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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 2019**

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 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)s**”) and has been audited by auditors.

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. Shareholders of the Company and public investors should exercise caution when trading in the shares of the Company.

* *For identification purpose only*

FINANCIAL HIGHLIGHTS

	Twelve months ended 31 December		
	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>	% Change
Revenue	616,508	602,634	2.3%
EBITDA	82,875	74,867	10.7%
EBITDA margin	13.4%	12.4%	
Profit before tax	37,427	32,670	14.6%
Net profit attributable to owners of the Company	30,381	24,299	25.0%
Basic and diluted earnings per share	US16.25 cents	US13.00 cents	25.0%
Full-year dividend per share – Proposed final dividend per share	US4.00 cents	US4.00 cents	–
Dividend payout ratio	24.6%	30.8%	
Net asset value per share	US\$2.33	US\$2.19	6.4%
Net gearing ratio	22.1%	20.5%	

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 2019 (“**CY2019**” or, the “**Year under Review**”) together with the comparative figures for the year ended 31 December 2018 (“**CY2018**”).

Consolidated Statement of Profit or Loss

	<i>Notes</i>	CY2019 <i>US\$'000</i>	CY2018 <i>US\$'000</i>	% Change
Revenue	2	616,508	602,634	2.3%
Cost of sales		<u>(544,267)</u>	<u>(538,049)</u>	1.2%
Gross profit		72,241	64,585	11.9%
<i>Gross profit margin</i>		11.7%	10.7%	
Other operating income and gains	3	4,813	6,653	-27.7%
Distribution and selling costs		(10,558)	(10,096)	4.6%
Administrative expenses		(25,762)	(26,107)	-1.3%
Other operating expenses and losses		(312)	(414)	-24.6%
Finance costs	4	<u>(2,995)</u>	<u>(1,951)</u>	53.5%
Profit before taxation		37,427	32,670	14.6%
Income tax expense	5	<u>(6,171)</u>	<u>(7,755)</u>	-20.4%
Profit for the year		<u>31,256</u>	<u>24,915</u>	25.5%
Profit attributable to:				
Owners of the Company		30,381	24,299	25.0%
Non-controlling interests		<u>875</u>	<u>616</u>	42.0%
		<u>31,256</u>	<u>24,915</u>	25.5%
Earnings per share (US cents)				
– Basic and diluted	7	<u>16.25</u>	<u>13.00</u>	25.0%

Notes to Consolidated Statement of Profit or Loss:

	CY2019 <i>US\$'000</i>	CY2018 <i>US\$'000</i>	% Change
Depreciation of property, plant and equipment	42,323	39,952	5.9%
Amortisation of prepaid land use rights	–	399	-100%
Depreciation of right-of-use assets	239	–	n/m
Allowance for expected credit losses	4,138	267	1,449.8%
Bad trade debts written off	–	4,707	-100%
Allowance for inventory obsolescence	383	3,413	-88.8%

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	CY2019 <i>US\$'000</i>	CY2018 <i>US\$'000</i>	% Change
Profit for the year	<u>31,256</u>	<u>24,915</u>	25.5%
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment upon transfer to investment properties	3,104	–	n/m
Exchange differences on translation of foreign operations, representing other comprehensive expense for the year, net of tax	<u>(1,260)</u>	<u>(1,382)</u>	-8.8%
Total comprehensive income for the year	<u><u>33,100</u></u>	<u><u>23,533</u></u>	40.7%
Total comprehensive income attributable to:			
Owners of the Company	32,225	22,917	40.6%
Non-controlling interests	<u>875</u>	<u>616</u>	42.0%
	<u><u>33,100</u></u>	<u><u>23,533</u></u>	40.7%

n/m – present not meaningful

Statements of Financial Position

		GROUP	
		2019	2018
<i>Notes</i>		<i>US\$'000</i>	<i>US\$'000</i>
ASSETS			
Current assets			
		20,980	25,077
		198,356	186,477
	<i>10</i>	525	1,148
	<i>10</i>	15,624	13,294
		–	399
	<i>11</i>	44,576	39,631
Total current assets		280,061	266,026
Non-current assets			
	<i>9</i>	320,973	335,141
		–	12,367
		10,598	–
	<i>9</i>	3,502	8,398
		138,348	104,554
		–	39
Total non-current assets		473,421	460,499
Total assets		753,482	726,525
LIABILITIES AND EQUITY			
Current liabilities			
	<i>13</i>	69,205	55,353
	<i>12</i>	157,684	150,176
	<i>12</i>	5,237	15,442
		21,051	31,418
		1,690	679
		5,488	5,095
Total current liabilities		260,355	258,163
Non-current liabilities			
	<i>13</i>	48,157	53,850
		4,464	3,403
		4,936	1,162
Total non-current liabilities		57,557	58,415
Capital, reserves and non-controlling interests			
	<i>14</i>	113,880	113,880
		308,857	284,109
		422,737	397,989
		12,833	11,958
Total equity		435,570	409,947
Total liabilities and equity		753,482	726,525

Statements of Financial Position

		COMPANY	
	<i>Note</i>	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
ASSETS			
Current assets			
Cash and bank balances		42	98
Other receivables		10	7
Total current assets		<u>52</u>	<u>105</u>
Non-current asset			
Subsidiary companies		477,393	474,747
Total non-current asset		<u>477,393</u>	<u>474,747</u>
Total assets		<u>477,445</u>	<u>474,852</u>
LIABILITIES AND EQUITY			
Current liabilities			
Other payables		3,874	4,385
Amounts due to subsidiary companies		255,192	247,163
Total current liabilities		<u>259,066</u>	<u>251,548</u>
Capital and reserves			
Share capital	14	113,880	113,880
Reserves		104,499	109,424
Equity attributable to owners of the Company		<u>218,379</u>	<u>223,304</u>
Total equity		<u>218,379</u>	<u>223,304</u>
Total liabilities and equity		<u>477,445</u>	<u>474,852</u>

Statements of Changes in Equity

	Attributable to owners of the Company									
	Share capital <i>US \$'000</i>	Capital reserve <i>US \$'000</i> <i>(Note i)</i>	Statutory reserve <i>US \$'000</i> <i>(Note ii)</i>	Revaluation reserve <i>US \$'000</i> <i>(Note iii)</i>	Other reserve <i>US \$'000</i> <i>(Note iv)</i>	Retained earnings <i>US \$'000</i>	Foreign currency translation reserve <i>US \$'000</i>	Total <i>US \$'000</i>	Non-controlling interests <i>US \$'000</i>	Total equity <i>US \$'000</i>
THE GROUP										
Balance at 1 January 2019	113,880	1,916	9,947	42,684	166	216,569	12,827	397,989	11,958	409,947
Total comprehensive income (expense) for the year										
Profit for the year	-	-	-	-	-	30,381	-	30,381	875	31,256
Gain on revaluation of property, plant and equipment upon transfer to investment properties	-	-	-	3,104	-	-	-	3,104	-	3,104
Exchange differences arising on translation of foreign operations, representing other comprehensive expenses for the year, net of tax	-	-	-	-	-	-	(1,260)	(1,260)	-	(1,260)
Total	-	-	-	3,104	-	30,381	(1,260)	32,225	875	33,100
Transfer from retained earnings to statutory reserve	-	-	2,098	-	-	(2,098)	-	-	-	-
Transactions with owners, recognised directly in equity										
Dividend paid in respect of – previous financial year	-	-	-	-	-	(7,477)	-	(7,477)	-	(7,477)
Total	-	-	2,098	-	-	(9,575)	-	(7,477)	-	(7,477)
Balance at 31 December 2019	<u>113,880</u>	<u>1,916</u>	<u>12,045</u>	<u>45,788</u>	<u>166</u>	<u>237,375</u>	<u>11,567</u>	<u>422,737</u>	<u>12,833</u>	<u>435,570</u>
Balance at 1 January 2018	113,880	1,916	6,826	42,684	166	210,345	14,209	390,026	11,342	401,368
Total comprehensive income (expense) for the year										
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>

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.

	Share capital <i>US\$' 000</i>	Capital reserve <i>US\$' 000</i>	Retained earnings <i>US\$' 000</i>	Total equity <i>US\$' 000</i>
<u>THE COMPANY</u>				
Balance at 1 January 2019	113,880	1,916	107,508	223,304
Profit for the year, representing total comprehensive income for the year	–	–	2,552	2,552
Transactions with owners, recognised directly in equity				
Dividend paid in respect of – previous financial year	–	–	(7,477)	(7,477)
Balance at 31 December 2019	<u>113,880</u>	<u>1,916</u>	<u>102,583</u>	<u>218,379</u>
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	–	–	(14,954)	(14,954)
Balance at 31 December 2018	<u>113,880</u>	<u>1,916</u>	<u>107,508</u>	<u>223,304</u>

Consolidated Statement of Cash Flows

	CY2019 US\$'000	CY2018 US\$'000
Operating activities		
Profit before taxation	37,427	32,670
Adjustments for:		
Allowance for expected credit losses	4,138	267
Bad trade debts written off	–	4,707
Finance costs	2,995	1,951
Depreciation of property, plant and equipment	42,323	39,952
Gain on disposal of right-of-use assets	(364)	–
Amortisation of prepaid land use rights	–	399
Depreciation of right-of-use assets	239	–
Gain on disposal of property, plant and equipment	(265)	(73)
Government grants relating to assets	(388)	(20)
Gain on fair value change of investment properties	(1,727)	(3,748)
Allowance for inventory obsolescence	383	3,413
Interest income	(109)	(105)
	<hr/>	<hr/>
Operating income before movements in working capital	84,652	79,413
Increase in inventories	(5,963)	(1,851)
Increase in trade, bills and other receivables	(17,491)	(25,175)
(Decrease) increase in trade, bills and other payables and contract liabilities	(10,009)	19,587
	<hr/>	<hr/>
Net cash generated from operations	51,189	71,974
Interest income received	109	105
Interest paid	(3,199)	(2,225)
Income taxes paid	(4,624)	(4,363)
	<hr/>	<hr/>
Net cash from operating activities	43,475	65,491
Investing activities		
Proceeds from disposal of property, plant and equipment	1,680	212
Purchase of property, plant and equipment	(43,775)	(79,169)
Proceeds from disposal of right-of-use assets	423	–
Additions to prepaid land use rights	–	(128)
Deposits paid for acquisition of property, plant and equipment	(7,954)	(5,935)
Government grants received for acquisition of property, plant and equipment	3,751	1,304
	<hr/>	<hr/>
Net cash used in investing activities	(45,875)	(83,716)

	CY2019 <i>US\$'000</i>	CY2018 <i>US\$'000</i>
Financing activities		
Proceeds from bank borrowings	62,308	123,031
Repayment of bank borrowings	(54,162)	(86,955)
Dividends paid by the Company	(7,477)	(14,954)
	<hr/>	<hr/>
Net cash from financing activities	669	21,122
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(1,731)	2,897
Cash and cash equivalents at the beginning of the year	25,077	25,985
Effect of foreign exchange rate changes on the balances of cash held in foreign currencies, net	(2,366)	(3,805)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	20,980	25,077
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents consist of:		
Cash and bank balances	20,980	25,077
	<hr/> <hr/>	<hr/> <hr/>

1. Basis of preparation and principal accounting policies

The Group adopted the following Singapore Financial Reporting Standards (International) (“SFRS(I)”) pronouncements that are effective for annual periods beginning on or after 1 January 2019:

- SFRS(I)16 Lease
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The adoption of these new and revised SFRS(I) does not result in changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current or prior financial period.

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 conforming to SFRS(I)s, that are regularly reviewed by the Executive Directors of the Company.

Segment revenues and results

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

For the year ended 31 December 2019	Fabrication and distribution of PCB US\$'000	Property investment US\$'000	Consolidated US\$'000
Segment revenue			
Revenue from external customers	608,097	8,411	616,508
Segment Results			
Corporate and other unallocated expenses	30,094	8,792	38,886 (1,459)
Profit before taxation			<u>37,427</u>
For the year ended 31 December 2018	Fabrication and distribution of PCB US\$'000	Property investment US\$'000	Consolidated US\$'000
Segment revenue			
Revenue from external customers	594,490	8,144	602,634
Segment Results			
Corporate and other unallocated expenses	24,326	9,477	33,803 (1,133)
Profit before taxation			<u>32,670</u>

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

Breakdown of sales

	CY2019 US\$'000 (Unaudited)	CY2018 US\$'000 (Unaudited)	% Change
(a) Sales reported for first half year	280,221	280,119	0.0%
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	11,159	15,088	-26.0%
(c) Sales reported for second half year	336,287	322,515	4.3%
(d) Operating profit after tax before deducting non-controlling interests reported for second half year	20,097	9,827	104.5%

3. Other operating income and gains

	CY2019 US\$'000	CY2018 US\$'000
Interest income	109	105
Gain on disposal on property, plant and equipment	265	73
Gain on disposal of right-of-use assets (<i>Note</i>)	364	–
Gain on fair value changes of investment properties	1,727	3,748
Gain on foreign exchange	403	739
Government grants relating to assets	388	20
Government research and development grants	548	1,056
Others	1,009	912
	<u>4,813</u>	<u>6,653</u>

Note: This pertains to the compensation received from the PRC government for a piece of land being returned to the PRC government during the year.

4. Finance costs

	CY2019 US\$'000	CY2018 US\$'000
Interest on bank loans	3,199	2,225
Less: Amounts capitalised	(204)	(274)
	<u>2,995</u>	<u>1,951</u>

5. Income tax expense

	CY2019 US\$'000	CY2018 US\$'000
Current tax:		
Singapore income tax	–	7
PRC enterprise income tax	4,703	4,932
Hong Kong income tax	314	403
	<u>5,017</u>	<u>5,342</u>
Deferred taxation	<u>1,154</u>	<u>2,413</u>
	<u>6,171</u>	<u>7,755</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

	CY2019 <i>US\$'000</i>	CY2018 <i>US\$'000</i>
In respect of previous financial year		
Dividend paid:		
Final one-tier tax exempt dividend for 2018 of US4.0 cents (2017: US8.0 cents) per ordinary share	<u><u>7,477</u></u>	<u><u>14,954</u></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 (2018: US\$4.0 cents) per share amounting to US\$7,477,000 (2018: US\$7,477,000) 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 ordinary owners of the Company is based on the following:

	CY2019 <i>US\$'000</i>	CY2018 <i>US\$'000</i>
Earnings for the purpose of calculating basic and diluted earnings per share	<u><u>30,381</u></u>	<u><u>24,299</u></u>
	Number of shares	
	CY2019 <i>'000</i>	CY2018 <i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u><u>186,920</u></u>	<u><u>186,920</u></u>
Earnings per share (US cents) – Basic and diluted	<u><u>16.25</u></u>	<u><u>13.00</u></u>

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

8. Net asset value

	Group		Company	
	2019 <i>US\$</i>	2018 <i>US\$</i>	2019 <i>US\$</i>	2018 <i>US\$</i>
Net asset value (including non-controlling interests) per ordinary share based on total number of issued shares excluding treasury shares at the end of the period*	2.33	2.19	1.17	1.19

* Based on 186,919,962 issued shares as at 31 December 2019 (2018: 186,919,962 issued shares).

9. Additions to property, plant and equipment

During the current reporting period, the Group spent approximately US\$51.7 million (2018: approximately US\$85.1 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

	GROUP	
	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Trade receivables		
– Third parties	190,244	179,250
– Related companies (<i>Note</i>)	17,689	12,721
Less: Allowance for expected credit losses	<u>(9,577)</u>	<u>(5,494)</u>
	198,356	186,477
Bills receivables	<u>525</u>	<u>1,148</u>
Total	<u>198,881</u>	<u>187,625</u>

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:

	GROUP	
	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Within 90 days	174,793	156,701
91 to 180 days	23,563	29,776
	198,356	186,477

At the end of the reporting period, the bills receivables were aged within 180 days (2018: within 180 days).

Trade receivables are non-interest bearing and generally on 30 to 120 days' credit terms (2018: 30 to 120 days).

11. Inventories

	GROUP	
	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Raw materials	11,409	11,477
Work-in-progress	15,998	11,903
Finished goods	17,169	16,251
	44,576	39,631

12. Trade and bills payables

	GROUP	
	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Trade payables		
– Third parties	96,639	99,985
– Related companies (<i>Note</i>)	61,045	50,191
	157,684	150,176
Bills payables	5,237	15,442
Total	162,921	165,618

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 (2018: 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:

	GROUP	
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
Within 90 days	99,745	91,938
91 to 180 days	39,644	41,132
Over 180 days	18,295	17,106
	157,684	150,176

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 (2018: within 180 days). The bills payables mainly related to the purchase of equipment and inventories via the payment mode of issuing irrevocable letters of credits.

13. Bank loans

	GROUP	
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
Unsecured:		
Bank loans	117,362	109,203
Carrying amounts repayable:		
– Within one year	69,205	55,353
– More than one year	48,157	53,850
	117,362	109,203

The Group's total external borrowings increased by approximately 7.5% to approximately US\$117.4 million as at 31 December 2019 from 31 December 2018, due to draw down of additional loans during CY2019.

14. Share capital

As at 31 December 2019, the Company had a total of 186,919,962 (2018: 186,919,962) issued ordinary shares excluding treasury shares.

15. Share options

No share option has been granted under 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

	GROUP	
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
Capital expenditure not provided for in the financial statements:		
Commitments in respect of contracts placed for plant expansion	25,838	37,422

17. Net current assets and total assets less current liabilities

As at 31 December 2019, the Group's net current assets, defined as current assets less current liabilities, amounted to approximately US\$19.7 million (2018: approximately US\$7.9 million).

As at 31 December 2019, the Group's total assets less total current liabilities amounted to approximately US\$493.1 million (2018: approximately US\$468.4 million).

BUSINESS REVIEW

The Company is delighted to announce its results for the financial year ended 31 December 2019 (the “**Year under Review**” or “**CY2019**”). During the Year under Review, the Group maintained steady growth in terms of orders and equipment utilisation in terms of production capacity coupled with increased percentage of production of higher layers PCB. The Group’s revenue for CY2019 increased by 2.3% as compared with that of CY2018 to approximately US\$616.5 million (CY2018: US\$602.6 million). The Group’s gross profit increased by 11.9% to US\$72.2 million as compared with that of CY2018 (CY2018: US\$64.6 million), gross margin increased to 11.7% as compared with that of CY2018 (CY2018: 10.7%). Net attributable profit (profit after tax and non-controlling interests) increased by 25.0% to US\$30.4 million as compared with that of CY2018 (CY2018: US\$24.3 million).

During the Year under Review, communication & networking products (including mobile phones) accounted for approximately 43.8% (CY2018: 47.1%) of the Group’s PCB sales, while automotive PCB sales accounted for about 23.1% (CY2018: 22.0%) of the Group’s PCB sales. Other products (including computer & peripherals, consumer electronics and industrial related products) accounted for 33.1% (CY2018: 30.9%) of the Group’s PCB sales. High Density Interconnect (“**HDI**”) PCB accounted for approximately 26.7% (CY2018: 25.4%) 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 US4.0 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 CY2019 to be false or misleading in any material respect.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2019, the Group's net current assets were approximately US\$19.7 million (31 December 2018: approximately US\$7.9 million), making the current ratio 1.08 as compared to 1.03 as at 31 December 2018.

The net working capital cycle was 36 days as at 31 December 2019 (31 December 2018: 36 days) based on the following key metrics:

- Inventories, in terms of stock turnover days, remained at 25 days (31 December 2018: 25 days).
- Trade receivables, in terms of debtors turnover days, increased to 114 days (31 December 2018: 107 days).
- Trade payables, in terms of creditors turnover days, increased to 103 days (31 December 2018: 96 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 2019 was approximately 22.1% (31 December 2018: 20.5%). As at 31 December 2019, the proportion of short-term and long-term bank borrowings stood at 59%: 41% (31 December 2018: 51%: 49%). The total equity of the Group, as at 31 December 2019, was approximately US\$435.6 million (31 December 2018: approximately US\$409.9 million). As at 31 December 2019, the Group had cash on hand and undrawn loan facilities of approximately US\$21.0 million and US\$60.0 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 2019, the Group had approximately 8,600 employees (31 December 2018: approximately 8,400). The salaries of employees are maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and the minimum wage guidelines prescribed by the relevant local government from time to time. The Group awards discretionary bonuses to eligible employees based upon profit target achievements of the Company and individual performance.

The Company has in place a share option scheme in 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

The slowdown in global economic growth in CY2019 together with the recent outbreak of novel coronavirus has brought about uncertainties for global economy. The Group will continue to focus on product quality and cost control and strictly control capital expenditure in order to continuously maintain the Group's competitiveness. In addition, the Group has begun to receive rental in respect of a newly completed industrial building in Guangzhou, which is expected to bring stable rental income to the Group.

FINAL DIVIDEND

The proposed final dividend of US4.0 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, 29 May 2020.

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 under Review, 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 CY2019.

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. Article 95 provides 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 meetings 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 appoint an additional 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 then Chairman of the Board, Mr. Cheung Kwok Wing, was unable to attend the annual general meeting of the Company held on 26 April 2019 (“**2019 AGM**”) due to business reasons. He delegated the duty of answering and addressing questions raised by the shareholders of the Company at the 2019 AGM to the then 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 respectively, 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 and relevant employees 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 2019.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The figures for CY2019, prepared in accordance with SFRS(I)s, 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 2019, as set out in this 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 this announcement.

The auditors’ report on the consolidated financial statement of the Group and the statements of financial position and statement of changes in equity of the Company as at and for the year ended 31 December 2019, prepared for the purpose of statutory reporting in Singapore, is attached as the Appendix.

FORECAST STATEMENT

No forecast statement has been previously disclosed to shareholders.

DISCLOSURE ON THE WEBSITE OF THE EXCHANGES

This announcement shall be published on the website of SGX (<http://www.sgx.com>), the SEHK (<http://www.hkexnews.hk>) and on the Company's website (<http://www.eleceltek.com>).

INTERESTED PERSONS TRANSACTIONS

Interested persons transactions carried out during the reporting period, which fall under Chapter 9 of the SGX Listing Manual, are as follows:

Name of Interested Person US\$' 000	Aggregate value of all interested person transactions during the period under review (including transactions less than S\$100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920 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)	
	CY2019	CY2018	CY2019	CY2018
Purchases of plant and equipment				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	11,996	9,867
	<u>—</u>	<u>—</u>	<u>11,996</u>	<u>9,867</u>
Purchases of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	152,651	109,555
Delta Realty Limited	176	106	—	—
Heng Yang Kingboard Chemical Co., Ltd.	—	—	2,325	2,385
Hong Kong Fibre Glass Company Limited	—	—	26,678	26,919
Huizhou Chung Shun Chemical Company Limited	—	—	1,276	1,971
	<u>176</u>	<u>106</u>	<u>182,930</u>	<u>140,830</u>
Provision of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	4,747	5,008
Express Electronics (Suzhou) Co., Ltd.	—	—	136	8
Techwise (Macao Commercial Offshore) Circuits Limited	—	—	21,826	23,872
	<u>—</u>	<u>—</u>	<u>26,709</u>	<u>28,888</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 28 February 2020.

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

Hong Kong, 28 February 2020

As at the date of this announcement, the Board of the Company comprises the following directors:

Executive Directors:

Stephanie Cheung Wai Lin (Chairman)
Chang Wing Yiu

Independent Non-executive Directors:

Stanley Chung Wai Cheong
Ong Shen Chieh
Kong Tze Wing

* *For identification purpose only*

Appendix

The auditor's report on the full financial statements of Elec & Eltek International Company Limited for the financial year ended 31 December 2019 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 statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies as set out on pages [•••] to [•••].

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (“**the Act**”) and Singapore Financial Reporting Standards (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 2019 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 *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

Loss allowance for trade receivables

As at 31 December 2019, the Group has trade receivables amounting to US\$198,356,000, net of allowance amounting to US\$9,577,000.

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.

We obtained an understanding of the Group’s control over the credit and collection process of its trade receivables, and tested the design and implementation of the relevant key controls over the assessment and monitoring of credit risks, and determination of loss allowance for trade receivables.

We discussed with management and evaluated the ECL model used in determining the allowance for ECL. 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.

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.

Key audit matter

Investment properties

The carrying amount of Group's investment properties as at 31 December 2019 is US\$138,348,000. 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

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 without presence of the management to discuss and understand the valuation process, the valuation methodology, performance of the properties and the significant judgement and assumptions applied, including future lease income and yields.

We have also considered the adequacy and appropriateness of the disclosures made in the financial statements, including description of the inherent degree of subjectivity relating to significant unobservable inputs.

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 but does not include the financial statements and our auditor's report thereon which we obtained prior to the date of our auditor's report, and the 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, Interested Persons Transactions and Statistics 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 or 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

28 February 2020