



Elec & Eltek 依利安達

Elec & Eltek International Holdings Limited

(Incorporated in Bermuda with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2003

The board of directors (the “Board”) of Elec & Eltek International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2003:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Year ended 30 June	
		2003	2002
		(audited)	(audited)
		HK\$'000	HK\$'000
TURNOVER		2,257,713	2,223,654
Cost of sales	2	(1,805,892)	(1,718,985)
Gross profit		451,821	504,669
Other revenue		635	1,903
Selling and distribution costs		(128,087)	(117,316)
Administrative expenses		(161,095)	(161,664)
Other operating expenses		(23,114)	(19,729)
PROFIT FROM OPERATING ACTIVITIES		140,160	207,863
Finance costs		(23,024)	(23,339)
Share of losses of jointly-controlled entities		(788)	(904)
PROFIT BEFORE TAX	3	116,348	183,620
Tax	4	(8,146)	(30,329)
PROFIT BEFORE MINORITY INTERESTS		108,202	153,291
Minority interests		(69,434)	(105,819)
NET PROFIT FROM ORDINARY ACTIVITIES			
ATTRIBUTABLE TO SHAREHOLDERS		38,768	47,472
DIVIDENDS	5		
Interim		17,627	11,751
Proposed final		17,904	17,626
		35,531	29,377
		(HK cents)	(HK cents)
EARNINGS PER SHARE	6		
Basic		3.30	4.04
Diluted		3.29	4.03

Elec & Eltek International Holdings Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting policies

The following new and revised Statements of Standard Accounting Practice (“SSAPs”) are effective for the first time for the current year’s financial statements.

SSAP 1 (Revised)	:	“Presentation of financial statements”
SSAP 11 (Revised)	:	“Foreign currency translation”
SSAP 15 (Revised)	:	“Cash flow statements”
SSAP 34	:	“Employee benefits”
SSAP 35	:	“Accounting for government grants and disclosure of government assistance”

The adoption of the above new and revised SSAPs has no significant impact on the Group’s financial results for the current year. The detailed impact on presentation and disclosures of the financial statements will be explained in the annual report.

2. SEGMENT INFORMATION

The Group engages in the businesses of manufacture and sale of electronic components, including double-sided and multi-layered printed circuit boards (“PCB”), liquid crystal displays (“LCD”) and magnetic products (“Magnetic”) and the provision of information technology consultancy and software development services (“IT”).

The following tables present revenue and profit/(loss) information for the Group’s business segments, and revenue information for the Group’s geographical segments:

Business segments:

	Year ended 30 June 2003							Year ended 30 June 2002						
	PCB HK\$’000	LCD HK\$’000	Magnetic HK\$’000	IT HK\$’000	Corporate & Others HK\$’000	Elimina- tions HK\$’000	Consoli- dated HK\$’000	PCB HK\$’000	LCD HK\$’000	Magnetic HK\$’000	IT HK\$’000	Corporate & Others HK\$’000	Elimina- tions HK\$’000	Consoli- dated HK\$’000
Segment revenue														
Sales to external customers	1,910,990	239,508	106,861	354	-	-	2,257,713	1,904,242	216,394	102,562	456	-	-	2,223,654
Inter-segment sales	-	-	-	-	-	-	-	-	-	-	1,145	-	(1,145)	-
Other revenue	-	-	-	-	3,833	(3,833)	-	-	-	279	-	4,964	(4,531)	712
Total revenue	1,910,990	239,508	106,861	354	3,833	(3,833)	2,257,713	1,904,242	216,394	102,841	1,601	4,964	(5,676)	2,224,366
Segment results	142,743	25,497	11,181	(5,514)	(34,018)	-	139,889	220,775	12,288	6,162	(11,562)	(18,178)	-	209,485
Interest income							635							1,191
Unallocated expenses							(364)							(2,813)
Profit from operating activities							140,160							207,863
Finance costs							(23,024)							(23,339)
Share of losses of jointly-controlled entities	-	-	-	(547)	(241)	-	(788)	-	-	-	(904)	-	-	(904)
Profit before tax							116,348							183,620
Tax							(8,146)							(30,329)
Profit before minority interests							108,202							153,291
Minority interests							(69,434)							(105,819)
Net profit from ordinary activities attributable to shareholders							38,768							47,472

Elec & Eltek International Holdings Limited

Geographical segments:

	Year ended 30 June	
	2003	2002
	<i>HKS'000</i>	<i>HKS'000</i>
Segment revenue, customer based		
Asia		
The People's Republic of China:		
Hong Kong	310,364	276,199
Mainland	511,607	249,293
Singapore	156,059	175,206
Malaysia	381,777	502,876
Thailand	70,267	62,888
Europe	483,680	492,052
North and Central America	162,624	321,198
Other Countries	181,335	143,942
	<u>2,257,713</u>	<u>2,223,654</u>

3. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	Year ended 30 June	
	2003	2002
	<i>HKS'000</i>	<i>HKS'000</i>
Depreciation of fixed assets	213,265	239,586
Amortisation of intangible assets	899	765
Loss on disposal of fixed assets	990	2,587
Interest on bank loans, overdrafts and other borrowings		
wholly repayable within five years	23,024	33,413
Less: interest capitalised	–	(10,074)
Net interest expense	<u>23,024</u>	<u>23,339</u>
Exchange gains, net	(1,117)	(1,239)
Interest income	(635)	(1,191)
Provision/(write back of provision) for obsolete inventories	1,678	(1,191)
Provision/(write back of provision) for doubtful debts	11,123	(1,424)
Write back of provision for management bonus	–	(15,274)
Loss on deemed disposal of interests in a subsidiary	364	2,813
Severance payments for PCB business	4,794	12,296
Restructuring expenses of LCD business	–	11,732
	<u>–</u>	<u>–</u>

4. TAX

	Year ended 30 June	
	2003	2002
	<i>HKS'000</i>	<i>HKS'000</i>
Current year's provision for tax:		
The People's Republic of China:		
Hong Kong	3,307	16,181
Mainland	5,465	13,360
Overseas	430	555
Deferred tax	(1,056)	233
Tax charge for the year	<u>8,146</u>	<u>30,329</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in other jurisdictions have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Elec & Eltek International Holdings Limited

5. DIVIDENDS

	Year ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Interim dividend of 1.5 HK cents (2002: 1.0 HK cents) per ordinary share	17,627	11,751
Proposed final dividend of 1.5 HK cents (2002: 1.5 HK cents) per ordinary share	17,904	17,626
	<u>35,531</u>	<u>29,377</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$38,768,000 (2002: HK\$47,472,000) and the weighted average of 1,175,939,970 (2002: 1,175,062,408) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to shareholders for the year of HK\$38,762,000 (2002: HK\$47,364,000) and the weighted average of 1,177,849,014 (2002: 1,175,062,408) ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

The adjusted net profit attributable to shareholders is calculated based on the net profit attributable to shareholders for the year of HK\$38,768,000 (2002: HK\$47,472,000) less the dilution in the results of a subsidiary attributable to the Group by HK\$6,000 (2002: HK\$108,000) arising from the deemed exercise of all of the outstanding share options of that subsidiary.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 1,175,939,970 (2002: 1,175,062,408) ordinary shares in issue during the year plus the weighted average of 1,909,044 (2002: Nil) ordinary shares deemed to be issued at no consideration as if all of the Company's outstanding share options had been exercised.

CHAIRMAN'S LETTER

It gives me great pleasure and honour to communicate with all of you, our trusted partners, stakeholders and supporters, for the first time as Chairman and Managing Director of Elec & Eltek International Holdings Limited.

When I joined the Group in March, the world's headlines were dominated by the US-Iraq conflict and the SARS outbreak in our region.

And today, with the SARS impact behind us and with the US economy gradually recovering, we are seeing encouraging signs of the general economy in the region picking up. This is good news for the manufacturing sector in Asia and indeed for the Elec & Eltek Group as well.

My previous role at the Hong Kong Productivity Council and experience with other multinational and Hong Kong industrial companies have given me the needed insights to appreciate the strength of manufacturing leaders such as Elec & Eltek and the Group's ability to excel as demonstrated over and over again for 30 years.

Elec & Eltek has become a much trusted and valued brand in the electronics industry, synonymous with reliable electronic products and services. Its founders Mr. David So Cheung Sing, Mr. Marcus Tsang Ming Pui and Mr. Wilson Tam Kam Ho have earned rightly great respect and recognition in the industry. On behalf of the Board and the Company, I would like to extend the most sincere gratitude for their long and devoted efforts made to the Group.

As an insider now, I have come to appreciate, being part and parcel of the Group's success, the significance of the unrelenting support all these years from our partners, customers, suppliers and employees worldwide.

Besides its famous founders, the Group's senior management team comprising Mr. Johnny Ng Ho Kin and Mr. Canice Chung Tai Keung, among others, have built and led an efficient operation and nurtured a corporate culture that values partnership and mutual benefits. Elec & Eltek's far-reaching global marketing network and cost-effective manufacturing operations continue to ensure that the Group is superbly placed to benefit from its ideal position of operating both inside and, as a bridge, with the world's largest emerging economy: China. As the global supply chain continues to look to China for its market and out-sourcing solutions, Elec & Eltek's exemplary track record and experience will help assure a substantial share of benefits from this trend for the Group and its partners.

Elec & Eltek International Holdings Limited

From my vantage point, the Group's future looks brighter than ever. That is not to say we should be complacent and rest on our laurels. On the contrary, with a strong cashflow, our dedicated and committed employees worldwide, and above all, the continuous support from all our partners, I can see Elec & Eltek capitalizing and growing on the vast opportunities in the electronic component businesses in our hinterland and the world at large.

Leading Elec & Eltek to its next new height of success is my goal and challenge - one that I take on with great relish.

Results

The consumer spending confidence level world-wide had remained low throughout the financial year 2003 due to the continued weak world economy, especially in the US and Europe. The outbreak of SARS in the first quarter of calendar year 2003 had halted a wide spectrum of business activities in Hong Kong, Taiwan, China, Singapore and Canada during that period, thus hurting and further delaying the economic recovery and growth in these regions.

Despite the overall adverse economic climates, the Group's total turnover for the financial year ended 30 June 2003 (the "financial year 2003") was HK\$2,257.7 million and had attained a slight increase of HK\$34.0 million or 1.5 % over the turnover of HK\$2,223.7 million reported in the last financial year ended 30 June 2002 (the "financial year 2002").

The Group's operating profit in the financial year 2003 was HK\$140.2 million as compared with HK\$207.9 million for the last financial year. The net profit attributable to the shareholders was HK\$38.8 million, a decrease of HK\$8.7 million or 18.3% from the last financial year.

Basic earnings per share for the financial year 2003 stood at 3.30 Hong Kong cents, compared with 4.04 Hong Kong cents for the financial year 2002.

Final Dividend

The Group proposes a final dividend of 1.5 Hong Kong cents (2002: 1.5 Hong Kong cents) per share for the financial year ended 30 June 2003. Together with the interim dividend of 1.5 Hong Kong cents (2002: 1.0 Hong Kong cent) per share, a total of 3.0 Hong Kong cents per share will be distributed for the financial year 2003. The final dividend, if approved at the forthcoming Annual General Meeting, will be payable to shareholders whose names appear on the Registers of Members at the close of business on 3 November 2003.

Dividend warrants, if approved, will be sent to shareholders on or about 21 November 2003. The Registers of Members will be closed from 31 October 2003 to 3 November 2003, both dates inclusive. In order to qualify for the final dividend, transfers accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 30 October 2003.

Business Review

Printed Circuit Boards ("PCB")

Turnover and pre-tax operating profits of the PCB Business for the financial year 2003 amounted to HK\$1,911.0 million and HK\$142.7 million respectively. Despite the sales maintained in the same level as the last financial year in HK\$1,904.2 million, however, the pre-tax operating profits decreased by HK\$78.1 million or 35.4% from the last financial year.

The performance of our PCB Business was affected by declining demand which resulted from the Iraq war and the outbreak of SARS. Consequently, the financial results of the PCB Business for the current financial year were lower than that of the last financial year.

As reported in the interim announcement, our PCB production capacity utilization improved in January and February 2003. However the outbreak of the Iraq war and SARS dampened economic prospects soon after. Because of SARS, some customers even took precautionary measures of migrating part of their PCB sourcing temporarily away from China and Hong Kong to diversify their supply-chain risk. As a result, our PCB production capacity utilization dropped to between 60% and 65% during April and May 2003.

Elec & Eltek International Holdings Limited

With the resumption of operations in two plants in China, operating costs in the second half was higher than that of the first half of the current financial year. This, coupled with the low production capacity utilization rate led to the low performance of our PCB Business in the second half of the current financial year.

With customer orders gradually picking up towards the end of May and by June 2003, the Group's PCB average utilization was ramped up to around 90% of the full output capacity.

Despite the improving average utilization of PCB capacities globally, particularly in China and Taiwan, there continued to be downward pressure on the average selling price ("ASP") of our PCB products during the second half of the current financial year resulting in a further drop of 7.7% from the first half. Overall, ASP in the current financial year has gone down by 20.1%. The ASP of 8-layer and above PCBs dropped more significantly by an average of 15.3% in the second half when compared against the first half of the current financial year. In the current financial year, the ASP of our 8-layer and above PCBs dropped by an average of 26.2% over the last financial year.

The Group's consistent sales development efforts yielded a 17.2% increase in PCB shipment in square footage in the second half over the first half of the current financial year and yielded a 24.4% increase in PCB shipment in square footage in the current financial year over the last financial year. These increases helped to compensate partly the average selling price erosion.

Our PCB turnover in the computer and computer peripheral segment dropped from 47.7% of the total PCB turnover in the first half to 41.4% in the second half of the current financial year. Sales to the communication and networking segment improved from 26.0% of the total PCB turnover in the first half to 29.6% in the second half of the current financial year. Sales to the consumer and automotive segment also increased to 29.0% in the second half of the current financial year from 26.3% in the first half.

On a full year basis, sales to the computer and computer peripheral segment as well as the communication and networking segment fell from 52.0% and 35.4% respectively in the last financial year to 44.4% and 27.9% respectively in the current financial year. In the consumer and automotive segment, however, sales climbed from 12.6% in the last financial year to 27.7% in the current financial year, as the Group was able to benefit from its business development efforts.

The Group also made progress in increasing the percentage of sales of PCBs with 10 layers and above from 11.6% in the last financial year to 15.2% in the current financial year.

Liquid Crystal Displays ("LCD")

In the financial year 2003, the LCD Business had achieved a turnover of HK\$239.5 million, an increase of HK\$23.1 million or 10.7% over the HK\$216.4 million turnover in the financial year 2002. The increase in turnover was mainly contributed by the 100% growth in sales of modules including chip-on-glass (COG) products within the current financial year totalling HK\$46.9 million.

Operating profit and operating margin of the LCD Business for the current financial year was HK\$25.5 million and 10.7% respectively, as compared with HK\$12.3 million and 5.7% for the last financial year respectively.

The LCD Business had overcome another tough year in attaining the operating results for the financial year 2003. During the financial year under review, ASPs on low, medium and high-end LCD products had eroded between 9% to 18% from the ASPs a year ago due to sluggish market demands and excess production capacities. With the increase in production and sales of the higher end and higher profit STN LCDs, together with the doubling of modules and coupled with effective and efficient cost controls in areas of material, logistics, distribution and administration, these concerted efforts benefit both the LCD Business and its valued customers.

Magnetic Products

During the year under review, the Magnetic Products Business had not seen upsurge in demands arising out of new products requirements in the telecommunications, enterprise networking and computer industries which it served. The business climate remained flat in demands. Fierce price competitions due to global weak economy persisted.

The turnover of the Magnetic Products Business for the financial year 2003 was HK\$106.9 million, an increase of HK\$4.3 million or 4.2% over the turnover of HK\$102.6 million for the last financial year. The increased sales in the financial year 2003 was mainly from the shipments of the new line of magnetic integrated connectors which was developed and introduced to the market in the last financial year.

Elec & Eltek International Holdings Limited

Operating profit and operating margin for the current financial year was HK\$11.2 million and 10.5% respectively as compared with HK\$6.2 million and 6.0% of the last financial year respectively.

As mentioned above, fierce competitions enhanced severe price erosions. During the financial year 2003, average selling price of magnetic components had been slashed down by almost 25%.

Amidst the sluggish market conditions in the current financial year, the Magnetic Products Business was able to improve its operating profits by HK\$5.0 million or 80.7% from the last financial year. This was primarily due to its efforts in increasing its market share and stringent cost controls in all areas. The volume of shipments in the financial year 2003 increased by approximately 38% over the last financial year.

Information Technology (“IT”)

During the current financial year, the IT Business mainly concentrated on producing web-based software for internal companies in order to enhance the efficiency and effectiveness of their existing operations.

Beijing Yilaida Information Technology Company Limited (“Yilaida”), the IT Business’s joint venture investment in China, has launched another new portal for the China’s mobile phone industry. It provides up-to-date information of the China mobile phone market and facilitates mobile phone manufacturers to purchase the necessary accessories through the portal. Yilaida also successfully co-organised a mobile phone accessory trade show in Tianjin with The China Electronic Components Association (“CECA”). Yilaida has also provided consultancy services for a number of local and overseas customers during the years.

Future Prospects

As there are signs that the U.S. and the Europe economies have started picking-up, the Group contemplates the overall business environment will turn more positive but remain challenging due to keen regional competition.

PCB

PCB Business in the first quarter of the new financial year tends to be slow, as it coincides with the summer holiday season. However, as a result of the gradually improving US and Europe economies, as well as supply chain outsourcing activities moving back into China following the abatement of SARS, the Group saw an upsurge of PCB Business in the last five to six weeks of the first quarter of the new financial year.

In view of the increasing customer demand from late July, the Group was able to reach 100% PCB capacity utilization and at the same time, expanded its production capacity by buying good quality re-furnished machines. At present the Group’s PCB output is running at 665,000 sq. ft. per week and this is expected to go up to 720,000 sq. ft. within six to eight weeks when full installation and test-run of all machinery and equipment are complete. This would be timely as the seasonal surge in demand normally starts in October.

With the improving PCB capacity utilization in the region, there are signs that ASPs are stabilizing.

The Group’s China strategy continues to be affirmed in line with the growing trend of outsourcing by multi-national companies into China.

With improving business sentiment and investor confidence in the electronics sector, coupled with the increasing trend of outsourcing into China, the Group is working towards further expansion in PCB production capacity.

LCD

The LCD Business envisages demand for LCDs and modules products by office automation, multimedia, audio / visual and automotive sectors will maintain a moderate organic growth. Moreover, the China market opens up more business opportunities due to its anticipated economic growth. The LCD Business will focus and stay close with these business opportunities, in addition to serving its core business partners in the other regions of the world at the highest standards.

Demand for value added colour displays ranging from smaller size for portable product applications to larger size for desktop products grows rapidly. To this end, the LCD Business had already started investing on the development of the colour display range of products. It is expected that this new line of products will start to contribute additional profits to the LCD Business in the later part of the financial year 2004.

Elec & Eltek International Holdings Limited

Magnetic Products

The Magnetic Products Business is ready to overcome another year of tough market conditions in the telecommunications, enterprise networking and computer industries. The Magnetic Products Business will continue ensuring services of the highest quality are delivered to its customers both existing and forthcoming. On the product development front, our engineering group maintains a coherent partnership with our customers' engineering group, delivering time to market cost effective and performance efficient design solutions. Our sales and marketing team will be strengthened further and deeper customer focus. With these in place, the Magnetic Products Business is targeted to serve an enlarged world-class customer base in the financial year 2004.

IT

The IT Business will continue to provide web-based software for the Group and help to sharpen the Group's competitive edges.

Yilaida will continue to provide services to the mainland China and overseas customers through the various portals built and its network with the CECA.

Barring any unforeseen circumstances, the Directors expect the Group's performance to improve in the next financial year.

APPRECIATION

On behalf of the Board of Directors, I would like to extend our sincere appreciation to all our employees as well as shareholders for their loyalty, commitment and contributions to the Group in getting through these extremely tough business environment in the financial year 2003. Let's work together again towards a better financial year 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial position

At 30 June 2003, the Group's net worth was HK\$691.6 million compared with HK\$676.4 million as at 30 June 2002.

Liquidity and financial resources

In the current financial year, the Group had generated HK\$283.8 million (2002 – restated: HK\$375.1 million) cash from operating activities.

The Group's bank borrowings are mainly denominated in Hong Kong and United States dollars, unsecured and bear interest at floating rate. At 30 June 2003, the Group had outstanding bank borrowings of HK\$788.7 million (2002: HK\$683.0 million) and among them, HK\$470.0 million (2002: HK\$251.7 million) are repayable within one year; HK\$318.7 million (2002: HK\$431.3 million) are repayable within two to five years.

Treasury policies, hedging and off balance sheet financial instruments

The Group adopted prudent treasury policies via forward contracts to reduce exposures due to fluctuations in currency exchange rates and fluctuations in interest rates.

At 30 June 2003, about 29.7% (2002: 51.4%), or approximately HK\$234.0 million (2002: HK\$351.0 million) of the Group's long term bank borrowings was hedged by an average interests rate swap contract to reduce exposures in interest rate risk. Management has further arranged two fixed interest rate swap contracts to further reduce risk of interest rate fluctuations covering HK\$70.2 million and HK\$54.6 million of the Group's long term bank borrowings with effect from December 2003 and June 2004 respectively.

At 30 June 2003, the Group had outstanding foreign currency forward contracts of JPY94.8 million to hedge against the exposures to foreign currency fluctuations of trade payables denominated in Japanese Yen. Besides, the Group had contractual outstanding amount of approximately HK\$3.9 million US dollar forward contract against US dollar trade receivables.

Share capital

During the financial year under review, the Company's share capital had increased by HK\$1.9 million on exercise of share options under the Company's employees' option scheme.

Elec & Eltek International Holdings Limited

Number and remuneration of employees

At 30 June 2003, the Group had approximately 10,400 employees (30 June 2002: 8,700) worldwide. The increase in headcount was mainly due to the increased production in certain PCB plants. The Group continued to maintain its competitive remuneration policies, discretionary bonus programme and share option schemes by reference to market, geographical locations, and performance of individual employees. Other policies such as training, insurance and medical benefits also remained the same.

Investments

The Group had increased investment of HK\$44.0 million in three PCB plants and HK\$0.5 million in a jointly-controlled entity engaged in logistics business during the current financial year. For the financial year under review, the Group had no material acquisition and disposal of interests in subsidiaries.

Capital assets

During the financial year, the Group spent capital expenditure of HK\$195.5 million mainly in plant, machinery, and equipment for increasing PCB production capacity. These were financed from internal resources and bank borrowings.

The Group's assets are free from charge.

Gearing ratio

The Group's gearing ratio, calculated on the basis of total bank borrowings over total shareholders' equity, increased from 101% at 30 June 2002 to 114% at 30 June 2003, mainly due to new bank loans were drawn down to finance the PCB business.

Contingent liabilities

At the balance sheet date, the Company had a contingent liability in respect of an unlimited guarantee given to a bank for general banking facilities granted to subsidiaries. At the balance sheet date, these banking facilities were utilised by the subsidiaries to the extent of approximately HK\$411.0 million (2002: HK\$434.0 million).

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$2.6 million as at 30 June 2003. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Proposal for changes in accounting estimates

In conjunction with the further refinement of the revised depreciation policy as discussed in the interim announcement, the Group is also taking the opportunity to carry out a study of the present condition and economic useful lives of its existing PCB plant and equipment in the light of the changing market conditions. This may necessitate a further review of the Group's depreciation policy on plant and equipment.

AUDIT COMMITTEE

Pursuant to the terms of reference of the Company's Audit Committee, which was set up on 30 June 1999, meetings were held on 25 February 2003 to review the interim financial statements of the Group and 6 September 2003 to review the financial statements of the Group for the financial year ended 30 June 2003. On 25 March 2003, Mr Kenneth SHIM Hing Choi was appointed as a member of the Audit Committee in addition to the current members, Mr Peter LEE Yip Wah and Mr Eugene LEE.

CORPORATE GOVERNANCE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the annual report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Elec & Eltek International Holdings Limited

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

Financial and other information for the financial year 2003 required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course. This announcement can also be accessed on the website: <http://www.eleceltek.com>.

By Order of the Board
Thomas Tang Koon Yiu
Chairman

Hong Kong, 10 September 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of the Company will be held at Pheasant Room, 1/F, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on 3 November 2003, Monday, at 12:00 noon for the following purposes : –

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 30 June 2003;
2. To declare a final dividend;
3. To re-elect Directors and to fix the Directors' fees;
4. To re-appoint Auditors for the ensuing year and to authorise the Directors to fix their remuneration; and
5. To consider the adoption of Chinese name of the Company as special business and, if thought fit, pass with or without amendments, the following resolution as a special resolution: –

“**THAT**, subject to the approval of the Registrar of Companies in Hong Kong, “依利安達國際集團有限公司” be adopted as the Chinese name of the Company for the purpose of registration in Hong Kong”.

By Order of the Board
Monica Tso Hon Yuk
Company Secretary

Dated 10 September 2003

Notes :

- (a) A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (b) To be valid, a form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's principal office, Unit B10, 3/F Merit Industrial Centre, 94 Tokwawan Road, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting.
- (c) The Registers of Members of the Company will be closed from 31 October 2003, Friday to 3 November 2003, Monday, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 30 October 2003, Thursday.

Please also refer to the published version of this announcement in South China Morning Post dated on 11-9-2003.