

Elec & Eltek International Holdings Limited

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Elec & Eltek 依利安達

Elec & Eltek International Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 33)

ANNOUNCEMENT IN RELATION TO THE RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 MARCH 2004 OF A SUBSIDIARY

EEIC, a 51.71% owned subsidiary of Elec & Eltek International Holdings Limited, announced its unaudited consolidated results for the third quarter and nine months ended 31 March 2004 on the Singapore Exchange Securities Trading Limited on 6 May 2004.

This announcement, reproducing hereinbelow the unaudited consolidated results (the "Results") of Elec & Eltek International Company Limited ("EEIC" and hereinbelow referred to as the "Company") and its subsidiaries (collectively hereinbelow referred to as the "Group") for the third quarter and nine months ended 31 March 2004, is made pursuant to the disclosure obligation under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

EEIC is a public company listed on the Singapore Exchange Securities Trading Limited as to 51.71% owned by Elec & Eltek International Holdings Limited.

The Results are prepared in accordance with the provision of the Singapore Financial Standards and are released in the website of www.sgx.com of the Singapore Exchange Securities Trading Limited on 6 May 2004:

"Elec & Eltek International Company Limited

(Company Registration Number: 199300005H)

Unaudited Financial Statement For The Third Quarter And Nine Months Ended 31 March 2004

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

- (i) Income statement of the Group for the third quarter ("Q3 FY2004") and the nine months ("YTD Q3 FY2004") ended 31 March 2004 together with the comparative figures for the third quarter ("Q3 FY2003") and the nine months ("YTD Q3 FY2003") ended 31 March 2003.

These figures have not been audited.

| US\$'000 | Q3 FY2004 | Q3 FY2003 | Q3 FY2004 vs | | YTD Q3 FY2004 | YTD Q3 FY2003 | YTD Q3 FY2004 vs YTD Q3 FY2003 % Change |
|----------------------------|---------------|---------------|---------------|---------------|------------------|------------------|---|
| | | | Q3 FY2003 | % Change | | | |
| Sale of goods | 92,550 | 56,449 | 64.0% | 254,038 | 174,003 | 46.0% | |
| Cost of sales | (68,868) | (46,108) | 49.4% | (194,888) | (138,523) | 40.7% | |
| Gross profit | 23,682 | 10,341 | 129.0% | 59,150 | 35,480 | 66.7% | |
| <i>Gross profit margin</i> | <i>25.6%</i> | <i>18.3%</i> | | <i>23.3%</i> | <i>20.4%</i> | | |
| Other revenue | | | | | | | |
| Interest income | 36 | 6 | 500.0% | 111 | 50 | 122.0% | |

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| | | | | | | |
|--|---------------|--------------|---------------|---------------|---------------|---------------|
| Costs and expenses | | | | | | |
| Distribution & selling costs | (4,319) | (3,660) | 18.0% | (11,471) | (9,986) | 14.9% |
| Administrative costs | (5,482) | (3,845) | 42.6% | (14,500) | (10,132) | 43.1% |
| Other operating expenses | (180) | (128) | 40.6% | (120) | (295) | -59.3% |
| Profit from operating activities | | | | | | |
| | 13,737 | 2,714 | 406.1% | 33,170 | 15,117 | 119.4% |
| Interest expense | (268) | (269) | -0.4% | (928) | (630) | 47.3% |
| Exceptional item | 0 | (187) | n/m | 0 | (554) | n/m |
| Profit before taxation | | | | | | |
| Taxation | (1,113) | (304) | 266.1% | (2,253) | (1,155) | 95.1% |
| Profit after taxation | | | | | | |
| Minority interests | (666) | (237) | 181.0% | (1,862) | (1,355) | 37.4% |
| Profit attributable to shareholders | | | | | | |
| | <u>11,690</u> | <u>1,717</u> | <u>580.8%</u> | <u>28,127</u> | <u>11,423</u> | <u>146.2%</u> |

n/m – percentage not meaningful

- (ii) Income statement of the Group for Q3 FY2004 together with comparative figures for the second quarter (“Q2 FY2004”) ended 31 December 2003.

| US\$'000 | Q3 FY2004 | Q2 FY2004 | Q3 FY2004 vs Q2 FY2004 % Change |
|--|---------------|---------------|---------------------------------|
| Sale of goods | 92,550 | 88,997 | 4.0% |
| Cost of sales | (68,868) | (67,849) | 1.5% |
| Gross profit | 23,682 | 21,148 | 12.0% |
| <i>Gross profit margin</i> | <i>25.6%</i> | <i>23.8%</i> | |
| Other revenue | | | |
| Interest income | 36 | 27 | 33.3% |
| Costs and expenses | | | |
| Distribution & selling costs | (4,319) | (3,435) | 25.7% |
| Administrative costs | (5,482) | (4,764) | 15.1% |
| Other operating expenses | (180) | (20) | n/m |
| Profit from operating activities | 13,737 | 12,956 | 6.0% |
| Interest expense | (268) | (362) | -26.0% |
| Exceptional item | 0 | 0 | n/m |
| Profit before taxation | 13,469 | 12,594 | 6.9% |
| Taxation | (1,113) | (939) | 18.5% |
| Profit after taxation | 12,356 | 11,655 | 6.0% |
| Minority interests | (666) | (802) | -17.0% |
| Profit attributable to shareholders | 11,690 | 10,853 | 7.7% |

- (iii) Notes to Income Statement:

| US\$'000 | Q3 FY2004 | Q3 FY2003 | Q3 FY2004 vs Q3 FY2003 % Change | YTD Q3 FY2004 | YTD Q3 FY2003 | YTD Q3 FY2004 vs YTD Q3 FY2003 % Change |
|--|-----------|-----------|---------------------------------|---------------|---------------|---|
| Depreciation and amortisation | 5,534 | 5,821 | -4.9% | 16,347 | 17,992 | -9.1% |
| Provision for doubtful debts (Write-back of provision)/ provision for inventory obsolescence | 239 | 257 | -7.0% | 616 | 301 | 104.7% |
| Loss/(gain) on foreign exchange | (316) | (193) | 63.7% | 35 | 409 | -91.4% |
| Loss on disposal of plant and equipment | 125 | 10 | n/m | (196) | 24 | n/m |
| | 18 | 76 | -76.3% | 106 | 147 | -27.9% |

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n/m – percentage not meaningful

| US\$'000 | | | Q3 FY2004 vs |
|---|--------------|-----------|-----------------------|
| | Q3 FY2004 | Q2 FY2004 | Q2 FY2004 % Change |
| Depreciation and amortisation | 5,534 | 5,451 | 1.5% |
| Provision for doubtful debts (Write-back of provision)/provision for inventory obsolescence | 239 (316) | 234 7 | 2.1% n/m |
| Loss/(gain) on foreign exchange | 125 | (136) | n/m |
| Loss on disposal of plant and equipment | 18 | 40 | -55.0% |

n/m – percentage not meaningful

- The Group's distribution and selling costs increased 18.0% and 25.7% year-on-year and sequentially due largely to higher sales commissions arising from expanding business activities.
- The Group's administrative costs increased 42.6% and 15.1% year-on-year and sequentially due to higher salary on increased headcounts and an one-time incentive payment made during the current financial quarter.

1(b) (i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

| US\$'000 | Group | | | Company | | |
|--------------------------------|------------------|------------------|-----------------|----------------|----------------|----------------|
| | 31.03.2004 | 31.12.2003 | 30.6.2003 | 31.03.2004 | 31.12.2003 | 30.6.2003 |
| Non-current assets | | | | | | |
| Property, plant and equipment | 241,102 | 221,685 | 209,635 | 31 | 37 | 26 |
| Intangible assets | 97 | 123 | 174 | 0 | 0 | 0 |
| Subsidiary companies | 0 | 0 | 0 | 21,298 | 20,953 | 20,298 |
| Deferred tax assets | 1,696 | 1,716 | 1,763 | 0 | 0 | 0 |
| Current assets | | | | | | |
| Inventories | 37,151 | 31,874 | 27,301 | 0 | 0 | 0 |
| Trade and other receivables | 112,449 | 112,326 | 91,070 | 24 | 2 | 13 |
| Due from subsidiary companies | 0 | 0 | 0 | 102,551 | 91,775 | 113,699 |
| Fixed and call deposits | 238 | 196 | 5,117 | 36 | 19 | 28 |
| Cash at bank and in hand | 23,255 | 25,321 | 17,290 | 45 | 85 | 47 |
| | <u>173,093</u> | <u>169,717</u> | <u>140,778</u> | <u>102,656</u> | <u>91,881</u> | <u>113,787</u> |
| Current liabilities | | | | | | |
| Trade and other payables | (95,879) | (84,481) | (62,477) | (84) | (136) | (94) |
| Due to subsidiary companies | 0 | 0 | 0 | 0 | 0 | (9,384) |
| Due to bankers | (65,380) | (48,767) | (33,961) | 0 | 0 | 0 |
| Provision for taxation | (2,423) | (1,316) | (544) | (1) | (1) | (2) |
| | <u>(163,682)</u> | <u>(134,564)</u> | <u>(96,982)</u> | <u>(85)</u> | <u>(137)</u> | <u>(9,480)</u> |
| Net current assets | 9,411 | 35,153 | 43,796 | 102,571 | 91,744 | 104,307 |
| Non-current liabilities | | | | | | |
| Due to bankers | (11,375) | (17,875) | (16,027) | 0 | 0 | 0 |
| Deferred tax liabilities | (1,749) | (1,988) | (2,082) | 0 | 0 | 0 |
| | <u>239,182</u> | <u>238,814</u> | <u>237,259</u> | <u>123,900</u> | <u>112,734</u> | <u>124,631</u> |
| Equity | | | | | | |
| Share capital | 73,983 | 73,983 | 73,983 | 73,983 | 73,983 | 73,983 |
| Reserves | 152,182 | 151,261 | 147,594 | 49,917 | 38,751 | 50,648 |
| | <u>226,165</u> | <u>225,244</u> | <u>221,577</u> | <u>123,900</u> | <u>112,734</u> | <u>124,631</u> |
| Minority interests | 13,017 | 13,570 | 15,682 | 0 | 0 | 0 |
| | <u>239,182</u> | <u>238,814</u> | <u>237,259</u> | <u>123,900</u> | <u>112,734</u> | <u>124,631</u> |

Notes to Balance Sheet:

- For the financial period ended 31.3.2004, the Group spent approximately US\$23.8 million of capital expenditure, of which US\$22.4 million was on plant and machinery, to gear up for anticipated business growth.
- The Group's inventory balance increased by US\$5.3 million or 16.6% from US\$31.9 million as at 31.12.2003 to US\$37.2 million as at 31.3.2004 when critical raw materials were stocked up because of tight supply situation and increased work-in-progress as a result of higher production volumes.

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1(b) (ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

| As at 31.03.2004 | | As at 30.6.2003 | |
|------------------|----------------|-----------------|----------------|
| Secured | Unsecured | Secured | Unsecured |
| Nil | US\$65,380,000 | Nil | US\$33,961,000 |

Amount repayable after one year

| As at 31.03.2004 | | As at 30.6.2003 | |
|------------------|----------------|-----------------|----------------|
| Secured | Unsecured | Secured | Unsecured |
| Nil | US\$11,375,000 | Nil | US\$16,027,000 |

Details of any collateral

Not applicable.

Notes on net borrowing position

| US\$'000 | As at 31.3.2004 | As at 31.12.2003 | As at 30.6.2003 |
|--|-----------------|------------------|-----------------|
| Bank borrowings | 76,755 | 66,642 | 49,988 |
| Less: Bank balances, deposits and cash | (23,493) | (25,517) | (22,407) |
| Net borrowings position | <u>53,262</u> | <u>41,125</u> | <u>27,581</u> |

The increase in net borrowings was attributable to drawdown of additional short term bank loan to finance the increase in working capital. The Group is in the process of reviewing its medium term financing needs in the light of possible short term interest rate hikes.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

| US\$'000 | Q3 FY2004 | Q3 FY2003 | YTD Q3 FY2004 | YTD Q3 FY2003 |
|---|-----------------|-----------------|------------------|------------------|
| Cash flow from operating activities: | | | | |
| Operating profit before interest and taxation | 13,701 | 2,521 | 33,059 | 14,513 |
| Adjustments for: | | | | |
| Amortisation of intangible assets | 26 | 26 | 77 | 77 |
| Depreciation of property, plant and equipment | 5,508 | 5,795 | 16,270 | 17,915 |
| Loss on disposal of plant and equipment | 18 | 76 | 106 | 147 |
| Operating income before reinvestment in working capital | 19,253 | 8,418 | 49,512 | 32,652 |
| Increase in inventories | (5,277) | (5,786) | (9,850) | (3,362) |
| Increase in trade and other receivables | (123) | (11,565) | (21,379) | (19,305) |
| Increase/(decrease) in trade and other payables | 11,398 | (7,098) | 33,402 | (475) |
| Cash generated from operations | 25,251 | (16,031) | 51,685 | 9,510 |
| Interest income received | 36 | 6 | 111 | 50 |
| Interest paid | (268) | (269) | (928) | (630) |
| Income taxes paid | (190) | (49) | (556) | (1,012) |
| Net cash provided/(used) by operating activities | 24,829 | (16,343) | 50,312 | 7,918 |
| Cash flow from investing activities: | | | | |
| Proceeds from disposal of plant and equipment | 9 | (58) | 59 | 8 |
| Plant and equipment acquired | (23,760) | (6,986) | (47,294) | (14,389) |
| Intangible assets acquired | 0 | 0 | 0 | (25) |
| Net cash used in investing activities | (23,751) | (7,044) | (47,235) | (14,406) |
| Cash flow from financing activities: | | | | |
| Bank borrowings obtained | 2,710 | 22,125 | 19,357 | 21,376 |
| Repayment of loan to minority shareholders | (893) | 0 | (4,375) | 0 |
| Proceeds from share issue pursuant to the exercise of share options | 0 | 49 | 0 | 116 |
| Refund of share issue expenses | 0 | 0 | 0 | 2 |
| Capital injection from minority interest | 178 | 0 | 178 | 0 |
| Dividends paid by the Company | (10,436) | (9,210) | (25,221) | (24,277) |
| Dividends paid by subsidiaries to minority shareholders | (772) | (220) | (1,200) | (375) |

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|--|---------------|--------------|---------------|--------------|
| Net cash (used)/provided in financing activities | (9,213) | 12,744 | (11,261) | (3,158) |
| Net decrease in cash and cash equivalents | (8,135) | (10,643) | (8,184) | (9,646) |
| Cash and cash equivalents at beginning of financial period | 25,477 | 14,428 | 22,374 | 14,143 |
| Effect of foreign exchange rate changes, net | (1,292) | 2,621 | 1,860 | 1,909 |
| Cash and cash equivalents at end of financial period | <u>16,050</u> | <u>6,406</u> | <u>16,050</u> | <u>6,406</u> |

1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

| US\$'000 | Share capital | Share premium | Capital reserve | Statutory reserve | Revenue reserve | Foreign currency translation reserve | Total shareholders' equity |
|---|---------------|---------------|-----------------|-------------------|-----------------|--------------------------------------|----------------------------|
| Group | | | | | | | |
| Q3 FY2004 | | | | | | | |
| Balance as at 31.12.2003 | 73,983 | 17,359 | 2,597 | 153 | 160,396 | (29,244) | 225,244 |
| Transfer from revenue reserve to statutory reserve | - | - | - | 424 | (424) | - | - |
| Foreign currency translation | - | - | - | (10) | - | (323) | (333) |
| Profit for the financial period | - | - | - | - | 11,690 | - | 11,690 |
| Dividend paid in respect of current financial year | - | - | - | - | (10,436) | - | (10,436) |
| Balance as at 31.03.2004 | <u>73,983</u> | <u>17,359</u> | <u>2,597</u> | <u>567</u> | <u>161,226</u> | <u>(29,567)</u> | <u>226,165</u> |
| Q3 FY2003 | | | | | | | |
| Balance as at 31.12.2002 | 73,965 | 17,328 | 2,597 | - | 163,638 | (32,444) | 225,084 |
| Share issue pursuant to the exercise of share options | 18 | 31 | - | - | - | - | 49 |
| Foreign currency translation | - | - | - | - | - | 599 | 599 |
| Profit for the financial period | - | - | - | - | 1,717 | - | 1,717 |
| Dividend paid in respect of current financial year | - | - | - | - | (9,210) | - | (9,210) |
| Balance as at 31.3.2003 | <u>73,983</u> | <u>17,359</u> | <u>2,597</u> | <u>-</u> | <u>156,145</u> | <u>(31,845)</u> | <u>218,239</u> |
| YTD Q3 FY2004 | | | | | | | |
| Balance as at 30.06.2003 | 73,983 | 17,359 | 2,597 | 70 | 158,826 | (31,258) | 221,577 |
| Transfer from revenue reserve to statutory reserve | - | - | - | 506 | (506) | - | - |
| Foreign currency translation | - | - | - | (9) | - | 1,691 | 1,682 |
| Profit for the financial period | - | - | - | - | 28,127 | - | 28,127 |
| Dividend paid in respect of previous financial year | - | - | - | - | (14,785) | - | (14,785) |
| Dividend paid in respect of current financial year | - | - | - | - | (10,436) | - | (10,436) |
| Balance as at 31.03.2004 | <u>73,983</u> | <u>17,359</u> | <u>2,597</u> | <u>567</u> | <u>161,226</u> | <u>(29,567)</u> | <u>226,165</u> |
| YTD Q3 FY2003 | | | | | | | |
| Balance as at 30.06.2002 | 73,942 | 17,282 | 2,597 | - | 168,999 | (30,328) | 232,492 |
| Share issue pursuant to the exercise of share options | 41 | 75 | - | - | - | - | 116 |
| Refund of share issue expenses | - | 2 | - | - | - | - | 2 |
| Foreign currency translation | - | - | - | - | - | (1,517) | (1,517) |
| Profit for the financial period | - | - | - | - | 11,423 | - | 11,423 |
| Dividend paid in respect of previous financial year | - | - | - | - | (15,067) | - | (15,067) |
| Dividend paid in respect of current financial year | - | - | - | - | (9,210) | - | (9,210) |
| Balance as at 31.3.2003 | <u>73,983</u> | <u>17,359</u> | <u>2,597</u> | <u>-</u> | <u>156,145</u> | <u>(31,845)</u> | <u>218,239</u> |

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| US\$'000 | Share capital | Share premium | Revenue reserve | Foreign currency translation reserve | Total shareholders' equity |
|---|---------------|---------------|-----------------|--------------------------------------|----------------------------|
| Company | | | | | |
| Q3 FY2004 | | | | | |
| Balance as at 31.12.2003 | 73,983 | 17,359 | 30,934 | (9,542) | 112,734 |
| Foreign currency translation | - | - | - | 1,941 | 1,941 |
| Profit for the financial period | - | - | 19,661 | - | 19,661 |
| Dividend paid in respect of current financial year | - | - | (10,436) | - | (10,436) |
| Balance as at 31.03.2004 | <u>73,983</u> | <u>17,359</u> | <u>40,159</u> | <u>(7,601)</u> | <u>123,900</u> |
| Q3 FY2003 | | | | | |
| Balance as at 31.12.2002 | 73,965 | 17,328 | 40,082 | (14,428) | 116,947 |
| Share issue pursuant to the exercise of share options | 18 | 31 | - | - | 49 |
| Foreign currency translation | - | - | - | (210) | (210) |
| Profit for the financial period | - | - | 16,299 | - | 16,299 |
| Dividend paid in respect of current financial year | - | - | (9,210) | - | (9,210) |
| Balance as at 31.3.2003 | <u>73,983</u> | <u>17,359</u> | <u>47,171</u> | <u>(14,638)</u> | <u>123,875</u> |
| YTD Q3 FY2004 | | | | | |
| Balance as at 30.06.2003 | 73,983 | 17,359 | 47,025 | (13,736) | 124,631 |
| Foreign currency translation | - | - | - | 6,135 | 6,135 |
| Profit for the financial period | - | - | 18,355 | - | 18,355 |
| Dividend paid in respect of previous financial year | - | - | (14,785) | - | (14,785) |
| Dividend paid in respect of current financial year | - | - | (10,436) | - | (10,436) |
| Balance as at 31.03.2004 | <u>73,983</u> | <u>17,359</u> | <u>40,159</u> | <u>(7,601)</u> | <u>123,900</u> |
| YTD Q3 FY2003 | | | | | |
| Balance as at 30.06.2002 | 73,942 | 17,282 | 47,340 | (14,428) | 124,136 |
| Share issue pursuant to the exercise of share options | 41 | 75 | - | - | 116 |
| Refund of share issue expenses | - | 2 | - | - | 2 |
| Foreign currency translation | - | - | - | (210) | (210) |
| Profit for the financial period | - | - | 24,108 | - | 24,108 |
| Dividend paid in respect of previous financial year | - | - | (15,067) | - | (15,067) |
| Dividend paid in respect of current financial year | - | - | (9,210) | - | (9,210) |
| Balance as at 31.3.2003 | <u>73,983</u> | <u>17,359</u> | <u>47,171</u> | <u>(14,638)</u> | <u>123,875</u> |

1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

No shares were issued in Q3 FY2004 and the issued and paid-up capital of the Company at the end of Q3 FY2004 was S\$116,850,718, represented by 146,063,397 ordinary shares of S\$0.80 each.

There were no share options granted to employees under the Eltec & Eltek Employees' Share Option Scheme in Q3 FY2004.

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Details of the movement of share options previously granted by the Company to eligible employees in Q3 FY2004 and the number of share options at the end of Q3 FY2003 are as follows:

| Date of grant | Subscription price per share | Outstanding balance as at | | Outstanding balance as at | Outstanding balance as at | Expiry date |
|---------------|------------------------------|---------------------------|-----------------|---------------------------|---------------------------|---------------|
| | (US\$) | 1.1.2004 | Lapsed | 31.03.2004 | 31.03.2003 | |
| 9 April 1998 | 4.833 | - | - | - | 722,400 | 8 April 2003 |
| 19 April 1999 | 3.100 | 799,200 | (18,000) | 781,200 | 844,800 | 18 April 2004 |
| 25 May 2000 | 1.308 | 400 | - | 400 | 400 | 24 May 2005 |
| 7 May 2003 | 1.450 | 1,400,000 | - | 1,400,000 | - | 6 May 2007 |
| TOTAL | | 2,199,600 | (18,000) | 2,181,600 | 1,567,600 | |

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures for Q3 FY2004 and YTD Q3 FY2004 have neither been audited nor reviewed in accordance with relevant auditing standards.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Saved as disclosed in paragraph 5, the financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS). In the previous years, the financial statements were prepared in accordance with Singapore Statements of Accounting Standard (SAS). The transition from SAS to FRS did not result in any significant change in accounting policies.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

With effect from third quarter of this current financial year, the Board of Directors applied Interpretation FRS 19 and decided that the measurement currency of the financial statements of the Group and of the Company would be in US dollar ("US\$") instead of Singapore dollar ("S\$"). It was also decided that the presentation currency would be the same as the measurement currency.

The change in measurement currency to US\$ was made as it reflect more accurately the underlying events and circumstances of the Group's business operations. This decision was based on the following reasons:-

1. The Group is engaged in the manufacturing and distribution of printed circuit boards with major operations in the People's Republic of China (PRC), Hong Kong and Thailand and our products are supplied to multi-national corporations and customers worldwide. Based on the current financial statistics, approximately 80% of the Group's sales orders are placed and predominantly denominated in US\$ and 17% and 3% of which are placed and denominated in Chinese Yuan ("RMB") and Thai Baht ("Baht"), respectively;
2. The operating assets of the Group are mainly located in the PRC, Hong Kong and Thailand respectively and approximately 89% thereof are reported/audited in Hong Kong dollar and RMB, the exchange rates of which are very stable with US\$; and
3. The shares of the Company are listed and traded in the SGX-ST in US\$.

In using US\$ as the measurement currency, all assets and liabilities of foreign subsidiary companies are translated into US\$ at the exchange rates ruling at each balance sheet date and the results of foreign subsidiary companies were translated into US\$ at the respective period average exchange rates. Exchange differences due to such currency translations were included in foreign currency translation reserve.

The retrospective financial effect from the above change in accounting policy have given rise to an adjustment of US\$16.4 million to the foreign currency translation reserve. Saved as disclosed, this change in accounting policy did not lead to any inconsistent financial performance had it been measured in S\$ on past basis.

The financial results of the corresponding financial periods have been reinstated in US\$ for comparative purposes.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial period.

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Diluted earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue, adjusted for the effect of dilutive options during the financial period.

The following reflects the income and share data used in the basic and diluted earnings per share computations of the Group after deducting any provision for preference dividends:

| | Q3 FY2004 | Q3 FY2003 | YTD Q3 FY2004 | YTD Q3 FY2003 |
|---|----------------|----------------|------------------|------------------|
| Earnings attributable to shareholders (US\$'000) | 11,690 | 1,717 | 28,127 | 11,423 |
| <i>Number of ordinary shares (in thousands)</i> | | | | |
| Number of ordinary shares in issue at the beginning of financial period | 146,063 | 146,025 | 146,063 | 145,975 |
| Weighted average number of ordinary shares issued pursuant to the exercise of share options | 0 | 10 | 0 | 31 |
| Weighted average number of ordinary shares applicable to basic earnings per share | 146,063 | 146,035 | 146,063 | 146,006 |
| Effect of dilutive share options | 704 | 8 | 613 | 19 |
| Weighted average number of ordinary shares applicable to diluted earnings per share | <u>146,767</u> | <u>146,043</u> | <u>146,676</u> | <u>146,025</u> |
| Earnings per share (United States cents) | | | | |
| - basic | 8.00 | 1.18 | 19.26 | 7.82 |
| - diluted | <u>7.96</u> | <u>1.18</u> | <u>19.18</u> | <u>7.82</u> |

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) **current financial period reported on; and**
 (b) **immediately preceding financial year.**

| | Group US\$ | Company US\$ |
|---|---------------|-----------------|
| Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:- | | |
| (a) current financial period reported on | 1.55 | 0.85 |
| (b) immediately preceding financial year | 1.52 | 0.85 |

There were 146,063,397 ordinary shares in issue at the end of Q3 FY2004.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Though Q3 is a traditionally slow season after Christmas sales in Q2, the Group's bookings and shipments remained strong in Q3 FY2004. The strong pickup in Communication Sector in Q3 FY2004 has offset the seasonal adjustments in the Computer & Peripherals Sectors.

Sales of 2- and 4-layered PCBs in Q3 FY2004 accounted for approximately 47.5% versus 53.0% sequentially and 57.4% year-on-year of Group's turnover. Sales of 2- and 4-layered PCBs in YTD Q3 FY2004 accounted for around 52.9% versus 56.5% of Group's turnover in the same YTD period in FY2003.

The prices of copper foil, fibre glass and copper clad laminate raw material have gone up by more than 25% since the beginning of the current financial year as a result of tight supply and demand market condition in the region. The Group has been able to pass on the increased raw material cost to our customers. This coupled with better mix for the higher layered communication products, PCB average selling price in Q3 FY2004 was up by around 10% sequentially and up 12.5% year-on-year. However, YTD PCB average selling price in Q3 FY2004 was still 0.9% lower than YTD Q3 FY2003 PCB average selling prices.

As a result of the favorable factors as mentioned above, the Group has performed even better than in Q2 FY2004. Group revenue in Q3 FY2004 was US\$92.6 million, up 4.0% sequentially and up 64.0% year-on-year. Taking into consideration the positive financial effect of US\$2.0 million arising from the change in accounting estimates for depreciation, the Group achieved a consolidated operating profit of US\$11.7 million, up 7.7% over last quarter and 580.8% over Q3 FY2003.

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The Group's effective tax rate in Q3 FY2004 was 8.3% as compared with Q2 FY2004's of 7.5% due to higher profit in subsidiaries subject to taxation.

In the opinion of the Directors, no item, transaction or event of a material or unusual nature has occurred during the period from 1 April 2004 to the date of this report that would materially affect the results of the Company and / or the Group in the financial period in which this announcement is made.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The results of the current financial period was better than the previous quarter and was in line with the prospect statement made by the Company in its second quarter results announcement on 12 February 2004.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Customers projection indicates that Q4 FY2004 business will remain strong. Computer & Peripherals Sectors will regain momentum after the short adjustment in Q3 FY2004, as it is expected that corporations are increasing their capital expenditure as the economy recovers.

North America and Europe have restarted its growing trend after almost three year of adjustments after the burst of the internet bubble. Upgrade of services to either 2.5G or 3G with multi-function mobile, such as PDA mobile, camera mobile with MP-3 and radio etc., have led to much stronger demand on infrastructure products from these regions. Growth in emerging markets, such as China, continues.

Consumer Sector is particularly robust and has been targeted as one of the key drivers for electronic product growth following the launch of more advanced or digitized products, such as high definition TV, DVD-RW, MP-3, digital camera etc.

Automotive industry is another high growth sector with economic recovery. The industry is expected to be particularly strong in emerging markets, such as China, as living standard improves. This has led to general upgrade to cars with more electronic devices.

Raw material prices are expected to rise in the coming six to twelve months before the new capacities come on stream for mass production and as a result the average selling prices of PCB are also expected to rise gradually at the same pace as the PCB raw material prices.

The Company has on 10 February 2004 executed a Land Use Right agreement with the Kaiping Land and Resources Bureau to purchase a piece of land at an approximate cost of US\$1.15 million. The site areas of the land of approximately 158,500 sq. meters and was located adjacent to the current Kaiping plants premises, is to cater for the Group's medium and longer term capacity expansion. The acquisition of the Property is not expected to have any immediate and significant impact on the Company's earnings per share nor net tangible assets per share of the Company for the financial year ending 30 June 2004.

Barring unforeseen circumstances, the Directors expect that the Group should continue to show good results in the fourth quarter.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend will be declared for Q3 FY2004 (Q3 FY2003: NIL).

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable.

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14. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

15. **A breakdown of sales.**

Not applicable.

16. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

| | Latest Full Year | Previous Full Year |
|------------|-------------------------|---------------------------|
| Ordinary | 0 | 0 |
| Preference | 0 | 0 |
| Total: | <u>0</u> | <u>0</u> |

17. **Interested Persons Transactions**

There are no interested person transactions to be disclosed pursuant to Rule 920(1)(a)(ii) of the Listing Manual of the Singapore Exchange Securities Trading Limited.”

As at the date of this announcement, the Directors of Elec & Eltek International Holdings Limited comprise two Executive Directors, namely, Mr Thomas Tang Koon Yiu and Mr Canice Chung Tai Keung, five Non-executive Directors, namely, Mr David So Cheung Sing, Mr Marcus Tsang Ming Pui, Mr Wilson Tam Kam Ho, Mr Johnny Ng Ho Kin and Mr Peter Lee Yip Wah, and two Independent Non-executive Directors, namely, Mr Eugene Lee and Mr Kenneth Shim Hing Choi.

BY ORDER OF THE BOARD
Thomas Tang Koon Yiu
Chairman

Hong Kong, 6 May 2004

Please also refer to the published version of this announcement in South China Morning Post dated 7 May 2004.