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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: 01151)

(Singapore Stock Code: E16.SI)

RESPONSES TO SHAREHOLDER QUESTIONS

Reference is made to: (i) the circular of Elec & Eltek International Company Limited (the “**Company**”) dated 26 March 2020 (the “**Circular**”); (ii) the notice of annual general meeting of the Company dated 26 March 2020; (iii) the announcements of the Company dated 7 April 2020 and 20 April 2020 in relation to the upcoming annual general meeting of the Company; and (iv) the checklist contained in the joint statement by the Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation on 13 April 2020 (the “**Additional Guidance Checklist**”).

Unless the context otherwise requires, capitalised terms used in this announcement have the same meaning as defined in the Circular.

In accordance with point 3.2 of the Additional Guidance Checklist, the board of directors and/or management of a company must address all substantial and relevant questions submitted by shareholders and members prior to, or at, the general meeting of that company. Accordingly, the Company sets out herein the questions that it has received from the Shareholders up to 26 April 2020 and the accompanying responses of the Company.

QUESTIONS FROM SHAREHOLDER A AND THE COMPANY’S RESPONSE

1. **Question:** “For 2019 Q4 the results showed a capex of roughly USD\$20M. Would have expected to slow down as the 5G setup should have been in place by now. Q3 capex was very small in comparison. Can the BOD elaborate on where this was spent? More 5G PCB equipment or for other segments?”

The Company’s response: The FY2019 capex was mainly expended on 5G and High Density Interconnect projects in the Kaiping plant and the construction of an industrial building in Guangzhou. The Company intends to invest in more equipment in its 5G and communication & networking segments in 2020.

2. **Question:** “For 2019 Q4 results it showed another USD\$4.1M allowance for expected credit losses. After 2018 Q4 has USD\$4.7M bad debt has the BOD not put in place more stringent credit control to avoid costly losses? So far any of this USD\$4.1M recovered?”

The Company’s response: The Company uses the expected credit loss model in order to determine the expected credit losses for trade receivables. The US\$4.1 million allowance for expected credit losses is not related to any one-off specific bad debt occurred for FY2019. As at 31 December 2019, the EEIC Group had made an allowance of US\$9.57 million, which the management believed to be adequate and not excessive.

3. **Question:** “Rental of new industrial building in Guangzhou. BOD had highlighted in previous communications that expected rental would be USD\$400K per month. What is the gross rental achieved and what is the net rental achieved (gross – upkeep cost and loan interest).”

The Company’s response: Due to some delay in construction works, the construction of the new Guangzhou building was completed and rented out in the last month of FY2019. The official rental income is around US\$300,000 per month, with a profit margin of approximately 70%.

4. **Question:** “Outlook statement in FY 2019 result and annual report. I find it very puzzling that there is no mention on the 5G base station business is given in the FY 2019 results. I can’t even find the 5G term anywhere. If I look at Kingboard holdings FY19 report it far more optimistic over the PCB business even though that report came out when the Covid-19 crisis was full-blown. Does this have something to do with the privatization offer made by Kingboard? To make the outlook subdued so there is little reason to hold onto the shares?”

“Can BOD give an update on it’s 5G business? Still relying on two of its major customers or does E&E have PRC customers for 5G base stations? How is the yield of production of 5G PCB in %?”

“How is the automotive segment doing? Last year it was reported some design-ins with EU carmakers. When will the volume ramp up?”

The Company’s response: The Company is not in a position to comment on the views of Kingboard concerning the PCB business or the privatization, other than what has already been announced to the Shareholders.

The PCB business continues to be challenging, and the Company is only at the early stages of the 5G business. While the Company still benefits from the 5G projects that it has attained from its existing customer base, the Company has also made progress towards achieving qualification for other new projects from existing/new customers. For the automotive sector, the Company hopes that new projects will still roll out as per the plan this year.

QUESTIONS FROM SHAREHOLDER B AND THE COMPANY'S RESPONSE

1. **Question:** "I note that the dispatch of the circular for the privatisation offer has been delayed. Please provide an update of the privatisation offer including the expected timelines."

The Company's response: The document detailing the privatisation offer is being prepared by the Offeror and the Offeree (each as defined in the announcement jointly issued by the Company and Kingboard dated 3 April 2020) and the parties endeavour to finalise it for publication as soon as reasonably practicable. Given that the document will be subject to the disclosure requirements under both the Hong Kong and Singapore regime, it will inevitably take some time for the document to be prepared.

2. **Question:** "I note that the offer is made in Hong Kong dollars. Will there be an option for shareholders to choose to receive the proceeds in (say) USD or Singapore dollars?"

The Company's response: The details of the offer will be set out in the abovementioned document detailing the privatisation offer. It would not be appropriate for the Company to comment any further on the matter at this time.

QUESTIONS FROM SHAREHOLDER C AND THE COMPANY'S RESPONSE

1. **Question:** "What is the rationale for the proposed offer for shares of Elec & Eltek? What is the indicative timetable for the offer?"

The Company's response: The Offeror intends to continue the existing businesses of the EEIC Group upon the completion of the Offer, and to develop deeper synergies with the other businesses within the Kingboard Group, explore new development opportunities, and implement long-term growth strategies. The Offeror may also from time to time, based on market situation, consider introducing significant changes to the existing operations of the EEIC Group following the review of its strategic options relating to the business, structure, and/or direction of the EEIC Group. The Offeror may continue to explore the possibility of re-aligning or re-deploying the assets of the EEIC Group and assess suitable opportunities to enhance the financial flexibility of the EEIC Group.

The document detailing the privatization offer, which will contain the timetable of the Offer, is being prepared by the Offeror and the Offeree and the parties endeavour to finalise it for publication as soon as reasonably practicable. Given that the document will be subject to the disclosure requirements under both the Hong Kong and Singapore regime, it will inevitably take some time for the document to be prepared.

2. **Question:** “How has COVID-19 impacted the business and operations of Elec & Eltek? (specifically for Elec & Eltek) i.e. responses should NOT be generic such as cancellation of business travel etc. which are commonplace amongst most if not all companies”

The Company’s response: As of today, the COVID-19 situation has not had a material adverse impact on the EEIC Group’s overall business and operations. While the Chinese New Year holiday was extended by the government of the People’s Republic of China, the company plant in China resumed work in February and the demand for the Company’s products recorded a slight drop in the first quarter of 2020 as compared to that of 2019. While the COVID-19 situation may bring more uncertainty to the business world and to the global economy, the Company will be strictly controlling capital expenditure in order to maintain its competitiveness, and will keep a close eye on costs and quality control.

QUESTIONS FROM SHAREHOLDER D AND THE COMPANY’S RESPONSE

1. **Question:** “How has Covid-19 affected the Company’s operations?”

The Company’s response: Please refer to the Company’s response above to Question 2. from Shareholder C.

2. **Questions:** “With regards to the Privatisation Offer timeline and the payment of the final dividend of US\$0.04 per share, what is the status of the Offer/Acquisition and when is the Offer Closing date? As I have not received the Offer Document, has it been sent out?”

The Company’s response: Please refer to the Company’s response above to Question 1. from Shareholder C.

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, 27 April 2020

As at the date of this announcement, the Board 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 purposes only*