any transactions between the operating segments during the year.*

Breakdown of sales

		CY2017 **US$'000** **(Unaudited)**	CY2016 US$'000 (Unaudited)	% change
(a)	Sales reported for first half year	**235,102**	238,953	-1.6%
(b)	Operating profit after tax before deducting non-controlling interests reported for first half year	**16,814**	4,926	241.3%
(c)	Sales reported for second half year	**265,286**	239,184	10.9%
(d)	Operating profit after tax before deducting non-controlling interests reported for second half year	**19,971**	7,293	173.8%

3. Other operating income and gains

	CY2017 US$'000	CY2016 US$'000
Interest income	**102**	20
Compensation received (note)	**1,344**	—
Gain on disposal on property, plant and equipment	**231**	39
Gain on fair value changes of investment properties	**1,767**	1,091
Gain on foreign exchange	**747**	781
Others	**615**	676
	4,806	2,607

Note: The amount being the compensation received from PRC government for a piece of land being returned to PRC government in prior years.

4. Finance costs

	CY2017 US$'000	CY2016 US$'000
Interest on bank loans	**1,458**	1,781
Less: Amounts capitalised	**(228)**	(197)
	1,230	1,584

5. Income tax expense

	CY2017 US$'000	CY2016 US$'000
Current tax:		
Singapore income tax	**1**	1
PRC enterprise income tax	**3,869**	3,680
Hong Kong income tax	**453**	(12)
Other jurisdictions	**—**	—
	4,323	3,669
Underprovision of current tax:		
PRC enterprise income tax	**—**	111
Hong Kong income tax	**—**	16
	—	127
Deferred tax for the year	**1,635**	552
	5,958	4,348

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

	CY2017	CY2016
	US$'000	US$'000
In respect of previous financial year		
Dividend paid:		
Final one-tier tax exempt dividend for 2016 of US$6.0 cents (2015: US$3.0 cents) per ordinary share	**11,215**	5,607

No dividend in respect of current financial year was paid or declared during both years.

The Directors have recommended a one-tier tax exempt final dividend of US$8.0 cents (2016: US$6.0 cents) per share amounting to US$14,954,000 (2016: US$11,215,000) to be payable in respect of the current financial year. This dividend will be recorded as a liability on the statement of financial position of the Company and of 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 and diluted earnings per share attributable to the owners of the Company is based on the following:

	CY2017	CY2016
	US$'000	US$'000
Earnings for the purpose of calculating basic & diluted earnings per share	**36,161**	11,387

	Number of shares	
	CY2017	CY2016
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic & diluted earnings per share	**186,920**	186,920
Earnings per share (US$ cents)		
- Basic & diluted	**19.35**	6.09

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

8. Net asset value

	Group		Company	
	2017	2016	**2017**	2016
	US$	US$	**US$**	US$
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*	**2.15**	2.02	**1.27**	1.32

* Based on 186,919,962 issued shares as at 31 December 2017 (31 December 2016: 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$70.6 million (CY2016: approximately US$22.6 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	
	2017	2016
	US$'000	US$'000
Trade receivables		
- Third parties	**172,109**	135,205
- Related companies (note)	**5,229**	4,298
Less: Allowance for doubtful debts	**(9,058)**	(7,980)
	168,280	131,523
Bills receivables	**3,555**	3,341
Total	**171,835**	134,864

Note: Related companies 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	
	2017	2016
	US$'000	US$'000
Within 90 days	**133,674**	113,882
91 to 180 days	**34,606**	17,641
Over 180 days	**—**	—
	168,280	131,523

At the end of the reporting period, the bills receivables were aged within 180 days (31 December 2016: within 180 days).

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

11. Inventories

	GROUP	
	2017	2016
	US$'000	US$'000
Raw materials	**11,180**	8,525
Work-in-progress	**16,402**	11,469
Finished goods	**16,574**	13,321
	44,156	33,315

12. Trade and bills payables

	GROUP	
	2017	2016
	US$'000	US$'000
Trade payables		
- Third parties	**89,129**	68,248
- Related companies (note)	**43,883**	39,984
	133,012	108,232
Bills payables	**17,293**	308
Total	**150,305**	108,540

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

Trade and bills 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	
	2017	2016
	US$'000	US$'000
Within 90 days	**92,699**	78,415
91 to 180 days	**28,695**	18,695
Over 180 days	**11,618**	11,122
	133,012	108,232

At the end of the reporting period, the bills payables were aged within 180 days (31 December 2016: within 180 days). The bills payables mainly related to the purchase of equipment via the payment mode of issuing irrevocable letters of credits.

13. Bank loans

	GROUP	
	2017	2016
	US$'000	US$'000
Unsecured:		
Bank loans	**73,228**	55,182
Carrying amounts repayable:		
- Within one year	**47,286**	49,523
- More than one year	**25,942**	5,659
	73,228	55,182

The Group's total external borrowings increased by approximately 32.7% to approximately US$73.2 million as at 31 December 2017 from 31 December 2016, due to draw down of additional loans in 2017.

14. Share capital

As at 31 December 2017, the Company had a total of 186,919,962 (31 December 2016: 186,919,962) issued ordinary shares excluding treasury shares.

15. Share options

There were no share options outstanding as at 31 December 2017 and 31 December 2016, 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	
	CY2017	CY2016
	US$'000	US$'000
Capital expenditure not provided for in the financial statements:		
Commitments in respect of contracts placed for plant expansion	**28,867**	5,335

17. Net current assets and total assets less current liabilities

As at 31 December 2017, the Group's net current assets, defined as current assets less current liabilities, amounted to approximately US$18.0 million (31 December 2016: approximately US$9.1 million).

As at 31 December 2017, the Group's total assets less current liabilities amounted to approximately US$429.3 million (31 December 2016: approximately US$383.7 million).

18. Reconciliation between FRS and International Financial Reporting Standards ("IFRS")

For the year ended 31 December 2017, there were no material differences between the consolidated financial statements of the Group prepared under FRS and IFRS.

BUSINESS REVIEW

The Company is delighted to announce its results for the financial year ended 31 December 2017 (the "**Year under Review**" or "**CY2017**"). During the Year under Review, global demand for the electronics-related industries exhibited growth, which brought along greater demand for printed circuit board ("**PCB**") and laminates. The number of orders our Group received maintained a steady growth. Benefitting from increased market demand growth and shortage of laminates upstream materials, the price of laminates increased significantly. The Group improved its production efficiency proactively and achieved satisfactory results and thereby increased our profit margin.

The Group's revenue for CY2017 increased by 4.7% to approximately US$500.4 million (CY2016: US$478.1 million). The Group's gross profit increased by 34.9% to US$70.7 million in CY2017 as compared with that of CY2016 (CY2016: US$52.4 million), and gross margin grew to 14.1% (CY2016: 11.0%). The increase in gross profit was primarily attributable to the increased sales and expanded profit margin. The Group's net attributable profit (profit after tax and non-controlling interests) increased by 217.6% to US$36.2 million in CY2017, as compared with US$11.4 million in CY2016.

The Group's financial position remained healthy throughout the Year under Review. The Board has recommended a final one-tier tax exempt dividend of US$8.0 cents per share to shareholders of the Company, which will be subject to the shareholders' approval at the forthcoming annual general meeting.

To achieve a long-term growth potential, the Group continued to maintain a balanced portfolio of products. During the Year under Review, communication & networking products (including mobile phones) accounted for about 48.8% (CY2016: 50.6%) of the Group's PCB sales, while automotive PCB sales accounted for about 21.5% (CY2016: 22.8%) of the Group's PCB sales. Other products (including computer & peripherals, consumer electronics and industrial related products) accounted for about 29.7% (CY2016: 26.6%) of the Group's PCB sales. High Density Interconnect ("HDI") PCB accounted for approximately 27.3% (CY2016: 30.0%) of the Group's PCB sales.

Income tax expense increased by 37.0% from US$4.3 million in CY2016 to US$6.0 million in CY2017 , 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 that may render the audited financial results CY2017 to be false or misleading in any material respect.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2017, the Group's net current assets was approximately US$18.0 million (31 December 2016: approximately US$9.1 million), making the current ratio 1.08 as compared to 1.05 as at 31 December 2016.

The net working capital cycle was 35 days as at 31 December 2017 (31 December 2016: 34 days) based on the following key metrics:

- Inventories, in terms of stock turnover days, increased to 28 days (31 December 2016: 25 days).

- Trade receivables, in terms of debtors turnover days, increased to 109 days (31 December 2016: 101 days).

- Trade payables, in terms of creditors turnover days, increased to 102 days (31 December 2016: 92 days).

The Group's net gearing ratio (which is the ratio of interest bearing borrowings net of cash and cash equivalents to total equity) as at 31 December 2017 was approximately 11.8% (31 December 2016: 9.7%). As at 31 December 2017, the proportion of short-term and long-term bank borrowings stood at 65%: 35% (31 December 2016: 90%: 10%). The total equity of the Group, as at 31 December 2017, was approximately US$401.4 million (31 December 2016: approximately US$376.7 million). As at 31 December 2017, the Group had cash on hand and undrawn loan facilities of approximately US$26.0 million and US$34.7 million respectively.

The Group's transactions and monetary assets are principally denominated in United States dollars, Renminbi and Hong Kong dollars. The Group did not face any material foreign exchange exposure during the Year under Review.

HUMAN RESOURCES

As at 31 December 2017, the Group had approximately 8,700 employees (31 December 2016: approximately 8,700). The salaries of employees are maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and the minimum wage guidelines prescribed by the relevant local government from time to time. The Group awards discretionary bonuses to eligible employees based upon profit target achievements of the Company and individual performance.

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

PROSPECTS

As the Company progresses into the new financial year, the operating environment for the PCB industry remains challenging. The Group is in the process of upgrading its production facilities in order to optimize its product performance, and in the long run, the Group plans to strengthen its scale in production automation, with a view to exercise further control over the operation costs, and to achieve production management model of higher quality, greater stability and improved efficiency, so as to enhance the Group's competitiveness. The Group's laminates business will continue its focus on thin laminates, and further increase its annual production capacity from 4.8 million sheets to 8.0 million sheets to capture business opportunities in the laminates market. In addition, the Group is in the process of constructing an industrial building in Guangzhou, the PRC by utilising our existing land with a total net floor area of approximately 60,000 sqm. will be leased in return for rental income after the completion of the project. It is expected that the project will bring about a rental income of around US$300,000 to US$400,000 per month to the Group in the future.

The Company place emphasis on product quality control to meet the customer's needs. Our engineering team endeavoured to expand the Group's customer base as well as obtain qualification in respect of its new projects. The Group is confident that it will be able to obtain more orders and increase our market share in each of its target markets.

FINAL DIVIDEND

The proposed final dividend of US$8.0 cents per share, the payment of which is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company, is to be payable on Friday, 25 May 2018.

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 and/or redemption by the Company or any of its subsidiaries, of the Company's listed securities on the SEHK.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed, with the management and auditors, 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 CY2017.

COMPLIANCE WITH THE HONG KONG CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

During the 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, subject to re-election.

All the existing non-executive directors (except Mr. Ong Shen Chieh ("**Mr. Ong**") for the reason disclosed in "2. Deviation from Code Provision A.4.2" below) of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with "Article 95 — Election of Directors" of the Articles of Association of the Company that one-third of its directors (prioritised by the length of service since a director's previous re-election or appointment) shall retire or offer themselves for re-election by shareholders at every annual general meeting of the Company. This effectively means that no director (except Mr. Ong for the reason disclosed in "2. Deviation from Code Provision A.4.2" below) will remain in office for more than three years without being re-elected by the Company's shareholders at a general meeting of the Company or otherwise. 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 A.4.2

Under Code Provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Companies Act of Singapore requires that company incorporated in Singapore shall have, at all times, at least one director who is ordinarily resident in Singapore. Mr. Ong, the only Singapore resident director of the Company, is due to retire at the forthcoming annual general meeting of the Company in accordance with Article 96 of the Company's Articles of Association, and shall be eligible for election. As advised by the Company's Singapore legal adviser, Mr. Ong cannot be subject to Code Provision A.4.2 of the CG code to retire by rotation and re-election at the annual general meeting of the company. The Company would run the risk of violating the Companies Act of Singapore as if Mr. Ong were to be subject to the requirement to retire at the annual general meeting of the company, there will be no Singapore resident director existing in the Company immediately following Mr. Ong's retirement.

In order to comply with this Code Provision without violating the Companies Act of Singapore, the Company will consider as and when appropriate to add one more Singapore resident director to the Board so that two Singapore resident directors can choose to retire alternately avoid the absence of a Singapore resident director at any one time.

3. Deviation from Code Provision E.1.2

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

The Chairman of the Board, Mr. Cheung Kwok Wing, was unable to attend the annual general meeting of the Company held on 28 April 2017 ("**2017 AGM**") due to business reasons. He delegated the duty of answering and addressing questions raised by the shareholders of the Company at the 2017 AGM to the Vice Chairman and Executive Director, Ms. Stephanie Cheung Wai Lin, who assumes the duty of chief executive officer of the Company.

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

Non-compliance with Rules 3.10(1) and 3.21 of the HK Listing Rules

As at the date of the 2017 AGM, Professor Raymond Leung Hai Ming ("Mr. Leung") had served the Company as an independent non-executive Director for over nine (9) years. To ensure the independence of the independent non-executive Directors and maintain the Company's standards of good corporate governance practices, Mr. Leung did not offer himself for re-election at the 2017 AGM, and, accordingly, he ceased to be an independent non-executive Director upon the conclusion of the 2017 AGM. Mr. Leung also ceased to be the chairman of the nomination committee and remuneration committee of the Board and member of the audit committee of the Board, with effect from the conclusion of the 2017 AGM.

Following the resignation of Mr. Leung, the Company has only two independent non-executive Directors, the number of independent non-executive Directors of the Board falls below the minimum number of independent non-executive directors required under Rule 3.10(1) of the HK Listing Rules. The Company did not fulfil the requirement on the minimum number of independent non-executive Directors for the formation of audit committee stipulates under Rule 3.21 of the HK Listing Rules. On 27 July 2017, Mr. Kong Tze Wing ("Mr. Kong") was appointed as an independent non-executive Director and a member of the audit committee of the Board, member of the nomination committee of the Board, and member of the remuneration committee of the Board. After the appointment of Mr. Kong, the Company complies with the requirements of Rules 3.10 and 3.21 of the HK Listing Rules, and had three independent non-executive directors and the audit committee of the Board comprised three members.

HONG KONG CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by its directors and relevant employees (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. A copy of the internal memorandum is circulated to each 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 such 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 2017.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The figures for CY2017, prepared in accordance with 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 other comprehensive income, statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2017 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 2017, 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 US$'000	Aggregate value of all interested person transactions during the period under review (including transactions less than S$100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than S$100,000)	
	CY2017	CY2016	**CY2017**	CY2016
Purchases of plant and equipment				
Chung Shun Laminates (Macao Commercial Offshore) Limited	**—**	—	**4,613**	5,526
	—	—	**4,613**	5,526
Purchases of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	**—**	—	**87,013**	109,672
Delta Realty Limited	**52**	—	**—**	—
Elec & Eltek Corporate Services Limited	**82**	78	**—**	—
Heng Yang Kingboard Chemical Co., Ltd.	**—**	—	**1,865**	1,549
Hong Kong Fibre Glass Company Limited	**—**	—	**17,784**	16,206
Huizhou Chung Shun Chemical Company Limited	**—**	—	**1,219**	1,121
Techwise (Macao Commercial Offshore) Circuits Limited	**—**	—	**—**	14
	134	78	**107,881**	128,562
Provision of goods and services				
Chung Shun Laminates (Macau Commercial Offshore) Limited	**—**	—	**7,493**	5,036
Express Electronics (Suzhou) Co., Ltd.	**—**	—	**324**	3,014
Techwise (Macao Commercial Offshore) Circuits Limited	**—**	—	**17,241**	7,832
	—	—	**25,058**	15,882

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

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

DISCLOSURE PURSUANT TO RULE 704(13) SGX LISTING MANUAL

Please refer to the Company's other announcement made on 1 March 2018.

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

Hong Kong, 1 March 2018

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 Director:-
Cheung Kwok Wing (Chairman)

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

Appendix 1

The auditors' report on the full financial statements of Elec & Eltek International Company Limited for the financial year ended 31 December 2017 is as follows:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
ELEC & ELTEK INTERNATIONAL COMPANY LIMITED
For the financial year ended 31 December 2017

Opinion

We have audited the accompanying financial statements of Elec & Eltek International Company Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated 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 the notes to the financial statements, including a summary of significant accounting policies as set out on pages [●] to [●].

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority's ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Allowance for inventory obsolescence	
As at 31 December 2017, the carrying amount of the Group's inventories amounting to US$44,156,000, net of allowance amounting to US$5,642,000. The Group has made allowance for slow moving and obsolete inventories during the year amounting to US$2,629,000. The value of the inventory and the usage are affected by market demand and storage condition of the inventory. Management is required to assess the need for allowance for obsolete and/or slow-moving inventories which involves exercise of certain amount of judgement and estimate to determine whether: (a) Inventories are stated at the lower of cost or net realisable value; and (b) Allowance for obsolete and / or slow-moving inventories is adequate.	We tested the design and implementation of the relevant key controls over the valuation of inventories. We tested inventories to assess if they are stated at the lower of cost or net realisable value by comparing the actual sales value to the book value for a selected samples of finished goods and raw material. We looked out for slow moving and obsolete inventory during our attendance /observation of physical inventory count at year end. We considered the inventory ageing analysis of the Group at year end, and subsequent usage and sales of inventory after year end, taking into consideration the impact of changes in technology and customers' preference and our knowledge of the Group's business operations and the industry in which the Group operates.
These judgements include estimating future selling prices of finished products and future usability of raw materials and saleability of finished goods, taking into consideration changes in technology and customers' preference.	We discussed with management and challenged the assumptions used by management in arriving at the allowance for obsolete and/or slow-moving inventories and assessed the reasonableness and accuracy of the provisioning methodology.

Key audit matter	How our audit addressed the key audit matter
	The key judgement and estimation on the allowance for obsolete and/ or slow-moving inventories are disclosed in Note [●] to the financial statements, and further information related to inventories are provided in Note [●] to the financial statements.
Allowance for doubtful debts	
As at 31 December 2017, the Group has trade receivables amounting to US$168,280,000, net of allowance amounting to US$9,058,000. Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made. These judgement include estimating and evaluating expected future receipts from customers based on past payment trend, age of the debts, and knowledge of the customers' businesses and financial condition.	We tested the design and implementation of the relevant key controls over the assessment and monitoring of credit risks. We discussed with management and evaluated their assessment on the recoverability of the outstanding debts and the adequacy of allowance made based on trade receivables ageing analysis, collections subsequent to the end of the reporting period, past collection history and trend analysis and knowledge of the businesses, with focus on long outstanding debts and debts which are past due but not impaired. The key assumptions and estimation on allowance for doubtful debts and the Group's credit risk management are disclosed in Notes [●] and [●] to the financial statements, and further information related to trade and bills receivables is provided in Note [●] to the financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Investment properties	
The carrying amount of Group's investment properties as at 31 December 2017 is US$101,692,000. The investment properties are stated at fair value, determined based on valuation performed by independent professional external valuers using the direct comparison method. The valuation of investment properties requires the application of significant judgement and estimation in determining the appropriate valuation methodology to be used, use of subjective assumptions and various unobservable inputs. The valuation is sensitive to underlying assumptions applied by the valuers such as market comparable used and the capitalisation rate may have a significant impact to the valuation.	We assessed competency, capability and objectivity of the independent professional external valuers and read the terms of engagements of the valuers to determine whether there were any matters which might affect their objectivity or impede their scope of work. We assessed the valuation methodology (direct comparison method), assumptions and estimates used against general market practice for similar property type. We held discussions with the valuers both with and without presence of the management to discuss and understand the valuation process, the valuation methodology, performance of the properties and the significant judgement and assumptions applied, including future lease income and yields. We have also considered the adequacy and appropriateness of the disclosures made in the financial statements, including description of the inherent degree of subjectivity relating to significant unobservable inputs.

Key audit matter	How our audit addressed the key audit matter
	The key judgement and estimation on investment properties are disclosed in Note [●] to the financial statements, and further information related to investment properties, including the valuation techniques, the key inputs and the inter-relationships between the inputs and valuation is provided in Note [●] to the financial statements.
Impairment of property, plant and equipment	
The carrying amount of the Group's property, plant and equipment at 31 December 2017 is US$286,660,000.	We tested the relevant key controls over the assessment of impairment of property, plant and equipment;
One of the subsidiaries which has property, plant and equipment with total carrying amount of US$14,499,000 at 31 December 2017 reported a loss for the financial year.	We assessed and evaluated management's assessment for indicators of impairment of property, plant and equipment based on the financial information of the relevant CGUs;
Management is required to carry out an impairment assessment of property, plant and equipment on an annual basis. The impairment assessment requires evaluating whether any indicators of impairment existed in the property, plant and equipment by reference to the profitability of the relevant Cash Generating Units ("CGUs"). Where there are indicators, significant judgement and estimation is required in determining the recoverable amount of these property, plant and equipment using the value-in-use. Calculation determined by discounting the future cash flows from the continuing use of these property, plant and equipment to be generated from the relevant CGUs.	We assessed and evaluated the estimation of future profits/cash flows of the relevant CGUs, and challenged management's underlying assumptions, such as growth rates, gross profit margin and discount rates used in estimating and discounting the future profits/cash flows projections of the relevant CGUs by comparing against historical data/trend, market trend and comparable data of companies within the same industry or publicly available independent data and our knowledge of the business operations of the relevant CGUs; and

Key audit matter	How our audit addressed the key audit matter
	We assessed the robustness of the estimation of future profits/cash flow projections by comparing the prior years estimated profits/cash flows to the actual profits/cash flows achieved by the relevant CGUs to support the reliability and reasonableness of management's assumptions and estimates used. The disclosure of the above significant estimates is provided in Note [●] to the financial statements, and further information related to the property, plant and equipment is provided in Note [●] to the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Statement, Corporate Profile, Financial Highlights and Calendar, Five Years' Financial Summary, Corporate Information, Structure of the Group, Chairman's Statement, Profiles of Board of Directors and Core Management and Interested Persons Transactions but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Report on Corporate Governance and Statistic of Shareholdings, which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is material misstatement on this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information which are expected to be made available to us after the date of this auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs. We have not performed our work at the date of this auditor's report.

Responsibilities of Management and Directors 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 Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a 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 view financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner responsible for the audit resulting in this independent auditor's report is Mr. Kee Cheng Kong, Michael.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

1 March 2018