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**Elec & Eltek 依利安達**

**Elec & Eltek International Company Limited**

**依利安達集團有限公司\***

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

**Singapore Company Registration Number: 199300005H**

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

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

## **AUDITED FINANCIAL RESULTS AND DIVIDEND ANNOUNCEMENT FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2018**

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 “**HK Listing Rules**”). 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 (International) (“**SFRS(I)**”) 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 |                 |          |
|---|---------------------------------|-----------------|----------|
|   | 2018                            | 2017            | % Change |
|   | US\$'000                        | US\$'000        |          |
| Revenue   | 602,634                         | 500,388         | 20.4%    |
| EBITDA  | 74,867                          | 79,738          | -6.1%    |
| EBITDA margin                                       | 12.4%                           | 15.9%           |          |
| Profit before tax                                   | 32,670                          | 42,743          | -23.6%   |
| Net profit attributable to owners of<br>the Company | 24,299                          | 36,161          | -32.8%   |
| Basic and diluted earnings<br>per share             | US\$13.00 cents                 | US\$19.35 cents | -32.8%   |
| Full-year dividend per share                        |                                 |                 |          |
| - Proposed final dividend per share                 | US\$4.00 cents                  | US\$8.00 cents  | -50.0%   |
| Dividend payout ratio                               | 30.8%                           | 41.3%           |          |
| Net asset value per share                           | US\$2.19                        | US\$2.15        | 1.9%     |
| Net gearing ratio                                   | 20.5%                           | 11.8%           |          |

## 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 2018 (“**CY2018**” or, the “**Year under Review**”) together with the comparative figures for the year ended 31 December 2017 (“**CY2017**”).

### Consolidated Statement of Profit or Loss

|                                     | Notes | <b>CY2018</b><br>US\$'000 | CY2017<br>US\$'000 | % Change |
|-------------------------------------|-------|---------------------------|--------------------|----------|
| <b>Revenue</b>                      | 2     | <b>602,634</b>            | 500,388            | 20.4%    |
| Cost of sales                       |       | <b>(538,049)</b>          | (429,704)          | 25.2%    |
| <b>Gross profit</b>                 |       | <b>64,585</b>             | 70,684             | -8.6%    |
| <i>Gross profit margin</i>          |       | <b>10.7%</b>              | 14.1%              |          |
| Other operating income and gains    | 3     | <b>6,653</b>              | 4,806              | 38.4%    |
| Distribution and selling costs      |       | <b>(10,096)</b>           | (10,401)           | -2.9%    |
| Administrative expenses             |       | <b>(26,107)</b>           | (19,240)           | 35.7%    |
| Other operating expenses and losses |       | <b>(414)</b>              | (1,876)            | -77.9%   |
| Finance costs                       | 4     | <b>(1,951)</b>            | (1,230)            | 58.6%    |
| <b>Profit before taxation</b>       |       | <b>32,670</b>             | 42,743             | -23.6%   |
| Income tax expense                  | 5     | <b>(7,755)</b>            | (5,958)            | 30.2%    |
| <b>Profit for the year</b>          |       | <b><u>24,915</u></b>      | <u>36,785</u>      | -32.3%   |
| Profit attributable to:             |       |                           |                    |          |
| Owners of the Company               |       | <b>24,299</b>             | 36,161             | -32.8%   |
| Non-controlling interests           |       | <b>616</b>                | 624                | -1.3%    |
|                                     |       | <b><u>24,915</u></b>      | <u>36,785</u>      | -32.3%   |
| Earnings per share<br>(US\$ cents)  |       |                           |                    |          |
| - Basic and diluted                 | 7     | <b><u>13.00</u></b>       | <u>19.35</u>       | -32.8%   |

## Notes to Consolidated Statement of Profit or Loss:

|   | CY2018<br>US\$'000 | CY2017<br>US\$'000 | % Change |
|---|--------------------|--------------------|----------|
| Depreciation of property, plant and equipment | 39,952             | 35,703             | 11.9%    |
| Amortisation of prepaid land use rights       | 399                | 164                | 143.3%   |
| Allowance for expected credit losses          | 267                | 1,389              | -80.8%   |
| Bad trade debts written off                   | 4,707              | —                  | N/A      |
| Allowance for inventory obsolescence          | 3,413              | 2,629              | 29.8%    |

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

|  | CY2018<br>US\$'000   | CY2017<br>US\$'000   | % Change |
|--|----------------------|----------------------|----------|
| <b>Profit for the year</b>   | <b><u>24,915</u></b> | <b><u>36,785</u></b> | -32.3%   |
| 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 | <u>(1,382)</u>       | <u>(875)</u>         | 57.9%    |
| Total comprehensive income for the year  | <b><u>23,533</u></b> | <b><u>35,910</u></b> | -34.5%   |
| Total comprehensive income attributable to:  |                      |                      |          |
| Owners of the Company  | 22,917               | 35,286               | -35.1%   |
| Non-controlling interests  | <u>616</u>           | <u>624</u>           | -1.3%    |
|  | <b><u>23,533</u></b> | <b><u>35,910</u></b> | -34.5%   |

## Statements of Financial Position

|  |  | <b>GROUP</b>       |                |                |
|--|--|--------------------|----------------|----------------|
|  |  | <b>31 December</b> | 31 December    | 1 January      |
|  |  | <b>2018</b>        | 2017           | 2017           |
| Notes  |  | US\$'000           | US\$'000       | US\$'000       |
| <b>ASSETS</b>  |  |                    |                |                |
| <b>Current assets</b>                                  |  |                    |                |                |
|  | Cash and bank balances                             | 25,077             | 25,985         | 18,651         |
|  | Trade receivables                                  | 186,477            | 168,280        | 131,523        |
|  | Bills receivables                                  | 1,148              | 3,555          | 3,341          |
|  | Other receivables                                  | 13,294             | 13,216         | 11,879         |
|  | Prepaid land use rights                            | 399                | 399            | 399            |
|  | Inventories  | 39,631             | 44,156         | 33,315         |
|  | <b>Total current assets</b>                        | <b>266,026</b>     | <b>255,591</b> | <b>199,108</b> |
| <b>Non-current assets</b>                              |  |                    |                |                |
|  | Property, plant and equipment                      | 335,141            | 286,660        | 260,415        |
|  | Prepaid land use rights                            | 12,367             | 12,449         | 12,613         |
|  | Deposits for acquisition of plant<br>and equipment | 8,398              | 10,401         | 1,547          |
|  | Investment properties                              | 104,554            | 101,692        | 99,925         |
|  | Deferred tax assets                                | 39                 | 84             | 84             |
|  | <b>Total non-current assets</b>                    | <b>460,499</b>     | <b>411,286</b> | <b>374,584</b> |
|  | <b>Total assets</b>                                | <b>726,525</b>     | <b>666,877</b> | <b>573,692</b> |
| <b>LIABILITIES AND EQUITY</b>                          |  |                    |                |                |
| <b>Current liabilities</b>                             |  |                    |                |                |
|  | Bank loans   | 55,353             | 47,286         | 49,523         |
|  | Trade payables                                     | 150,176            | 133,012        | 108,232        |
|  | Bills payables                                     | 15,442             | 17,293         | 308            |
|  | Other payables                                     | 31,418             | 35,332         | 29,506         |
|  | Contract liabilities                               | 679                | 1,407          | 751            |
|  | Provision for taxation                             | 5,095              | 3,234          | 1,668          |
|  | <b>Total current liabilities</b>                   | <b>258,163</b>     | <b>237,564</b> | <b>189,988</b> |
| <b>Non-current liabilities</b>                         |  |                    |                |                |
|  | Bank loans   | 53,850             | 25,942         | 5,659          |
|  | Deferred tax liabilities                           | 3,403              | 2,003          | 1,372          |
|  | Deferred Income                                    | 1,162              | —              | —              |
|  | <b>Total non-current liabilities</b>               | <b>58,415</b>      | <b>27,945</b>  | <b>7,031</b>   |
| <b>Capital, reserves and non-controlling interests</b> |  |                    |                |                |
|  | Share capital                                      | 113,880            | 113,880        | 113,880        |
|  | Reserves   | 284,109            | 276,146        | 252,075        |
|  | Equity attributable to owners of<br>the Company    | 397,989            | 390,026        | 365,955        |
|  | Non-controlling interests                          | 11,958             | 11,342         | 10,718         |
|  | <b>Total equity</b>                                | <b>409,947</b>     | <b>401,368</b> | <b>376,673</b> |
|  | <b>Total liabilities and equity</b>                | <b>726,525</b>     | <b>666,877</b> | <b>573,692</b> |

## Statements of Financial Position

|  |  | <b>COMPANY</b>        |                    |                  |
|--|--|-----------------------|--------------------|------------------|
|  |  | <b>31 December</b>    | <b>31 December</b> | <b>1 January</b> |
|  |  | <b>2018</b>           | <b>2017</b>        | <b>2017</b>      |
| Notes  |  | <b>US\$'000</b>       | <b>US\$'000</b>    | <b>US\$'000</b>  |
| <b>ASSETS</b>  |  |                       |                    |                  |
| <b>Current assets</b>                                  |  |                       |                    |                  |
|  | Cash and bank balances                       | <b>98</b>             | 179                | 182              |
|  | Other receivables                            | <u>7</u>              | <u>1</u>           | <u>—</u>         |
|  | <b>Total current assets</b>                  | <u><b>105</b></u>     | <u>180</u>         | <u>182</u>       |
| <b>Non-current assets</b>                              |  |                       |                    |                  |
|  | Subsidiary companies                         | <u><b>474,747</b></u> | <u>470,324</u>     | <u>468,783</u>   |
|  | <b>Total non-current assets</b>              | <u><b>474,747</b></u> | <u>470,324</u>     | <u>468,783</u>   |
|  | <b>Total assets</b>                          | <u><b>474,852</b></u> | <u>470,504</u>     | <u>468,965</u>   |
| <b>LIABILITIES AND EQUITY</b>                          |  |                       |                    |                  |
| <b>Current liabilities</b>                             |  |                       |                    |                  |
|  | Other payables                               | <b>4,385</b>          | 2,258              | 3,590            |
|  | Amounts due to subsidiary companies          | <u><b>247,163</b></u> | <u>231,454</u>     | <u>219,579</u>   |
|  | <b>Total current liabilities</b>             | <u><b>251,548</b></u> | <u>233,712</u>     | <u>223,169</u>   |
| <b>Capital, reserves and non-controlling interests</b> |  |                       |                    |                  |
|  | Share capital                                | 14 <b>113,880</b>     | 113,880            | 113,880          |
|  | Reserves                                     | <u><b>109,424</b></u> | <u>122,912</u>     | <u>131,916</u>   |
|  | Equity attributable to owners of the Company | <u><b>223,304</b></u> | <u>236,792</u>     | <u>245,796</u>   |
|  | <b>Total equity</b>                          | <u><b>223,304</b></u> | <u>236,792</u>     | <u>245,796</u>   |
|  | <b>Total liabilities and equity</b>          | <u><b>474,852</b></u> | <u>470,504</u>     | <u>468,965</u>   |

## Statements of Changes in Equity

|  | Attributable to owners of the Company |  |   |  |   |                                |   |                    |  |                           |
|--|---------------------------------------|--|---|--|---|--------------------------------|---|--------------------|--|---------------------------|
|  | Share capital<br>US \$'000            | Capital reserve<br>US \$'000<br>(Note i) | Statutory reserve<br>US \$'000<br>(Note ii) | Revaluation reserve<br>US \$'000<br>(Note iii) | Other reserve<br>US \$'000<br>(Note iv) | Retained earnings<br>US \$'000 | Foreign currency translation reserve<br>US \$'000 | Total<br>US \$'000 | Non-controlling interests<br>US \$'000 | Total equity<br>US \$'000 |
| <b>THE GROUP</b>   |                                       |  |   |  |   |                                |   |                    |  |                           |
| Balance at 1 January 2018  | 113,880                               | 1,916                                    | 6,826                                       | 42,684   | 166                                     | 210,345                        | 14,209  | 390,026            | 11,342                                 | 401,368                   |
| <b>Total comprehensive income for the year</b>   |                                       |  |   |  |   |                                |   |                    |  |                           |
| Profit for the year  | —                                     | —  | —   | —  | —                                       | 24,299                         | —   | 24,299             | 616                                    | 24,915                    |
| Exchange differences arising on translation of foreign operations, representing other comprehensive expense for the year, net of tax | —                                     | —  | —   | —  | —                                       | —                              | (1,382)   | (1,382)            | —                                      | (1,382)                   |
| Total  | —                                     | —  | —   | —  | —                                       | 24,299                         | (1,382)   | 22,917             | 616                                    | 23,533                    |
| Transfer from retained earnings to statutory reserve   | —                                     | —  | 3,121                                       | —  | —                                       | (3,121)                        | —   | —                  | —                                      | —                         |
| Transactions with owners, recognised directly in equity  |                                       |  |   |  |   |                                |   |                    |  |                           |
| Dividend paid in respect of - previous financial year  | —                                     | —  | —   | —  | —                                       | (14,954)                       | —   | (14,954)           | —                                      | (14,954)                  |
| Total  | —                                     | —  | 3,121                                       | —  | —                                       | (18,075)                       | —   | (14,954)           | —                                      | (14,954)                  |
| Balance at 31 December 2018  | <u>113,880</u>                        | <u>1,916</u>                             | <u>9,947</u>                                | <u>42,684</u>                                  | <u>166</u>                              | <u>216,569</u>                 | <u>12,827</u>                                     | <u>397,989</u>     | <u>11,958</u>                          | <u>409,947</u>            |
| Balance at 1 January 2017  | 113,880                               | 1,916                                    | 6,252                                       | 42,684   | 166                                     | 185,973                        | 15,084  | 365,955            | 10,718                                 | 376,673                   |
| <b>Total comprehensive income for the year</b>   |                                       |  |   |  |   |                                |   |                    |  |                           |
| 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  | <u>113,880</u>                        | <u>1,916</u>                             | <u>6,826</u>                                | <u>42,684</u>                                  | <u>166</u>                              | <u>210,345</u>                 | <u>14,209</u>                                     | <u>390,026</u>     | <u>11,342</u>                          | <u>401,368</u>            |

*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 applicable 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<br>capital<br>US\$'000 | Capital<br>reserve<br>US\$'000 | Retained<br>earnings<br>US\$'000 | Total<br>equity<br>US\$'000 |
|---|------------------------------|--------------------------------|----------------------------------|-----------------------------|
| <b><u>THE COMPANY</u></b>   |                              |                                |                                  |                             |
| Balance at 1 January 2018   | 113,880                      | 1,916                          | 120,996                          | 236,792                     |
| Profit for the year, representing total comprehensive income for the year | —                            | —                              | 1,466                            | 1,466                       |
| Transactions with owners, recognised directly in equity                   |                              |                                |                                  |                             |
| Dividend paid in respect of   |                              |                                |                                  |                             |
| - previous financial year   | <u>—</u>                     | <u>—</u>                       | <u>(14,954)</u>                  | <u>(14,954)</u>             |
| Balance at 31 December 2018   | <u>113,880</u>               | <u>1,916</u>                   | <u>107,508</u>                   | <u>223,304</u>              |
| 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   | <u>—</u>                     | <u>—</u>                       | <u>(11,215)</u>                  | <u>(11,215)</u>             |
| Balance at 31 December 2017   | <u>113,880</u>               | <u>1,916</u>                   | <u>120,996</u>                   | <u>236,792</u>              |

## Consolidated Statement of Cash Flows

|   | CY2018<br>US\$'000 | CY2017<br>US\$'000 |
|---|--------------------|--------------------|
| <b>Operating activities</b>   |                    |                    |
| Profit before taxation  | 32,670             | 42,743             |
| Adjustments for:  |                    |                    |
| Allowance for expected credit losses  | 267                | 1,389              |
| Bad trade debts written off   | 4,707              | —                  |
| Finance costs   | 1,951              | 1,230              |
| Depreciation of property, plant and equipment                               | 39,952             | 35,703             |
| Amortisation of prepaid land use rights                                     | 399                | 164                |
| Gain on disposal of property, plant and equipment                           | (73)               | (231)              |
| Government grants relating to assets  | (20)               | —                  |
| Gain on fair value change of investment properties                          | (3,748)            | (1,767)            |
| Allowance for inventory obsolescence  | 3,413              | 2,629              |
| Interest income   | <u>(105)</u>       | <u>(102)</u>       |
| Operating income before movements in working capital                        | 79,413             | 81,758             |
| Increase in inventories   | (1,851)            | (13,470)           |
| Increase in trade, bills and other receivables                              | (25,175)           | (39,697)           |
| Increase in trade, bills and other payables and contract liabilities        | <u>19,587</u>      | <u>48,047</u>      |
| Net cash generated from operations  | 71,974             | 76,638             |
| Interest income received  | 105                | 102                |
| Interest paid   | (2,225)            | (1,458)            |
| Income taxes paid   | <u>(4,363)</u>     | <u>(3,716)</u>     |
| <b>Net cash from operating activities</b>                                   | <u>65,491</u>      | <u>71,566</u>      |
| <b>Investing activities</b>   |                    |                    |
| Proceeds from disposal of property, plant and equipment                     | 212                | 323                |
| Purchase of property, plant and equipment                                   | (79,169)           | (61,852)           |
| Additions to prepaid land use rights  | (128)              | —                  |
| Deposits paid for acquisition of property, plant and equipment              | (5,935)            | (8,756)            |
| Government grants received for acquisition of property, plant and equipment | <u>1,304</u>       | <u>—</u>           |
| <b>Net cash used in investing activities</b>                                | <u>(83,716)</u>    | <u>(70,285)</u>    |

|  | <b>CY2018</b><br><b>US\$'000</b> | CY2017<br>US\$'000 |
|--|----------------------------------|--------------------|
| <b>Financing activities</b>  |                                  |                    |
| Proceeds from bank borrowings  | <b>123,031</b>                   | 59,688             |
| Repayment of bank borrowings   | <b>(86,955)</b>                  | (41,642)           |
| Dividends paid by the Company  | <b>(14,954)</b>                  | (11,215)           |
| <b>Net cash from financing activities</b>  | <b><u>21,122</u></b>             | <u>6,831</u>       |
| <b>Net increase in cash and cash equivalents</b>   | <b>2,897</b>                     | 8,112              |
| <b>Cash and cash equivalents at the beginning of the year</b>  | <b>25,985</b>                    | 18,651             |
| <b>Effect of foreign exchange rate changes on the balances of cash held in foreign currencies, net</b> | <b>(3,805)</b>                   | (778)              |
| <b>Cash and cash equivalents at the end of the year</b>  | <b><u>25,077</u></b>             | <u>25,985</u>      |
| <b>Cash and cash equivalents consist of:</b>   |                                  |                    |
| Cash and bank balances   | <b><u>25,077</u></b>             | <u>25,985</u>      |

#### **1. Adoption of a new Financial Reporting Framework**

The Group and the Company adopted the new financial reporting framework - Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) for the first time for CY2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied 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 CY2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported Financial Reporting Standards (“**FRS**”) amounts are not presented for equity as at date of transition (1 January 2017) and as at the 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 CY2017) as there were no changes compared to amounts previously reported.

There are no change to the Group’s and the Company’s previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 and SFRS(I) 15 which are effective at the same time.

## 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:

|  | <b>Fabrication<br/>and<br/>distribution<br/>of PCB<br/>US\$'000</b> | <b>Property<br/>investment<br/>US\$'000</b> | <b>Consolidated<br/>US\$'000</b> |
|--|---|---|----------------------------------|
| <b>For the year ended 31 December 2018</b> |   |   |                                  |
| <b>Segment revenue</b>                     |   |   |                                  |
| Revenue from external customers            | <u>594,490</u>  | <u>8,144</u>                                | <u>602,634</u>                   |
| <b>Segment Results</b>                     | 24,326  | 9,477                                       | 33,803                           |
| Corporate and other unallocated expenses   |   |   | <u>(1,133)</u>                   |
| Profit before taxation                     |   |   | <u><u>32,670</u></u>             |
| <br>                                       |   |   |                                  |
|  | <b>Fabrication<br/>and<br/>distribution<br/>of PCB<br/>US\$'000</b> | <b>Property<br/>investment<br/>US\$'000</b> | <b>Consolidated<br/>US\$'000</b> |
| <b>For the year ended 31 December 2017</b> |   |   |                                  |
| <b>Segment revenue</b>                     |   |   |                                  |
| Revenue from external customers            | <u>493,547</u>  | <u>6,841</u>                                | <u>500,388</u>                   |
| <b>Segment Results</b>                     | 36,387  | 7,535                                       | 43,922                           |
| Corporate and other unallocated expenses   |   |   | <u>(1,179)</u>                   |
| Profit before taxation                     |   |   | <u><u>42,743</u></u>             |

*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

|   | <b>CY2018</b><br><b>US\$'000</b><br><b>(Unaudited)</b> | CY2017<br>US\$'000<br>(Unaudited) | % change |
|---|--|-----------------------------------|----------|
| (a) Sales reported for first half year  | <b>280,119</b>   | 235,102                           | 19.1%    |
| (b) Operating profit after tax before deducting non-controlling interests reported for first half year  | <b>15,088</b>  | 16,814                            | -10.3%   |
| (c) Sales reported for second half year   | <b>322,515</b>   | 265,286                           | 21.6%    |
| (d) Operating profit after tax before deducting non-controlling interests reported for second half year | <b>9,827</b>   | 19,971                            | -50.8%   |

### 3. Other operating income and gains

|   | <b>CY2018</b><br><b>US\$'000</b> | CY2017<br>US\$'000 |
|---|----------------------------------|--------------------|
| Interest income                                     | <b>105</b>                       | 102                |
| Compensation received (Note)                        | —                                | 1,344              |
| Gain on disposal on property, plant and equipment   | <b>73</b>                        | 231                |
| Gain on fair value changes of investment properties | <b>3,748</b>                     | 1,767              |
| Gain on foreign exchange                            | <b>739</b>                       | 747                |
| Government grants relating to assets                | <b>20</b>                        | —                  |
| Government research and development grants          | <b>1,056</b>                     | 523                |
| Others  | <b>912</b>                       | 92                 |
|   | <b><u>6,653</u></b>              | <u>4,806</u>       |

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

### 4. Finance costs

|                           | <b>CY2018</b><br><b>US\$'000</b> | CY2017<br>US\$'000 |
|---------------------------|----------------------------------|--------------------|
| Interest on bank loans    | <b>2,225</b>                     | 1,458              |
| Less: Amounts capitalised | <b>(274)</b>                     | (228)              |
|                           | <b><u>1,951</u></b>              | <u>1,230</u>       |

## 5. Income tax expense

|                           | <b>CY2018</b>       | CY2017              |
|---------------------------|---------------------|---------------------|
|                           | <b>US\$'000</b>     | US\$'000            |
| Current tax:              |                     |                     |
| Singapore income tax      | 7                   | 1                   |
| PRC enterprise income tax | 4,932               | 3,869               |
| Hong Kong income tax      | <u>403</u>          | <u>453</u>          |
|                           | <u>5,342</u>        | <u>4,323</u>        |
| Deferred taxation         | <u>2,413</u>        | <u>1,635</u>        |
|                           | <u><u>7,755</u></u> | <u><u>5,958</u></u> |

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

## 6. Dividend

|   | <b>CY2018</b>   | CY2017        |
|---|-----------------|---------------|
|   | <b>US\$'000</b> | US\$'000      |
| In respect of previous financial year   |                 |               |
| Dividend paid:  |                 |               |
| Final one-tier tax exempt dividend for 2017 of US\$8.0 cents (2016: US\$6.0 cents) per ordinary share | <u>14,954</u>   | <u>11,215</u> |

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\$4.0 cents (2017: US\$8.0 cents) per share amounting to US\$7,477,000 (2017: US\$14,954,000) 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:

|  | CY2018<br>US\$'000      | CY2017<br>US\$'000     |
|--|-------------------------|------------------------|
| Earnings for the purpose of calculating basic and diluted earnings per share                                   | <u>24,299</u>           | <u>36,161</u>          |
|  | <b>Number of shares</b> |                        |
|  | <b>CY2018<br/>'000</b>  | <b>CY2017<br/>'000</b> |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share | <u>186,920</u>          | <u>186,920</u>         |
| Earnings per share (US\$ cents)  |                         |                        |
| - Basic and diluted  | <u>13.00</u>            | <u>19.35</u>           |

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

## 8. Net asset value

|   | <u>Group</u>                             |                                |  | <u>Company</u>                           |                                |  |
|---|--|--------------------------------|--|--|--------------------------------|--|
|   | <b>31<br/>December<br/>2018<br/>US\$</b> | 31<br>December<br>2017<br>US\$ | <b>1<br/>January<br/>2017<br/>US\$</b> | <b>31<br/>December<br/>2018<br/>US\$</b> | 31<br>December<br>2017<br>US\$ | <b>1<br/>January<br/>2017<br/>US\$</b> |
| Net asset value (including non-controlling interests) per ordinary share based on total number of issued shares excluding treasury shares at the end of the period* | <u>2.19</u>                              | <u>2.15</u>                    | <u>2.02</u>                            | <u>1.19</u>                              | <u>1.27</u>                    | <u>1.31</u>                            |

\* Based on 186,919,962 issued shares as at 31 December 2018 (31 December 2017: 186,919,962, 1 January 2017: 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\$85.1 million (CY2017: approximately US\$70.6 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 depends 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

|  | <b>GROUP</b>                |                     |                           |
|--|-----------------------------|---------------------|---------------------------|
|  | <b>31 December<br/>2018</b> | 31 December<br>2017 | <b>1 January<br/>2017</b> |
|  | <b>US\$'000</b>             | US\$'000            | <b>US\$'000</b>           |
| Trade receivables                          |                             |                     |                           |
| - Third parties                            | <b>179,250</b>              | 172,109             | <b>135,205</b>            |
| - Related companies (Note)                 | <b>12,721</b>               | 5,229               | <b>4,298</b>              |
| Less: Allowance for expected credit losses | <b>(5,494)</b>              | (9,058)             | <b>(7,980)</b>            |
|  | <b>186,477</b>              | 168,280             | <b>131,523</b>            |
| Bills receivables                          | <b>1,148</b>                | 3,555               | <b>3,341</b>              |
| Total                                      | <b><u>187,625</u></b>       | <u>171,835</u>      | <b><u>134,864</u></b>     |

*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 expected credit losses presented based on the relevant invoice dates at the end of the reporting period:

|                | <b>GROUP</b>                |                     |                           |
|----------------|-----------------------------|---------------------|---------------------------|
|                | <b>31 December<br/>2018</b> | 31 December<br>2017 | <b>1 January<br/>2017</b> |
|                | <b>US\$'000</b>             | US\$'000            | <b>US\$'000</b>           |
| Within 90 days | <b>156,701</b>              | 133,674             | <b>113,882</b>            |
| 91 to 180 days | <b>29,776</b>               | 34,606              | <b>17,641</b>             |
|                | <b><u>186,477</u></b>       | <u>168,280</u>      | <b><u>131,523</u></b>     |

At the end of the reporting period, the bills receivables were aged within 180 days (31 December 2017: within 180 days, 1 January 2017: within 180 days).

Trade receivables are non-interest bearing and generally on 30 to 120 days' credit terms (31 December 2017: 30 to 120 days, 1 January 2017: 30 to 120 days).



## 11. Inventories

|                  | <b>GROUP</b>                |                     |                           |
|------------------|-----------------------------|---------------------|---------------------------|
|                  | <b>31 December<br/>2018</b> | 31 December<br>2017 | <b>1 January<br/>2017</b> |
|                  | <b>US\$'000</b>             | US\$'000            | <b>US\$'000</b>           |
| Raw materials    | <b>11,477</b>               | 11,180              | <b>8,525</b>              |
| Work-in-progress | <b>11,903</b>               | 16,402              | <b>11,469</b>             |
| Finished goods   | <b>16,251</b>               | 16,574              | <b>13,321</b>             |
|                  | <b><u>39,631</u></b>        | <u>44,156</u>       | <b><u>33,315</u></b>      |

## 12. Trade and bills payables

|                            | <b>GROUP</b>                |                     |                           |
|----------------------------|-----------------------------|---------------------|---------------------------|
|                            | <b>31 December<br/>2018</b> | 31 December<br>2017 | <b>1 January<br/>2017</b> |
|                            | <b>US\$'000</b>             | US\$'000            | <b>US\$'000</b>           |
| Trade payables             |                             |                     |                           |
| - Third parties            | <b>99,985</b>               | 89,129              | <b>68,248</b>             |
| - Related companies (Note) | <b>50,191</b>               | 43,883              | <b>39,984</b>             |
|                            | <b>150,176</b>              | 133,012             | <b>108,232</b>            |
| Bills payables             | <b>15,442</b>               | 17,293              | <b>308</b>                |
|                            |                             |                     |                           |
| Total                      | <b><u>165,618</u></b>       | <u>150,305</u>      | <b><u>108,540</u></b>     |

*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 (31 December 2017: 15 to 120 days, 1 January 2017: 15 to 120 days).

The following is an ageing analysis of trade payables presented based on the relevant invoice dates at the end of the reporting period:

|                | <b>GROUP</b>                |                     |                           |
|----------------|-----------------------------|---------------------|---------------------------|
|                | <b>31 December<br/>2018</b> | 31 December<br>2017 | <b>1 January<br/>2017</b> |
|                | <b>US\$'000</b>             | US\$'000            | <b>US\$'000</b>           |
| Within 90 days | <b>91,938</b>               | 92,699              | <b>78,415</b>             |
| 91 to 180 days | <b>41,132</b>               | 28,695              | <b>18,695</b>             |
| Over 180 days  | <b>17,106</b>               | 11,618              | <b>11,122</b>             |
|                | <b><u>150,176</u></b>       | <u>133,012</u>      | <b><u>108,232</u></b>     |

Trade payables principally comprise amounts outstanding for trade purchases and outgoing costs.

At the end of the reporting period, the bills payables were aged within 180 days (31 December 2017: within 180 days, 1 January 2017: 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

|                             | <b>GROUP</b>                |                     |                           |
|-----------------------------|-----------------------------|---------------------|---------------------------|
|                             | <b>31 December<br/>2018</b> | 31 December<br>2017 | <b>1 January<br/>2017</b> |
|                             | <b>US\$'000</b>             | US\$'000            | <b>US\$'000</b>           |
| Unsecured:                  |                             |                     |                           |
| Bank loans                  | <u><b>109,203</b></u>       | <u>73,228</u>       | <u><b>55,182</b></u>      |
| Carrying amounts repayable: |                             |                     |                           |
| - Within one year           | <u><b>55,353</b></u>        | 47,286              | <u><b>49,523</b></u>      |
| - More than one year        | <u><b>53,850</b></u>        | <u>25,942</u>       | <u><b>5,659</b></u>       |
|                             | <u><b>109,203</b></u>       | <u>73,228</u>       | <u><b>55,182</b></u>      |

The Group's total external borrowings increased by approximately 49.1% to approximately US\$109.2 million as at 31 December 2018 from 31 December 2017, due to draw down of additional loans during CY2018.

### 14. Share capital

As at 31 December 2018, the Company had a total of 186,919,962 (31 December 2017: 186,919,962, 1 January 2017: 186,919,962) issued ordinary shares excluding treasury shares.

### 15. Share options

No share option has been granted under (i) the 2008 Elec & Eltek Employees' Share Option Scheme, since its adoption by the Company on 9 May 2008 to the date of its expiry on 8 May 2018, and (ii) the 2018 Elec & Eltek Employees' Share Option Scheme which was adopted by the Company on 12 September 2018, since its adoption to the date of this announcement.

## 16. Capital commitments

|   | <b>GROUP</b>                |                     |                           |
|---|-----------------------------|---------------------|---------------------------|
|   | <b>31 December<br/>2018</b> | 31 December<br>2017 | <b>1 January<br/>2017</b> |
|   | <b>US\$'000</b>             | US\$'000            | <b>US\$'000</b>           |
| Capital expenditure not provided for in the financial statements: |                             |                     |                           |
| Commitments in respect of contracts placed for plant expansion    | <u>37,422</u>               | <u>28,867</u>       | <u>5,335</u>              |

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

As at 31 December 2018, the Group's net current assets, defined as current assets less current liabilities, amounted to approximately US\$7.9 million (31 December 2017: approximately US\$18.0 million, 1 January 2017: approximately US\$9.1 million).

As at 31 December 2018, the Group's total assets less current liabilities amounted to approximately US\$468.4 million (31 December 2017: approximately US\$429.3 million, 1 January 2017: approximately US\$383.7 million).

## BUSINESS REVIEW

The Company is delighted to announce its results for the financial year ended 31 December 2018 (the “**Year under Review**” or “**CY2018**”). During the Year under Review, the Group maintained steady growth in terms of orders and gradually increased its revenue. The Group’s revenue for CY2018 increased by 20.4% as compared with that of CY2017 to approximately US\$602.6 million (CY2017: US\$500.4 million). However, during the Year under Review, after reaching the high sale prices in CY2017, the sale prices of laminates recorded a slight drop, resulting a decrease in its profit as compared with that of CY2017. At the same time, the Group recorded allowance for expected credit losses (for trade receivables) of US\$4.9 million (CY2017: US\$1.3 million) and inventory provision of US\$3.4 million (CY2017: US\$2.6 million) for CY2018. The Group’s depreciation of property, plant and equipment increased by 11.9% as compared with that of CY2017 to US\$40.0 million (CY2017: US\$35.7 million) due to increase in the Group’s additions to plant and equipment. As a result of the above, the Group’s gross profit decreased by 8.6% to US\$64.6 million as compared with that of CY2017 (CY2017: US\$70.7 million), gross margin dropped to 10.7% as compared with that of CY2017 (CY2017: 14.1%) and EBITDA decreased by 6.1% to US\$74.9 million as compared with that of CY2017 (CY2017: US\$79.7 million). Net attributable profit (profit after tax and non-controlling interests) decreased by 32.8% to US\$24.3 million as compared with that of CY2017 (CY2017: US\$36.2 million).

During the Year under Review, communication & networking products (including mobile phones) accounted for approximately 47.1% (CY2017: 48.8%) of the Group’s PCB sales, while automotive PCB sales accounted for about 22.0% (CY2017: 21.5%) of the Group’s PCB sales. Other products (including computer & peripherals, consumer electronics and industrial related products) accounted for 30.9% (CY2017: 29.7%) of the Group’s PCB sales. High Density Interconnect (“**HDI**”) PCB accounted for approximately 25.4% (CY2017: 27.3%) of the Group’s PCB sales.

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\$4.0 cents per share to shareholders of the Company, which will be subject to the shareholders’ approval at the forthcoming annual general meeting.

To the best of the Board’s knowledge, nothing has come to the attention of the Board that may render the audited financial results for CY2018 to be false or misleading in any material respect.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at 31 December 2018, the Group's net current assets were approximately US\$7.9 million (31 December 2017: approximately US\$18.0 million), making the current ratio 1.03 as compared to 1.08 as at 31 December 2017.

The net working capital cycle was 36 days as at 31 December 2018 (31 December 2017: 35 days) based on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 25 days (31 December 2017: 28 days).
- Trade receivables, in terms of debtors turnover days, decreased to 107 days (31 December 2017: 109 days).
- Trade payables, in terms of creditors turnover days, decreased to 96 days (31 December 2017: 102 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 2018 was approximately 20.5% (31 December 2017: 11.8%). As at 31 December 2018, the proportion of short-term and long-term bank borrowings stood at 51%: 49% (31 December 2017: 65%: 35%). The total equity of the Group, as at 31 December 2018, was approximately US\$409.9 million (31 December 2017: approximately US\$401.4 million). As at 31 December 2018, the Group had cash on hand and undrawn loan facilities of approximately US\$25.1 million and US\$62.9 million respectively.

The Group's transactions and monetary assets are principally denominated in United States dollars, Renminbi and Hong Kong dollars, and the Group is therefore subject to risks associated with fluctuations in exchange rate between Renminbi and other currencies in which the Group conducts its businesses.

## **HUMAN RESOURCES**

As at 31 December 2018, the Group had approximately 8,400 employees (31 December 2017: 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 adopted a share option scheme in the Year under Review, in order to, among other purposes, attract and retain the best available personnel in due course and to align the individual interests of the employees with the Group's interests.

## **PROSPECTS**

Along with the arrival of the new 5G telecommunication era, there will be great development potential for the communication & networking PCB market. In the past two years, the Group has made investments into the 5G area, with the aim of upgrading its production facilities in order to further expand its production capacity, and optimize product performance, so as to capture business opportunities. The Group will continue to place emphasis on product quality and cost control to continuously enhance the Group's competitiveness. The management is confident that the Group will be able to obtain more orders and increase its market share in each of its target markets in the coming years. The Group's laminates business will focus on production and sales of thin laminates, with the hope of bringing continuing growth momentum to the Group. In addition, with the Group's construction of an industrial building in Guangzhou to be almost completed in the second quarter of FY2019, there are potential tenants in negotiations at present. It is expected that the project will bring stable rental income to the Group.

## **FINAL DIVIDEND**

The proposed final dividend of US\$4.0 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, 24 May 2019.

## **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 CY2018.

## 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 “**HK Listing Rules**”), as the code of the Company.

Currently, there are four Board Committees, namely, the Nomination Committee, the Remuneration Committee, the Employees’ Share Option Scheme Committee and the Audit Committee. The respective terms of reference of the Board Committees, except the Employees’ Share Option Scheme Committee, are posted on the SEHK’s and Company’s websites.

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 a company incorporated in Singapore shall have, at all times, at least one director who is ordinarily resident in Singapore. Mr. Ong is currently the only Singapore resident director of the Company. As advised by the Company's Singapore legal adviser, as long as Mr. Ong remains as the only Singapore resident director, Mr. Ong cannot be subject to Code Provision A.4.2 of the CG Code to retire by rotation and re-election at any 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 would 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, in order to 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 27 April 2018 (“**2018 AGM**”) due to business reasons. He delegated the duty of answering and addressing questions raised by the shareholders of the Company at the 2018 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.



## **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 HK 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 2018.

## **AUDIT OR REVIEW OF THE FINANCIAL RESULTS**

The figures for CY2018, 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 2018, 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 2018, 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 of the SGX Listing Manual) |            | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (including transactions less than S\$100,000) |                |
|--|--|------------|--|----------------|
|  | CY2018   | CY2017     | CY2018   | CY2017         |
| <b>Purchases of plant and equipment</b>                  |  |            |  |                |
| Chung Shun Laminates (Macao Commercial Offshore) Limited | —  | —          | 9,867  | 4,613          |
|  | <u>—</u>   | <u>—</u>   | <u>9,867</u>   | <u>4,613</u>   |
| <b>Purchases of goods and services</b>                   |  |            |  |                |
| Chung Shun Laminates (Macao Commercial Offshore) Limited | —  | —          | 109,555  | 87,013         |
| Delta Realty Limited                                     | 106  | 52         | —  | —              |
| Elec & Eltek Corporate Services Limited                  | —  | 82         | —  | —              |
| Heng Yang Kingboard Chemical Co., Ltd.                   | —  | —          | 2,385  | 1,865          |
| Hong Kong Fibre Glass Company Limited                    | —  | —          | 26,919   | 17,784         |
| Huizhou Chung Shun Chemical Company Limited              | —  | —          | 1,971  | 1,219          |
|  | <u>106</u>   | <u>134</u> | <u>140,830</u>   | <u>107,881</u> |
| <b>Provision of goods and services</b>                   |  |            |  |                |
| Chung Shun Laminates (Macao Commercial Offshore) Limited | —  | —          | 5,008  | 7,493          |
| Express Electronics (Suzhou) Co., Ltd.                   | —  | —          | 8  | 324            |
| Techwise (Macao Commercial Offshore) Circuits Limited    | —  | —          | 23,872   | 17,241         |
|  | <u>—</u>   | <u>—</u>   | <u>28,888</u>  | <u>25,058</u>  |

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

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) OF THE SGX LISTING  
MANUAL**

Please refer to the Company's another announcement made on 1 March 2019.

By order of the Board  
**Elec & Eltek International Company Limited**  
依利安達集團有限公司\*  
Stephanie Cheung Wai Lin  
*Vice Chairman*

Hong Kong, 1 March 2019

*As at 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*

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

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

\* *For identification purpose only*

## **Appendix 1**

The auditors' report on the full financial statements of Elec & Eltek International Company Limited for the financial year ended 31 December 2018 is as follows:

### **INDEPENDENT AUDITOR'S REPORT**

#### **TO THE MEMBERS OF ELEC & ELTEK INTERNATIONAL COMPANY LIMITED**

#### **Report on the Audit of the Financial Statements**

##### **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 statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, 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 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 (International) (“**SFRS(I)s**”) 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 2018 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 year. 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 2018, the carrying amount of the Group's inventories amounting to US\$39,631,000, net of allowance amounting to US\$9,055,000. The Group has made allowance for slow moving and obsolete inventories during the year amounting to US\$3,413,000.

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.

## **Key audit matter**

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.

### *Allowance for expected credit losses*

As at 31 December 2018, the Group has trade receivables amounting to US\$186,477,000, net of allowance amounting to US\$5,494,000.

Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made using the expected credit losses (“ECL”) model under SFRS(I) 9 “Financial Instruments”.

These judgement include estimating and evaluating expected future receipts from customers based on historical experience and forward-looking information such as credit ratings, trade receivables ageing analysis, collections subsequent to the end of the reporting period, local economic conditions, past collection history and trend analysis and knowledge of the businesses.

## **How our audit addressed the key audit matter**

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.

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.

We tested the design and implementation of the relevant key controls over the assessment and monitoring of credit risks, and determination of allowance for expected credit losses.

We discussed with management and evaluated the ECL model used in determining the allowance for expected credit losses. We challenged and evaluated management's assessment on both the quantitative and qualitative information considered by them that is reasonable and supportable, including historical experience and forward-looking information such as credit ratings, trade receivables ageing analysis, collections subsequent to the end of the reporting period, local economic conditions, past collection history and trend analysis and knowledge of the businesses.

## **Key audit matter**

### *Investment properties*

The carrying amount of Group's investment properties as at 31 December 2018 is US\$104,554,000. 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.

## **How our audit addressed the key audit matter**

The key assumptions and estimation on allowance for ECL and the Group's credit risk management are disclosed in Notes [●] and [●] to the financial statements, and further information related to trade receivables is provided in Note [●] to the financial statements.

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.



**Key audit matter****How our audit addressed the key audit matter**

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.

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.

**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 SFRS(I)s, 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 2019