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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 BY INDEPENDENT BOARD COMMITTEE
CONFIRMATION OF RECOMMENDATION
CONCERNING
OFFERS FROM EASE EVER INVESTMENTS LIMITED**

As stated in the Circular, Somerley was of the view that the terms of the Share Offer are fair and reasonable. However, it was not possible for the Offers to become unconditional without the support, or at least the partial support, of the Controlling Shareholders. As such, at the time the Circular was posted, Somerley and the Independent Board Committee recommended that the Independent Shareholders and the Option Holder should not accept the Offers before the decision of the Controlling Shareholders is made known. Following the acceptance of the Share Offer by Elec & Eltek Investments Limited and the Offers being declared unconditional in all respects, the Independent Board Committee, based on Somerley's confirmation, wishes to confirm their recommendations as set out in the Circular that the Independent Shareholders should accept the Share Offer before it closes or sell in the market if the market price of the Shares (net of dealing costs) exceeds the Offer Price. Alternatively, Independent Shareholders who are attracted by the Company's prospects under the control of Kingboard may wish to consider retaining some or all of their Shares. Similarly, the Independent Board Committee, based on Somerley's confirmation, recommends the Option Holder to accept the Option Offer.

In addition, the Independent Board Committee would like to remind Shareholders and the Option Holder that:

- Somerley's opinion that the terms of the Share Offer are fair and reasonable is reinforced by the acceptance by Elec & Eltek Investments Limited, one of the Controlling Shareholders. Independent Shareholders and the Option Holder are reminded to read the letters from Somerley and the Independent Board Committee as set out in the Circular before making their decisions.
- The Closing Date of the Offers is now Thursday, 9 December 2004. The Offeror is not obliged to extend it further (but may do so).
- Procedures for acceptance are as set out in the Offer Document. Most Shareholders will need to take action by 8 December 2004. Acceptances are irrevocable.

- Certain board appointments to the Company and intended appointments to EEIC have been announced. Apart from this, there is no further update on Kingboard's intentions for the future of the Company.
- Kingboard has stated it may consider exercising compulsory acquisition rights if it receives sufficient acceptances but it has not yet decided whether or not to do so.
- Based on the latest notices filed pursuant to section 324 of Part XV of the SFO, the public float of the Company is presently around 10.45%, less than the minimum 25% required by the Stock Exchange. Further acceptances of the Share Offer will increase this shortfall. If the rights of compulsory acquisition are not exercised, Kingboard will use its best endeavours to restore the public float.

We refer to the circular (the "Circular") issued by the Company on 15 November 2004 which included, among other things, a recommendation from ourselves to the Shareholders and the Option Holder regarding the Offers. Terms used in this announcement shall have the meanings as defined in the Circular. On 25 November, 2004, the Company announced that Elec & Eltek Investments Limited, its 42.62% controlling shareholder, had accepted the Share Offer, and Kingboard and the Offeror announced that the Offers had been declared unconditional in all respects.

In these circumstances, based on Somerley's confirmation, we wish to confirm the recommendations set out in our letter in the Circular that Independent Shareholders should accept the Share Offer before it closes or sell in the market if the market price of the Shares (net of dealing costs) exceeds the Offer Price. Alternatively, Independent Shareholders who are attracted by the Company's prospects under the control of Kingboard may wish to consider retaining some or all of their Shares. Similarly, based on Somerley's confirmation, we recommend the Option Holder to accept the Option Offer.

We would like to remind Independent Shareholders and the Option Holder of the following points in particular:

- Share Offer is fair and reasonable; Controlling Shareholders have accepted.

In the Circular, we referred to Somerley's opinion that the Offer Price of HK\$1.90 per Share lies within a range which is fair and reasonable to the Independent Shareholders in the context of an offer for their Shares, although it is at the lower end of such a range bearing in mind that the opportunity to acquire control of a well established and substantially profitable Hong Kong listed group is rare. Somerley stated in their letter that acceptance of the Share Offer by the Controlling Shareholders would reinforce their view that the terms of the Share Offer are fair and reasonable. This acceptance has now occurred. Independent Shareholders and the Option Holder are reminded to read the letters from Somerley and the Independent Board Committee as set out in the Circular before making their decisions.

- Closing Date

Following the Offers being declared unconditional, they will remain open until at least Thursday, 9 December 2004. This is in accordance with the provisions of the Takeovers Code. The Offeror has not stated whether or not it will extend the Offers further, but it is not obliged to do so. A further announcement will be made by the Offeror on or around 9 December 2004.

- Procedures for acceptance and settlement

Procedures for acceptance of the Offers are set out in the Offer Document, particularly Appendix I, and in the accompanying Forms of Acceptance. Most Shareholders hold their Shares through CCASS established and operated by HKSCC, in which case some prior action needs to be taken to ensure acceptance on time. If Shares are lodged with a broker/custodian bank through CCASS, subject to the terms of the agreement between Shareholders and their brokers/custodian banks, instructions should be given to them to authorise HKSCC to take the necessary action by 4:00 pm on Wednesday, 8 December 2004, which is one business day before the close of the Offers. If Shares are lodged with an Investor Participant Account with CCASS, Shareholders should issue their instructions to CCASS no later than 4:00 pm on Wednesday, 8 December 2004.

The cheque in respect of the acceptance by Elec & Eltek Investments Limited has already been collected. In accordance with the provisions of the Takeovers Code, all Shareholders who tender their acceptances to the Offeror will be treated equally in relation to the time required for settlement of consideration.

To accept the Option Offer, the Option Holder should forward the White Form of Acceptance, together with the relevant Option certificate(s) (if any) for the whole of his holding of Options, or for the number of Options in respect of which he accepts the Option Offer, by post or by hand to the head office and principal place of business of the Company in Hong Kong so as to reach the company secretary of the Company by not later than 4:00 p.m. on Thursday, 9 December 2004.

In order to meet the deadline set by HKSCC, Shareholders should check with their brokers/ custodian banks for the timing on the processing of their instructions, and submit their instructions to their brokers/ custodian banks as required. An acceptance, once submitted, cannot be withdrawn in these circumstances.

- Intentions of Kingboard/board memberships

As stated in the Offer Document, if the Offers become unconditional, it is the intention of Kingboard that the Company will continue its principal business activities. The appointments of five persons nominated by Kingboard, namely, Messrs Cheung Kwok Wa, Mok Cham Hung, Chadwick, Cheung Kwok Wing, Chan Wing Kwan and Chang Wing Yiu to the Board became effective on 27 November 2004. On 29 November 2004, the resignations of four Controlling Shareholders, namely, Messrs David So Cheung Sing, Marcus Tsang Ming Pui, Wilson Tam Kam Ho and Johnny Ng Ho Kin from the

Board with effect from 30 November 2004 were announced. Kingboard does not have any intention to make any major changes to the management structure in the near term save for the above appointments to the Board. There has been no further update on Kingboard's intentions since the posting of the Offer Document.

- **Compulsory acquisition**

If it is able to do so under the relevant provisions of the Companies Act, the Kingboard Group may consider exercising its rights to acquire outstanding Shares compulsorily. In such circumstances, Shareholders would also have the right to require Kingboard to acquire their Shares even if the Share Offer had closed. The Kingboard Group has not yet decided whether to effect the compulsory acquisition of Shares in the event that it is permitted to do so. A further announcement on this matter will be made by the Kingboard Group and/or the Company as and when necessary.

- **Public float**

If the Offeror does not exercise any rights of compulsory acquisition it may have, the Company and the Offeror will use their reasonable endeavours following the closing of the Offers to restore the public float of the Company to not less than 25%. Based on the latest notices filed pursuant to section 324 of Part XV of the SFO, the public float is presently around 10.45%, less than the minimum 25% required by the Stock Exchange. Further acceptances of the Share Offer will increase this shortfall. Shareholders are reminded that the possible placing down of Shares may result in a fall in the Share price.

By order of the Independent Board Committee
Elec & Eltek International Holdings Limited
Eugene Lee **Kenneth Shim Hing Choi**
Independent Non-Executive Director *Independent Non-Executive Director*
Keith Tay Ah Kee
Independent Non-Executive Director

Hong Kong, 1 December 2004

The members of the Independent Board Committee jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

As at the date of this announcement, the directors of the Company comprise four executive directors, namely, Messrs Thomas Tang Koon Yiu, Canice Chung Tai Keung, Cheung Kwok Wa and Mok Cham Hung, Chadwick, four non-executive directors, namely, Messrs Peter Lee Yip Wah, Cheung Kwok Wing, Chan Wing Kwan and Chang Wing Yiu and three independent non-executive directors, namely, Messrs Eugene Lee, Kenneth Shim Hing Choi and Keith Tay Ah Kee.

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