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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)**

## **OVERSEAS REGULATORY ANNOUNCEMENT**

### **RULE 13.10B ANNOUNCEMENT**

This overseas regulatory announcement is a reproduction of the announcement made by Elec & Eltek International Company Limited (the “**Company**”). In compliance with Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which requires a listed issuer to announce any information released to any other stock exchange on which its securities are listed at the same time as the information is released to that other exchange. Please refer to the attached announcement issued on the Singapore Exchange Securities Trading Limited by the Company on 14 May 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, 14 May 2020

\* *For identification purpose only*

*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

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## **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)**

### **MODIFICATIONS TO THE REPORT ON CORPORATE GOVERNANCE IN THE 2019 ANNUAL REPORT OF THE COMPANY**

Reference is made to the 2019 annual report of Elec & Eltek International Company Limited (the “**Company**”) dated 25 March 2020, in relation to the annual results of the Company and its subsidiaries for the financial year ended 31 December 2019 (“**2019 Annual Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the 2019 Annual Report.

The Company wishes to clarify that the Report on Corporate Governance set out on pages 14 to 39 of the 2019 Annual Report (“**Original CG Report**”) was inadvertently based on the Singapore Code of Corporate Governance 2012, instead of the Singapore Code of Corporate Governance 2018 (“**CG Code 2018**”). The Company has therefore prepared a revised Report on Corporate Governance (“**Revised CG Report**”), which is based on the Principles and Provisions of the CG Code 2018.

The Revised CG Report is set out in the annex (marked as “**THE ANNEX**”) to this announcement. The Revised CG Report shall replace and supersede the entirety of the Original CG Report. Save for the Revised CG Report, no other changes have been made to the 2019 Annual Report.

By order of the Board  
**Elec & Eltek International Company Limited**  
**Stephanie Cheung Wai Lin**  
*Chairman*

Singapore, 14 May 2020

As at the date hereof, 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 purpose only*

## THE ANNEX

### REVISED CG REPORT

#### REPORT ON CORPORATE GOVERNANCE

##### Introduction

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value.

As the Company is dual-listed on the Main Boards of The Stock Exchange of Hong Kong Limited ("SEHK") and Singapore Exchange Securities Trading Limited ("SGX-ST"), the Company has adopted, for corporate governance purposes, the provisions of the Corporate Governance Code (Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "HK Listing Rules")) (the "Hong Kong Code"), in addition to the Singapore Code of Corporate Governance 2018 (the "Singapore Code"). In the event of any conflict between the Singapore Code and Hong Kong Code, the Company is required to and will comply with the more onerous provisions. Throughout FY2019, the Company has complied with the Singapore Code and the Hong Kong Code, except as appropriately justified and disclosed.

##### BOARD MATTERS

###### The Board's Conduct of Affairs

***Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.***

Provisions 1.1 and 1.2 of the Singapore Code

- (a) The Board shall be responsible for establishing and maintaining the most effective leadership structure for the Company, as well as setting the appropriate tone-from-the-top and desired organisational culture. The Board has also put in place a code of conduct and ethics.
- (b) The Board oversees the business of the Company and every director of the Company ("Director", and collectively, "Directors") is expected to exercise objective judgement on the Company's affairs and to always consider the interests of the Company and its subsidiary companies (collectively, the "Group"). The Board reviews and discusses reports prepared by the management on the performance, plans and prospects of the Group. The Directors facing conflicts of interest will recuse themselves from discussions and decisions involving the issues of conflict.
- (c) In addition to the general overseeing of the management, the Board also performs various other functions, including, but not limited to:
  - (i) reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;

- (ii) approving major acquisitions or disposals, corporate or financial restructuring, issuance of shares or other equity or debt instruments, payment of dividends or other distributions to shareholders;
  - (iii) assessing the risks the Group faces and reviewing and implementing appropriate measures to manage such risks;
  - (iv) nominating and appointing potential candidates for senior management and evaluating the performance and compensation of senior management;
  - (v) approving nominations to the Board;
  - (vi) reviewing and endorsing the framework for remuneration of the Board and senior management, as recommended by the remuneration committee of the Board (“**Remuneration Committee**”); and
  - (vii) assuming overall responsibility for corporate governance of the Company.
- (d) The Board is responsible for performing the functions and roles set out in Code Provision D.3.1 of the Hong Kong Code and Principle 1 and its corresponding Provisions of the Singapore Code. During the Year under Review, the Board met once to review the Company’s corporate governance policies and practices, the training and continuous professional development of Directors and senior management of the Company, the Company’s policies and practices on compliance with legal and regulatory requirements, compliance with the Model Code (as defined below) and the Company’s compliance with the Hong Kong Code and the Singapore Code and disclosure in this Report on Corporate Governance.
- (e) The Board adopts an internal framework whereby a formal letter of appointment, explaining the duties and responsibilities of a Director, is sent to each newly appointed Director. All newly appointed Directors would receive an orientation kit, which includes, without limitation, the Articles of Association of the Company (the “**Articles**”), Directors’ code of professional conduct, Directors’ duties on disclosure, internal code for securities transactions, code of corporate governance and other relevant materials. All Directors have undergone an induction and orientation programme, as well as other relevant training programmes conducted by the Company (such as programmes pertaining to directors’ disclosure requirements and compliance with the listing requirements of the SGX-ST and SEHK).
- (f) During the period from the date of the last annual report to the date of this annual report (this “**Annual Report**”), in accordance with Code Provision A.6.5 of the Hong Kong Code, Ms. Stephanie Cheung Wai Lin, Mr. Chang Wing Yiu, Mr. Stanley Chung Wai Cheong, Mr. Ong Shen Chieh and Mr. Kong Tze Wing have attended a seminar relating to the HK Listing Rules conducted by our Hong Kong Legal Advisors at the time.

### Provision 1.3 of the Singapore Code

The Company has adopted internal guidelines setting forth matters that require the Board's approval. These matters include, amongst others, the following:

- (a) approval of announcements released via SGXNET, including financial results announcements;
- (b) approval of operating budgets, annual and interim reports, and financial statements;
- (c) dividend matters;
- (d) authorisation of banking facilities and corporate guarantees;
- (e) approval of change in corporate business strategy and direction;
- (f) appointment and cessation of Directors and key management;
- (g) any matters relating to general meetings, Board and Board committees; and
- (h) approval of material investment and divestment proposals, acquisitions and disposals, and funding requirements.

### Provisions 1.4 and 1.5 of the Singapore Code

- (a) To give effect to the discharge of its responsibilities (but without abdicating its responsibilities), the Board has established four Board committees, namely, the nomination committee of the Board ("**Nomination Committee**"), the Remuneration Committee, the employees' share option scheme committee of the Board ("**Employees' Share Option Scheme Committee**") and the audit committee of the Board ("**Audit Committee**"). Each of these committees has separate written mandates and operating procedures that are reviewed periodically. The chairman of each Board committee will report to the Board on the outcome of the respective Board committee meetings.
- (b) The Board conducts scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly and year end results, as well as where warranted by particular circumstances and as may be deemed appropriate by the Board from time to time. The Articles provide for Directors to convene meetings by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

The number of Board meetings and Board committee meetings and general meetings of shareholders held from the date of the last annual report to the date of this Annual Report, as well as the attendance of each Board and Board committee member at these meetings, are disclosed below:

	Board Committee				General Meeting
	Board	Audit Committee	Nomination Committee	Remuneration Committee	
<b>Total number of meetings held</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Executive Directors (as defined below)</b>					
Stephanie Cheung Wai Lin ( <i>Chairman</i> )	4	-	-	-	2
Chang Wing Yiu	2	-	-	-	-
<b>Non-executive Director (as defined below)</b>					
Cheung Kwok Wing (resigned on 1 August 2019)	-	-	-	-	-
<b>Independent Non-executive Directors (as defined below)</b>					
Stanley Chung Wai Cheong	2	2	1	1	2
Ong Shen Chieh	4	4	1	1	2
Kong Tze Wing	4	4	1	1	2

- (c) With respect to the Nomination Committee, Remuneration Committee and Audit Committee, Principles 4 to 10 herein set out further information on the names of the committee members, the key terms of reference, any delegation of the Board's authority to make decisions and a summary of each committee's activities.

#### Provision 1.6 of the Singapore Code

The management provides the Board and its various Board committees with adequate and timely information and reports, including budgets, forecasts and internal financial statements prior to their respective meetings and on an on-going basis.

#### Provision 1.7 of the Singapore Code

- (a) The Board has separate and independent access to the Company's management and the Company Secretary for additional information. In addition, should the Directors, whether as a group or individually, need independent professional advice relating to the Company's affairs, the management will, upon direction by the Board, appoint the appropriate professional advisor(s) selected by the Group or the individual Director, to render the requisite advice. The cost of such professional advice will be borne by the Company.

- (b) Our Company Secretary, Ms. Marian Ho, attends Board meetings, particularly the meetings for reviewing the draft announcements of the Group’s quarterly and full year results, and is responsible for ensuring that Board procedures are followed. Together with the management, the Company Secretary is responsible for ensuring compliance with the Act (as defined below), the listing manual of the SGX-ST, the HK Listing Rules and all other regulations applicable to the Company. Under the direction of the Chairman, the Company Secretary’s responsibilities include ensuring good information flows within the Board and its Board committees and between management and non-executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting professional development. Ms. Marian Ho, being the Company’s sole Company Secretary, has confirmed that, for the Year under Review, she has taken no less than 15 hours of relevant professional training.
- (c) The Articles provide that the appointment and removal of any Company Secretary is subject to the approval of the Board.
- (d) During the Year under Review, there has been no change in the Company’s constitutional documents.

## **Board Composition and Guidance**

***Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the company.***

Provisions 2.1 to 2.3 of the Singapore Code

- (a) Presently, the Board comprises five Directors, two of whom are executive Directors (“**Executive Directors**”, and each an “**Executive Director**”) and three of whom are independent non-executive Directors (“**Independent Non-executive Directors**”, and each an “**Independent Non-executive Director**”). The composition of the Board is as follows:

### **Executive Directors**

Stephanie Cheung Wai Lin (*Chairman*)  
Chang Wing Yiu

### **Independent Non-executive Directors**

Stanley Chung Wai Cheong  
Ong Shen Chieh  
Kong Tze Wing

Mr. Cheung Kwok Wing, who served as the Chairman and a non-executive Director (“**Non-executive Director**”), resigned on 1 August 2019.

- (b) Mr. Chang Wing Yiu is the brother-in-law of Mr. Cheung Kwok Wing and Ms. Stephanie Cheung Wai Lin. Ms. Stephanie Cheung Wai Lin is the sister of Mr. Cheung Kwok Wing.

- (c) During the Year under Review, the Non-executive Director (Mr. Cheung Kwok Wing who resigned on 1 August 2019) and Independent Non-executive Directors (Mr. Stanley Cheung Wai Cheong, Mr. Ong Shen Chieh and Mr. Kong Sze Wang) were not appointed for specific terms pursuant to Code Provision A.4.1 of the Hong Kong Code. Notwithstanding the aforesaid deviation, save for Mr. Ong Shen Chieh (please refer to paragraph (d) of Provision 4.3 below, for further details), all the Directors (including the Independent Non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting ("AGM"), as required under the Articles. Further, in compliance with the Code Provision A.4.3 of the Hong Kong Code, the re-election of each of those Independent Non-executive Directors who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by the shareholders at the relevant AGM; and (ii) further information being given to shareholders together with the notice of meeting and the reasons why the Board believes the relevant Director is still independent and should be re-elected. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the Hong Kong Code.
- (d) The Board examines the independence of its Directors based on the criterion of independence as set out in Rule 3.13 of the HK Listing Rules and Provision 2.1 of the Singapore Code. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence as required under Rule 3.13 of the HK Listing Rules.
- (e) Under the Singapore Code, an independent director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations<sup>1</sup>, its substantial shareholders<sup>2</sup>, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement, with a view to ensure that he acts in the best interests of the Company.
- (f) Provision 2.2 of the Singapore Code requires that, where the Chairman is not independent<sup>3</sup>, the independent directors make up the majority of the Board. In addition, Provision 2.3 of the Singapore Code requires that non-executive directors make up a majority of the Board. As highlighted above, three out of five of the Directors are Independent Non-executive Directors.

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1 The term "related corporation", in relation to the company, means a corporation that is the company's holding company, subsidiary or fellow subsidiary.

2 The term "substantial shareholder" (as defined in Provision 2.1 of the Singapore Code) shall refer to a shareholder who has an interest or interests in one or more voting shares (excluding treasury shares) in the company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all voting shares (excluding treasury shares) in the company.

3 The Chairman is not independent when (i) he or she is not an independent director, (ii) he or she is also the Chief Executive Officer, (iii) he or she and the Chief Executive Officer are immediate family members as defined in the listing manual of the SGX-ST (i.e. the person's spouse, child, adopted child, step-child, brother, sister and parent), (iv) he or she and the Chief Executive Officer have close family ties with each other (i.e. a familial relationship between two parties which extends beyond immediate family members and could influence the impartiality of the Chairman) as determined by the Nomination Committee, or (v) he or she is part of the management team.



#### Provision 2.4 of the Singapore Code

- (a) The Board considers that the current Board size and number of Board committees facilitate effective decision making and are appropriate for the nature and scope of the Group's operations. To maintain flexibility and ensure that the Board's functions are discharged effectively and expeditiously, all Independent Non-executive Directors have full access to the Chairman on all matters that require prompt attention. The Board also considers, amongst others, the policies and practices that have been put in place that provide for independent Board oversight.
- (b) In view of the above, no additional Independent Non-executive Director will be invited to join the Board for the time being. The Board will review its leadership structure, size and composition together with the Nomination Committee from time to time, and at least annually, to ensure that an effective decision-making process is in place.
- (c) The Nomination Committee has a policy concerning diversity of Board members, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender, with a view to improving the effectiveness of the Board and maintaining high standards of corporate governance. As such, the Board comprises Directors who are all professionals with diverse backgrounds in financial, accounting and industry sectors, thereby enabling them to contribute each of their respective areas of expertise in collectively leading the Group. The Nomination Committee is satisfied with the implementation of the Board diversity policy, and will continue striving to improve the effectiveness of the Board.

#### Provision 2.5 of the Singapore Code

To facilitate a more effective check on management, Non-executive Directors are encouraged to meet regularly without the presence of management.

#### **Chairman and Chief Executive Officer**

***Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

#### Provision 3.1 of the Singapore Code

- (a) Ms. Stephanie Cheung Wai Lin was appointed as the Chairman following the resignation of Mr. Cheung Kwok Wing as the Chairman and a Non-executive Director on 1 August 2019. Ms. Stephanie Cheung Wai Lin performs the dual roles of both the Chairman and the chief executive officer of the Company (the "**Chief Executive Officer**"). The Board believes that it is in the interest of the Company and its shareholders for Ms. Stephanie Cheung Wai Lin to assume the responsibilities of such positions, given that Ms. Stephanie Cheung Wai Lin has extensive experience in the operation and management of the Group as an Executive Director and the Chief Executive Officer. The Board also considers that such arrangement will not impair the balance of power and authority between the Board and the management as the Board comprises four other experienced individuals including one other Executive Director and three Independent Non-executive Directors. In addition, for major decisions of the Group, the Company will consult Board committees and senior management as and when appropriate. The Board will review such arrangement from time to time and will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

- (b) The Board is of the opinion that notwithstanding this deviation from Provision 3.1 of the Singapore Code, the current arrangement above has been beneficial to the Group, in that there is a clear line of command, continuity of leadership, enhanced knowledge of the Group's operations applied to board decisions, and the authority to quickly put Board decisions into action.

#### Provision 3.2 of the Singapore Code

As Chief Executive Officer, Ms. Stephanie Cheung Wai Lin is responsible for the conduct of the Group's daily operational directions and decisions, while as Chairman of the Board, she:

- (a) leads the Board to ensure its effectiveness on all aspects of its role;
- (b) sets the agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) ensures that the Directors receive complete, adequate and timely information;
- (d) ensures effective communication with shareholders;
- (e) encourages constructive relations within the Board, and between the Board and the management;
- (f) facilitates the effective contribution of Independent Non-executive Directors; and
- (g) promotes high standards of corporate governance.

#### Provision 3.3 of the Singapore Code

- (a) Pursuant to Provision 3.3 of the Singapore Code, in order to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent, the Company is to appoint a lead independent Director.
- (b) However, the Board is of the opinion that all Independent Non-executive Directors communicate regularly with the Chairman as and when the need arises. In addition, the Independent Non-executive Directors ensure that there is sufficient time for discussion of all agenda items, and ensure that information is sent to the Board prior to Board meeting(s). The direct communication between the Independent Non-executive Directors and the Board allows actions to be handled more expeditiously and effectively by the Chairman.
- (c) Accordingly, the Board is of the view that a lead independent Director may not be required for the time being. The Board will review and assess the situation jointly with the Nomination Committee from time to time to consider whether a lead independent Director is required. Each Independent Non-executive Director is able to provide independent leadership, and the Independent Non-executive Directors collectively are available to shareholders as a channel of communication between shareholders and the Board or management.
- (d) The Independent Non-executive Directors have met periodically without the presence of the other Directors.

## Board Membership

***Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

Provisions 4.1 and 4.2 of the Singapore Code

- (a) The current Nomination Committee comprises the following members: Mr. Stanley Chung Wai Cheong (chairman), Mr. Ong Shen Chieh and Mr. Kong Tze Wing, all of whom are Independent Non-executive Directors.
- (b) The Nomination Committee carries out its duties and responsibilities within its terms of reference with the following authority delegated by the Board:
  - (i) to have access to information from the Company and the management when making evaluations concerning the contribution and performance of individual Directors;
  - (ii) to seek independent professional advice, if required, to perform its responsibilities, with the cost of such professional advice borne by the Company; and
  - (iii) any other authority that the Board may delegate from time to time.
- (c) The Nomination Committee has a set of terms of reference defining its scope of authority and the detailed terms of reference of the Nomination Committee are published on the websites of SGX-ST, SEHK and the Company.
- (d) The Nomination Committee's key terms of reference are as follows:
  - (i) to identify individuals suitably qualified to become new Directors and to select or make recommendations to the Board for the selection of suitable new Directors;
  - (ii) to review the background, academic and professional qualifications of persons to be appointed as new Directors, as well as training and professional development programmes for the Board;
  - (iii) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
  - (iv) to assess, annually, the independence of the Independent Non-executive Directors by making reference to Rule 3.13 of the HK Listing Rules and Provision 2.1 of the Singapore Code, bearing in mind that an "independent" Director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company;

- (v) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman, the Chief Executive Officer and key management personnel<sup>4</sup>;
  - (vi) to re-nominate Directors retiring at the AGM for re-election, having regard to the contribution and performance of each retiring Director, such as attendance, preparedness, participation and candour, at meetings;
  - (vii) to evaluate the Board's performance as a whole, to propose objective performance criteria, as well as to assess the contribution of each Director to the effectiveness of the Board;
  - (viii) where a Director has multiple board representations, to assess if such Director has given sufficient time and attention to the affairs of the Company, and is able to and has been adequately carrying out his duties as a Director;
  - (ix) to liaise with the Board in relation to the preparation of the Nomination Committee's report to shareholders of the Company in the annual report as required; and
  - (x) to ensure the chairman of the Nomination Committee, or in the absence of the chairman of the Nomination Committee, another member of the Nomination Committee, or, failing which, his duly appointed delegate, is available to answer questions at the AGM.
- (e) During the period from the date of the last annual report to the date of this Annual Report, the Nomination Committee had convened one meeting, during which they considered, amongst other things, which Directors should retire as Directors at the forthcoming AGM.

#### Provision 4.3 of the Singapore Code

- (a) The Board endeavours to ensure that there is an appropriate mix of core competencies and collective expertise to provide the necessary knowledge and objective judgement to meet its responsibilities.
- (b) The Board benefits from the depth and breadth of expertise that each Director possesses, collectively providing core competencies in finance, industry, business and management.
- (c) Where it is considered that the Board would benefit from the services of a new Director with particular skills, the Nomination Committee will, in consultation with the Board, determine the selection criteria and identify candidates with the appropriate expertise for the position. The Company has in place a comprehensive and detailed process for the selection of new Directors, if required. Generally, candidates are first sourced through an extensive network of contacts and identified based on the relevant expertise and knowledge required. After the chairman and other members of the Nomination Committee have interviewed the candidates, the Nomination Committee would then nominate the most suitable candidate to the Board for consideration and appointment as a Director.

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<sup>4</sup> The term "key management personnel" shall mean the Chief Executive Officer and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

- (d) In accordance with the Hong Kong Code and the Articles, each Director is required to retire at least once every three years by rotation, and all newly appointed Directors are required to retire at the next AGM. The retiring Directors are eligible to offer themselves for re-election. Mr. Chang Wing Yiu and Mr. Stanley Chung Wai Cheong (both of whom have been longest in office since their last re-election and who were both re-elected on the same day), shall retire from office by rotation, and being eligible, each of such Directors shall offer themselves for re-election at the forthcoming AGM. The Nomination Committee (save that a member shall abstain from making a recommendation in respect of his or her own re-appointment) has recommended to the Board, the re-appointment of Mr. Chang Wing Yiu and Mr. Stanley Chung Wai Cheong at the forthcoming AGM. The Board has accepted the Nomination Committee's recommendations, and both of the abovementioned Directors, having accepted the Company's invitation for re-election, will be offering themselves for re-election at the forthcoming AGM.

Pursuant to Code Provision A.4.3 of Appendix 14 to the HK Listing Rules, if an independent non-executive director serves more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Stanley Chung Wai Cheong was appointed as an Independent Non-executive Director on 11 April 2011. Accordingly, a separate resolution will be submitted to the forthcoming AGM to seek shareholders' approval to retain Mr. Stanley Chung Wai Cheong as an Independent Non-executive Director. The reasons why the Board considers Mr. Stanley Chung Wai Cheong as independent and why he should be re-elected are included in the circular sent to the shareholders of the Company together with this Annual Report.

Mr. Ong Shen Chieh is not retiring by rotation pursuant to the Hong Kong Code and the Articles. This is because according to the Companies Act (Chapter 50 of Singapore Statutes) (the "**Act**"), the Company must have a Singapore-resident Director at all times, failing which, the Company and each of its Directors would be in breach of the Act. Given that Mr. Ong Shen Chieh is the sole Singapore resident Director, the Company considers that in order to comply with the Act, Mr. Ong will not be subject to retirement by rotation.

#### Provisions 4.4 and 4.5 of the Singapore Code

A Director who holds a full-time position in the Company should not hold more than four directorships in listed companies, and a Director who does not hold a full-time position in the Company should not hold more than six directorships in listed companies.

The profiles of the Directors and their respective shareholdings in the Company and its subsidiary companies are set forth on pages 40 to 42 and 44 to 45, respectively of this Annual Report. The dates of initial appointment and last re-election of each Director, together with his directorships (if any) in other listed companies are set out below:

Name of Director	Appointment	Date of initial appointment	Date of last re-election	Directorships in other listed companies
Cheung Kwok Wing (resigned on 1 August 2019)	Non-Executive/ Non-Independent	13 December 2004	26 April 2019	Kingboard <sup>5</sup>
Chang Wing Yiu	Executive/ Non-Independent	13 December 2004	27 April 2018	Kingboard <sup>5</sup>
Stephanie Cheung Wai Lin	Executive/ Non-Independent	1 August 2014	26 April 2019	Kingboard <sup>5</sup>
Stanley Chung Wai Cheong	Non-Executive/ Independent	11 April 2011	27 April 2018	Nil
Ong Shen Chieh	Non-Executive/ Independent	30 June 2016	–	Eindec Corporation Limited (Singapore stock code: 42Z)
Kong Tze Wing	Non-Executive/ Independent	27 July 2017	27 April 2018	Nil

Save for the abovementioned Independent Non-executive Directors in the above table, no other Director is considered to be independent by the Nomination Committee.

## Board Performance

***Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.***

Provisions 5.1 and 5.2 of the Singapore Code

- (a) The Board has established a formal assessment process, which will be carried out annually for the evaluation of the performance of the Board by the Nomination Committee and the individual Directors on the basis of the following performance criteria:
- (i) Attendance at Board meetings.
  - (ii) Level of participation at Board meetings and overall commitment.
  - (iii) Ability to strategise and propose sound business direction.
  - (iv) Contribution of specialised knowledge.
- (b) The Board uses its best efforts to ensure that each Director appointed to the Board possesses the background and expertise in technology, business, finance and management skills critical to the Group's business, to enable the Board to make sound and well-considered decisions.

<sup>5</sup> Kingboard Holdings Limited (Hong Kong stock code: 148)

- (c) As set out in the Nomination Committee's terms of reference, the Nomination Committee evaluates the Board's performance as a whole and proposes objective performance criteria, as well as assesses the contribution of each Director to the effectiveness of the Board.
- (d) The Nomination Committee has identified a set of performance criteria, which the Board has approved, to be used for evaluating the effectiveness of the Board and Board committees as a whole, as well as the performance of each Director. Such performance criteria also addresses how the Board enhanced long term shareholders' value. The set of performance criteria includes qualitative and quantitative factors, including (but not limited to) the performance of principal functions and fiduciary duties, level of participation at meetings, guidance provided to the management and attendance records. Other performance criteria that may be used include the Group's return on assets, return on equity, return on investment and the comparison of the Company's share price performance against appropriate indices of SGX-ST.
- (e) Each Director has been assessed individually and the individual evaluation aims to assess whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board committees, and any other duties). The Chairman acts on the results of the performance evaluation, and, in consultation with the Nomination Committee, proposes, where appropriate, new members to be appointed to the Board or to seek the resignation of Directors.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

***Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.***

Provisions 6.1 to 6.4 of the Singapore Code

- (a) The current Remuneration Committee comprises the following members: Mr. Stanley Chung Wai Cheong (chairman), Mr. Ong Shen Chieh and Mr. Kong Tze Wing, all of whom are Independent Non-executive Directors.
- (b) The Company has adopted the model of the Remuneration Committee as described in Code Provision B.1.2(c) (ii) of the Hong Kong Code to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. The Remuneration Committee will review and recommend remuneration policies and packages for senior management and the Board. The review will cover all aspects of remuneration, including, but not limited to, salaries, allowances, bonuses, share options and benefits-in-kind. In conducting its review, the Remuneration Committee will give due regard to the financial and commercial health and business needs of the Group. Where appropriate, external consultants will be appointed to assist the Remuneration Committee in conducting its review and making its recommendations. The Remuneration Committee's recommendations will thereafter be submitted for endorsement by the entire Board.

- (c) The Remuneration Committee has a set of terms of reference defining its scope of authority, and is responsible for the following functions:
- (i) to ensure the Remuneration Committee's recommendations have been made in consultation with the Chairman and submitted for endorsement by the entire Board; and
  - (ii) to liaise with the Board in relation to the preparation of remuneration disclosures for inclusion in the Company's annual report as required.
- (d) The detailed terms of reference for the Remuneration Committee are published on the websites of SGX-ST, SEHK and the Company.
- (e) The key terms of reference of the Remuneration Committee are as follows:
- (i) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
  - (ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
  - (iii) to make recommendations to the Board on the remuneration packages of individual Executive Directors, the Chief Executive Officer (or such executive of equivalent rank) and senior management, including benefits-in-kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);
  - (iv) to make recommendations to the Board on the remuneration of Non-executive Directors;
  - (v) to ensure that the remuneration packages of each Director, the Chief Executive Officer (or such executive of equivalent rank) and senior management are commensurate with their respective job scopes, time commitment, levels of responsibilities, performance on recommendation by the Nomination Committee and salaries paid by comparable companies;
  - (vi) to ensure the Remuneration Committee's recommendation relating to the remuneration of other Executive Directors have been made in consultation with the Chairman and/or Chief Executive Officer and submitted for endorsement by the entire Board;
  - (vii) to consider and make recommendations on whether to grant share options to eligible participants pursuant to the share option scheme of the Company;
  - (viii) to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment, and to ensure that it is consistent with contractual terms of their contracts of service, and is otherwise fair and not excessive;
  - (ix) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct and to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;



- (x) to liaise with the Board in relation to the preparation of information on executive compensation for inclusion in the Company's annual report as required;
  - (xi) to review whether Directors should be eligible for benefits under long-term incentive schemes;
  - (xii) to ensure that the chairman of the Remuneration Committee, or in the absence of the chairman of the Remuneration Committee, another member of the Remuneration Committee, or, failing which, his duly appointed delegate, is available to answer questions at an AGM; and
  - (xiii) to seek expert advice, either within the Company or to enlist a professional third party, on the remuneration of all Directors, if necessary.
- (f) The Remuneration Committee is also tasked with reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key management executives' contracts of service, to ensure that such contracts of service contain reasonable termination clauses, which are not overly generous or prejudicial to the Group.
  - (g) During the period from the date of the last annual report to the date of this Annual Report, the Remuneration Committee had convened one meeting and reviewed various remuneration matters, including, amongst others, the remuneration packages for all Directors and senior management.
  - (h) Each member of the Remuneration Committee abstains from voting on any resolution concerning his own remuneration.

## **Level and Mix of Remuneration**

***Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

Provisions 7.1 to 7.3 of the Singapore Code

- (a) In setting the remuneration packages, the Company will take into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and senior management.
- (b) Each Independent Non-executive Director receives Director's fees, which are subject to shareholders' approval at each AGM, and are appropriate to the level of contribution, taking into account factors such as effort, time spent and responsibilities.
- (c) Executive Directors do not receive Directors' fees. The remuneration for the Company's Executive Directors and key management personnel comprise a basic salary component and a variable component, which is a discretionary bonus, based on the performance of the Group as a whole and the individual performance of the Executive Directors.

- (d) The annual review of the compensation of Directors and key management personnel will be carried out by the Remuneration Committee and approved by the Board to ensure that their remuneration packages are commensurate with their performance, giving due regard to the financial and commercial well-being of the Company.
- (e) The Group's remuneration policy is to provide compensation packages at rates that reward good performances and the enhancement of shareholder value, and to attract, retain and motivate the Directors and employees.

## Disclosure on Remuneration

***Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.***

### Provision 8.1 of the Singapore Code

- (a) As highlighted above, the Group's remuneration policy is to provide compensation packages at rates that reward good performances and the enhancement of shareholder value, and to attract, retain and motivate the Directors and employees.
- (b) For disclosure of the remuneration of the Executive Directors, Non-executive Directors and the five top earning key management personnel, and a breakdown of the fees payable to each Director, please refer to Note 10 to the Financial Statements on pages 116 to 119 of this Annual Report.
- (c) The Company did not disclose the names and specific amounts of remuneration for the top five key management personnel (who are not directors or the Chief Executive Officer) in this Annual Report as the Board is of the view that given the sensitive and confidential nature of employee's remuneration, detailed disclosure on the top five key management personnel is not in the best interests of the Company and the Group. Such disclosure would prejudice the Group in relation to its competitors and may adversely affect the cohesion and spirit of team work prevailing among the employees of the Group. The Board believes that the Company has been sufficiently transparent (while balancing the interests of the Company and the Group) on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation. As such, the Board is of the view that the practices adopted by the Company are consistent with the spirit and intent of Principle 8 of the Singapore Code.
- (d) The amounts set out in Note 10 to the Financial Statements on pages 116 to 119 of this Annual Report are presented in United States dollar equivalents (exchange rate: US\$1: S\$0.7331) instead of Singapore dollars as this Annual Report is prepared in the functional currency of United States dollars.

### Provision 8.2 of the Singapore Code

During the Year under Review, there are no employees of the Company who are substantial shareholders of the Company, or are immediate family members of a Director, the Chief Executive Officer or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year.

## Provision 8.3 of the Singapore Code

- (a) The Company has a staff remuneration policy, which comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary and variable bonus that is linked to the performance of the Company and individual.
- (b) The remuneration framework is made up of three key components:
- Base/fixed salary
  - Variable or performance related income/bonuses
  - Other benefits

### Base/fixed salary

Fixed pay comprises a base salary.

### Variable or performance related income/bonuses

Variable bonus payouts are based on actual achievement against corporate, business unit and individual performance objectives.

### Other benefits

Social insurance fund comprising housing fund, old-age retirement pension, unemployment compensation, medical fund and car allowance.

- (c) The Employees' Share Option Scheme Committee is authorised to administer the 2018 Elec & Eltek Employees' Share Option Scheme approved by the Company's shareholders in April 2018 (the "**2018 Scheme**") and adopted by the Company on 12 September 2018, including, but not limited to, the offer and grant of share options to eligible participants in accordance with the rules of the 2018 Scheme, to modify and/or amend the 2018 Scheme from time to time; and to take such steps to complete and do all such acts and things and to enter into such transactions, arrangements and agreements as may be necessary or expedient to give full effect to the 2018 Scheme.
- (d) The Employees' Share Option Scheme Committee comprises Ms. Stephanie Cheung Wai Lin (Executive Director) and Mr. Chang Wing Yiu (Executive Director).
- (e) No options have been granted to any eligible participant since the commencement of the 2018 Scheme and as at the end of FY2019.
- (f) Information on the 2018 Scheme is disclosed on page 46 in the Directors' Statement and pages 146 to 147 in Note 29 to the Financial Statements.

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

***Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.***

Provisions 9.1 and 9.2 of the Singapore Code

- (a) The Group's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication are reliable.
- (b) The Group's statutory auditors, in the course of conducting their annual audit procedures on the statutory financial statements, also reviewed the Group's significant internal financial controls to the extent of their scope as laid out in their audit plan. Any material non-compliance and internal financial control weaknesses noted by the auditors are reported to the Audit Committee together with the auditors' recommendations. The management would then take appropriate actions to rectify the weaknesses highlighted.
- (c) The Audit Committee, in the course of its review of the reports presented by the internal auditors and statutory auditors, also reviewed the effectiveness of the Group's system of risk management and internal controls, and is satisfied that there are adequate internal controls to meet the needs of the Group in its current business environment. As such, the Board, with the concurrence of the Audit Committee, is satisfied with the adequacy of the internal controls, including financial, operational and compliance and information technology controls, and risk management systems.
- (d) The Directors acknowledge their responsibilities for preparing the Company's accounts, which give a true and fair view of the financial position of the Group. The Company deploys appropriate and sufficient resources to prepare unaudited quarterly accounts and audited annual accounts. The senior management is required to present and explain the financial reporting and matters that materially affect or may materially affect the financial performance and operations of the Group to the Audit Committee and the Board on a monthly basis, and respond to the queries and concerns raised by the Audit Committee and the Board to their satisfaction. The statement by the Company's auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 56 to 61 of this Annual Report.
- (e) The Board has received assurance from the Chief Executive Officer and Financial Controller (the equivalent of a Chief Financial Officer): (i) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

## AUDIT COMMITTEE

### ***Principle 10: The Board has an Audit Committee which discharges its duties objectively.***

Provisions 10.1 and 10.2 of the Singapore Code

- (a) The current Audit Committee comprises the following members: Mr. Ong Shen Chieh (chairman), Mr. Stanley Chung Wai Cheong and Mr. Kong Tze Wing, all of whom are Independent Non-executive Directors. The Board has ensured that the members of the Audit Committee are appropriately qualified to discharge their duties.
- (b) The Audit Committee has written terms of reference defining its scope of authority and carries out its duties and responsibilities with the following authority delegated by the Board:
  - (i) to investigate any matter within its written terms of reference;
  - (ii) to have full access to, and cooperation by, the management and full discretion to invite any Director or executive officer to attend its meetings;
  - (iii) to seek any information it requires from any employee, and all employees shall be directed to cooperate with any request made by the Audit Committee; and
  - (iv) any other authority that the Board may delegate from time to time.
- (c) During the financial year and up to the date of this Annual Report, the Audit Committee met with the management, internal auditor and statutory auditors of the Company and performed, among others, the following functions:
  - (i) reviewed the internal audit plans, the results of internal auditor's examination and evaluation of the Group's systems of internal accounting controls, and the effectiveness of actions or policies taken by the management on its recommendations and observations;
  - (ii) reviewed and discussed the quarterly, half-yearly and annual results and financial position of the Company and of the Group and the results announcements thereon for the three months ended 31 March 2019, six months ended 30 June 2019, nine months ended 30 September 2019 and the year ended 31 December 2019, respectively, and the accounting principles and practices adopted by the Group;
  - (iii) reviewed the annual audit plan of the Company's statutory auditors and the results of their examination of the financial information of the Company, the consolidated financial statements of the Group and statutory auditor's report on those financial statements before their submission to the Directors;
  - (iv) reviewed and monitored the independence and objectives of the Company's statutory auditors;
  - (v) reviewed the co-operation and assistance given by the management to the Company's statutory auditors;

- (vi) reviewed the re-appointment of the statutory auditors of the Company recommended to the Board, and subject to shareholders' approval; and
  - (vii) reviewed the Group's interested person transactions and continuing connected transactions.
- (d) The detailed terms of reference of the Audit Committee are published on the websites of SGX-ST, SEHK and the Company.
- (e) The key terms of reference of the Audit Committee are as follows:
- (i) to monitor the integrity, and to review periodically and satisfy themselves of the quality, especially as to the completeness, accuracy and fairness, of the financial statements prepared by the management, to monitor the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports and to review significant financial reporting judgements contained in them before submission to the Board;
  - (ii) to review the scope and results of the audit and its cost effectiveness in accordance with the applicable standards;
  - (iii) where the statutory auditors supply a substantial volume of non-audit services to the Company, to review the nature and extent of such services, seeking to balance the maintenance of objectivity and value for money;
  - (iv) to review and monitor the independence and objectivity of the statutory auditors annually;
  - (v) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and/or removal of a person or persons as statutory auditors;
  - (vi) to be primarily responsible for approving the remuneration and terms of engagement of the statutory auditors and addressing any questions arising as a result of the statutory auditors' resignation or dismissal;
  - (vii) to discuss with the statutory auditors, the nature and scope of the audit and reporting obligations before the audit commences;
  - (viii) to ensure that there is coordination between the internal and statutory auditors and that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness;
  - (ix) to review the scope and results of the internal audit procedures;
  - (x) to review the significant financial reporting issues and judgements so as to ensure the integrity of financial statements of the Company and any formal announcements relating to the Company's financial performance;

- (xi) to review arrangements where staff of the Company can, in confidence, raise concerns about possible improprieties in matters of financial reporting and other matters, bearing in mind that the Audit Committee's objective should be to ensure that arrangements are in place for independent investigation of these matters and for appropriate follow-up action;
- (xii) to review the adequacy and effectiveness of the internal audit function at least annually;
- (xiii) to ensure that a review, by the internal and/or statutory auditors, of the adequacy and effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management policies and systems established by the management, is conducted at least annually, provided that where the public accountant is also the statutory auditor of the Company, the Audit Committee should satisfy itself that the independence of the public accountant is not compromised by any other material relationship with the Company;
- (xiv) to discuss the internal control system with management to ensure that management has performed its duty to have an effective system of internal controls, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (xv) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;
- (xvi) to review the Company and its subsidiaries' financial and accounting policies and practices;
- (xvii) to review the statutory auditors' management letter, any material queries raised by the statutory auditors to management about accounting records, financial accounts or systems of control and the management's response;
- (xviii) to ensure that the Board provides a timely response to the issues raised in the statutory auditors' management letter;
- (xix) to report to the Board on the matters in the provisions of the Hong Kong Code (as amended from time to time);
- (xx) to consider other topics, as defined by the Board from time to time;
- (xxi) to act as the key representative body for overseeing the Company's relations with the statutory auditors;
- (xxii) to review the assistance given by the Company's officers to the auditors;
- (xxiii) to review the procedures set up to identify, report and, where necessary, seek appropriate approval for interested person transactions;
- (xxiv) to review compliance with legal, regulatory and industry requirements, as well as the Company's obligations to the community and social or ethical codes practiced within the business; and

(xxv) to ensure that the chairman of the Audit Committee, or in the absence of the chairman of the Audit Committee, another member of the Audit Committee, or, failing which, his duly appointed delegate, is available to answer questions at an AGM.

- (f) The Audit Committee has reviewed with the management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited annual Financial Statements for FY2019.
- (g) The Audit Committee has undertaken a review of the policy and arrangements by which the Group's employees and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee has full access to, and cooperation from, the management and the statutory and internal auditors, and has full discretion to invite any Director or executive officer to attend its meetings. The statutory and internal auditors have unrestricted access to the Audit Committee, without the presence of management.
- (h) The Company has adopted a whistleblower policy that allows the Group's employees to raise concerns, in confidence, about suspected improper conduct or incidents on matters of financial reporting, internal accounting controls, auditing and other matters or potential violations of the laws; and for the independent investigation of such matters and appropriate follow-up actions.
- (i) During the Year under Review, the fees paid or payable to the Company's statutory auditors in respect of audit and non-audit services provided by the Company's statutory auditors to the Group were as follows:

<b>Nature of services</b>	<b>Amount</b> <i>(US\$'000)</i>
Audit services	344
Non-audit services	110
Total:	<u>454</u>

- (j) The Audit Committee has undertaken a review of all the non-audit services provided by the Company's statutory auditors and concluded that, in their opinion, such services did not affect the independence of the statutory auditors.
- (k) The Audit Committee met four times during the financial Year under Review. The Chairman, Company Secretary, Chief Internal Audit Officer, finance manager and the statutory auditors were invited to attend these meetings. The Audit Committee considered and reviewed with management, the Chief Internal Audit Officer and the statutory auditors, the following matters:
  - (i) significant internal audit observations, risk assessment and management responses thereto; and
  - (ii) planned scope of annual and internal audit plans to ensure that the plans have sufficiently taken into account internal controls.



In the review of the audited annual Financial Statements for FY2019, the Audit Committee has discussed with the management and the statutory auditors, the accounting principles and practices adopted by the Group. The Audit Committee has also discussed auditing, internal control and financial reporting matters as well as the Audit Committee’s judgement of items that might affect the integrity of the Financial Statements. Following the review and discussions, the Audit Committee has recommended to the Board the release of the full-year Financial Statements. The Audit Committee keeps abreast of changes in relation to accounting standards and principles and practices through the quarterly meetings with the statutory auditors.

## Key Audit Matters

The Audit Committee considered a number of key matters during the financial year ended 31 December 2019, taking into account the views of the Company’s statutory auditor. The key audit matters and how they were addressed by the Audit Committee are detailed as follows:

S/N	Key Audit Matter from the Independent Auditors’ Report	Comment from the Audit Committee
(1)	<p><i>Loss allowance for trade receivables</i></p> <p>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.</p> <p>Management judgment 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”.</p> <p>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.</p>	<p>The Audit Committee reviews the ageing of trade receivables and the allowance for ECL on a quarterly basis with the management. During such reviews, the management will present justifications for any proposed allowance made, having assessed the recoverability of trade receivables and whether the proposed allowance is adequate.</p> <p>While acknowledging the application of the management’s judgment, the Audit Committee is satisfied that this judgment is based on cogent factors, and that there is a system in place for regular periodic review and updates by the management of any long outstanding debts, in assessing and determining the recoverability of trade receivables and adequacy of allowance made.</p>

S/N	Key Audit Matter from the Independent Auditors' Report	Comment from the Audit Committee
(2)	<p data-bbox="215 212 518 244"><i>Investment properties</i></p> <p data-bbox="215 266 829 521">The carrying amount of the 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.</p> <p data-bbox="215 563 829 925">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 may have a significant impact to the valuation.</p>	<p data-bbox="853 266 1468 404">The Audit Committee acknowledges that the assessment of the valuation of investment properties requires the exercise of significant judgment.</p> <p data-bbox="853 446 1468 595">The Audit Committee considered the methodologies and underlying assumptions applied by the valuers in arriving at the valuation of the properties.</p> <p data-bbox="853 638 1468 1000">The Audit Committee considered the findings of the independent professional external valuers, including their assessment of the appropriateness of valuation methodologies, and the underlying assumptions applied in the valuation of investment properties. The Audit Committee is satisfied with the valuation process, the methodologies used and the valuation for investment properties.</p>

#### Provision 10.3 of the Singapore Code

The Audit Committee does not comprise former partners or directors of the Company's existing external auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

#### Provision 10.4 of the Singapore Code

- (a) The Group has an adequately resourced independent internal audit function to conduct regular review of the systems of internal controls in selected areas and to report independently the findings and recommendations of any internal control weakness to the Audit Committee and to the senior management for remedial action.
- (b) The internal auditors have a direct and primary reporting line to the chairman of the Audit Committee. The internal auditors report administratively to the Chairman and assist the Board in monitoring and managing the business risks and the system of internal controls of the Group. The Audit Committee reviews and approves the internal audit plan at every quarterly meeting or prior to the commencement of the audit. Reports from the internal auditors containing the summary of findings and recommendations for improvements (if any) are tabled and discussed at quarterly meetings by the Audit Committee members. The Audit Committee approves the hiring, removal, evaluation and compensation of the head of the independent internal audit function. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee.

- (c) The internal auditors carry out their functions according to the standards set by nationally recognised professional bodies, including the Standards for the Professional Practice of Internal Auditing, which are set by the Institute of Internal Auditors.
- (d) The Audit Committee has reviewed the effectiveness and adequacy of the internal audit function and is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group.

Provision 10.5 of the Singapore Code

The Audit Committee meets with the external auditors, and with the internal auditors, in each case without the presence of management, at least once annually.

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings

***Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.***

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim reports, other price-sensitive public reports and reports to regulators (if required). In presenting the quarterly and annual financial statements to the shareholders, it is the aim of the Board to provide the shareholders with a balanced and comprehensible assessment of the Group's performance, position and prospects. The management is responsible for providing the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a monthly basis, and as the Board may require from time to time, to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Provision 11.1 of the Singapore Code

### Procedures for shareholders to convene extraordinary general meetings of the Company ("EGM") and AGM

- (a) Pursuant to the Articles

An AGM shall be called by notice of not less than twenty-one clear days or twenty clear business days (whichever is longer) and any EGM at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one clear days or ten clear business days (whichever is longer). All other EGMs may be called by notice of not less than fourteen clear days and not less than ten clear business days (whichever is longer), provided always that a general meeting, notwithstanding that it has been called by a shorter notice than that specified above, shall be deemed to have been duly called if it is so agreed: (a) in the case of an AGM, by all the members entitled to attend and to vote thereat; and (b) in the case of an EGM, by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting

rights of all the members having a right to vote thereat. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the general meeting is to be held. Every notice calling a general meeting shall specify the place and the day and the hour of meeting, and there shall appear with reasonable prominence in every such notice, a statement that a member entitled to attend and vote is entitled to appoint more than one proxy to attend and vote instead of him and that a proxy need not be a member of the Company and be given in the manner hereinafter mentioned to such persons as are under the provisions of these Articles entitled to receive notices of general meetings from the Company. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen clear business days' notice of every such meeting shall be given by advertisement in the daily press and in writing to SGX-ST and the SEHK, and in the case of any AGM or any EGM at which it is proposed to pass a special resolution, at least twenty-one clear business days' notice in writing of such AGM or EGM shall be given to SGX-ST and the SEHK. For the avoidance of doubt, "business day" shall mean any day on which SGX-ST and the SEHK are open for the business of dealing in securities. The accidental omission to give such notice to, or the non-receipt of such notice by, any such person shall not invalidate the proceedings or any resolution passed at any such meeting.

(b) Pursuant to the Act

(i) Convening of an EGM on requisition

- (a) The Directors notwithstanding anything in its Articles, shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than 10% of such of the paid-up capital as at the date of the deposit carries the right of voting at general meetings, immediately proceed to duly convene an EGM to be held as soon as practicable but in any case not later than two months after the receipt by the Company of the requisition.
- (b) The requisition shall state the objects of the meeting and shall be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.
- (c) If the Directors do not, within twenty-one days after the date of the deposit of the requisition, proceed to convene a meeting, the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by Directors convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of the deposit of the requisition.
- (d) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors to convene a meeting shall be paid to the requisitionists by the Company, and any sum so paid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

- (e) A meeting at which a special resolution is to be proposed shall be deemed not to be duly convened by the Directors if they do not give such notice thereof as is required by the Act in the case of special resolutions.
- (ii) Calling of meetings
  - (a) Two or more members of the Company holding not less than 10% of the total number of issued shares of the Company (excluding treasury shares) may call a meeting of the Company.
  - (b) A meeting of a Company or of a class of members, other than a meeting for the passing of a special resolution, shall be called by notice in writing of not less than 14 days or such longer period as is provided in the Articles.
  - (c) A meeting shall, notwithstanding that it is called by notice shorter than is required by sub-paragraph (ii) (b), be deemed to be duly called if it is so agreed:
    - (i) in the case of a meeting called as an AGM, by all the members of the Company entitled to attend and vote thereat; or
    - (ii) in the case of any other meeting, by a majority in number of the members of the Company having a right to attend and vote thereat, being a majority that together holds not less than 95% of the total voting rights of all the members having a right to vote at that meeting.

#### Procedures for shareholders to propose a person for election as a Director

As regards the procedures for shareholders to propose a person for election as a Director at any general meeting, please refer to the procedures made available under the section headed “Directors of the Company” of the Company’s website at <http://www.eleceltek.com>.

#### Provision 11.2 of the Singapore Code

At shareholders’ meetings, each distinct issue is proposed as a separate resolution.

#### Provision 11.3 of the Singapore Code

- (a) The Board endeavours to maintain an on-going dialogue with shareholders. All Directors endeavour to attend the general meetings to have personal communication with shareholders.
- (b) The statutory auditors and the members of the Audit Committee, Nomination Committee and/ or Remuneration Committee will normally be available at shareholders’ meetings to assist the Directors in addressing any queries by shareholders at the meetings.
- (c) The attendance of the Directors at each Board meeting, Board committee meeting and general meeting of shareholders are disclosed under Principle 1, above.

- (d) At the AGM held on 26 April 2019 (“**2019 AGM**”), the then Chairman, Mr. Cheung Kwok Wing, did not attend the 2019 AGM, which is in deviation of Code Provision E.1.2 of the Hong Kong Code and Provision 11.3 of the Singapore Code. The then Chairman, Mr. Cheung Kwok Wing, delegated the duty of attending the 2019 AGM to the then Vice-Chairman, Ms. Stephanie Cheung Wai Lin, the Executive Director, who was able to answer and address questions raised by shareholders at the 2019 AGM. 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 Hong Kong Code or the Singapore Code.

#### Provision 11.4 of the Singapore Code

Under the Articles, a shareholder of the Company is allowed to appoint one or more proxies to attend and vote at all shareholders’ meetings on his or her behalf. The Articles allow a shareholder to vote in absentia such as by voting via mail, e-mail or facsimile.

#### Provision 11.5 of the Singapore Code

The Company prepares minutes of general meetings, and these minutes are published on its corporate website. The Company puts all resolutions to vote by poll and makes an announcement of the detailed results showing the number of votes cast for and against each resolution and their respective percentages.

#### Provision 11.6 of the Singapore Code

The Company has a dividend policy, the objective of which is to allow shareholders of the Company to participate in the Company’s profits whilst retaining adequate reserves to sustain the Group’s future growth. The declaration, form, frequency and amount of dividend paid by the Company must be in accordance with relevant laws and regulations and subject to the Articles. In deciding whether to declare any dividend, the Board will take into account a number of factors, including the financial results, the distributable reserves, the operations and liquidity requirements, and the current and future development plans of the Company. The Board will review the dividend policy of the Company as appropriate from time to time.

### **Engagement with Shareholders**

***Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.***

#### Provisions 12.1 to 12.3 of the Singapore Code

- (a) The Board is mindful of its obligation to provide timely and fair disclosure of material information to its shareholders. Quarterly, half-yearly and annual financial statements, annual reports, circulars and other announcements are released through SGXNET and SEHK, and annual reports and circulars are sent to all shareholders by post. The information is also available on the Company’s website (<http://www.eleceltek.com>).
- (b) Price-sensitive information is first publicly released, either before the Company meets with any group of investors or investment analysts or simultaneously with such meetings.

- (c) The Company discloses information in compliance with the SGX-ST Listing Manual Mainboard Rules (“**SGX Listing Manual**”) and HK Listing Rules, and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.
- (d) Notices of shareholders’ meetings are dispatched to shareholders as well as advertised in the newspapers in Singapore. Shareholders are encouraged to communicate their views and ask questions regarding the Group and resolutions being proposed during shareholders’ meetings.
- (e) All resolutions in shareholders’ meetings are voted by poll, and the detailed results showing the number of votes cast for and against each resolution and their respective percentages have been communicated to the shareholders and posted on the websites of the Company, SEHK and SGX-ST, accordingly.
- (f) Through the above measures, the Company endeavours to communicate with its shareholders and provide them with the latest developments concerning the Group.
- (g) Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary, or the investor relations team, whose contact details are respectively as follows:

**Singapore Registered Office**

80 Raffles Place,  
#33-00 UOB Plaza 1,  
Singapore 048624

**Hong Kong Office**

23/F, Delta House  
3 On Yiu Street, Shek Mun  
Shatin, New Territories, Hong Kong

Fax: (852) 2954 2935

email: [ir@eleceltek.com](mailto:ir@eleceltek.com)

- (h) Shareholders may also make enquiries with the Board at the general meetings of the Company.

## MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement with Stakeholders

***Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.***

Provisions 13.1 and 13.2 of the Singapore Code

- (a) The Company engages regularly with its key stakeholders, namely the Board, shareholders, regulators, investors, employees, business partners, major suppliers and customers. Interactions with stakeholders would be in the form of:
  - (i) gatherings and meetings with major suppliers and customers;
  - (ii) general meetings, SGX-ST announcements and annual reports for shareholders and investors;
  - (iii) orientation programmes and performance reviews for employees; and
  - (iv) regular feedback and consultation with regulatory bodies.
- (b) The Board will support and encourage active shareholders' participation at AGMs as it believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management, and to interact with them.
- (c) General meetings have been and are still the principal forum for dialogue with the shareholders. They offer opportunities for the Board to interact with shareholders, understand their views, gather feedback as well as address concerns. Enquiries by shareholders are dealt with as promptly as practicably possible.
- (d) The Company is committed to upholding high standards of corporate transparency and disclosure, whilst safeguarding its commercial interests.
- (e) The Group does not practise selective disclosure. The Company makes every effort to ensure that shareholders have easy access to clear, meaningful and timely information on the Company in order to make informed investment decisions. All material information and presentation slides (if any) would be released via SGXNET on a timely basis.

Provision 13.3 of the Singapore Code

The Company has set up a public relations website, which enables the shareholders and public to post their questions, comments and opinions to the Board in relation to the Group.



## **CORPORATE GOVERNANCE FUNCTIONS**

The Board is responsible for performing the functions set out in Code Provision D.3.1 of the Hong Kong Code. During the year, the Board has reviewed and monitored the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management of the Group, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code (as defined below) and the Company's compliance with the Hong Kong Code and disclosure in this Report on Corporate Governance.

## **INTERESTED PERSON TRANSACTIONS**

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. For the current financial year, the amount of interested person transactions to be disclosed pursuant to Rule 907 of the SGX Listing Manual is disclosed in the section headed "Interested Persons Transactions" on page 159 of this Annual Report.

## **CONTINUING CONNECTED TRANSACTIONS**

Details of continued connected transactions for FY2019 that fall under Chapter 14A of the HK Listing Rules are set out in the section headed "Continuing Connected Transactions" on pages 51 to 53 in this Annual Report.

## **INTERNAL CODE ON DEALING IN SECURITIES**

- (a) The Company has adopted the code of conduct regarding securities transactions by the Directors and relevant employees (as defined in the Hong Kong Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the HK Listing Rules (the "**Model Code**"). A copy of the internal memorandum is circulated to each Director and relevant employees, at least thirty days and sixty days respectively before the date of the board meeting to approve the Company's quarterly results, interim results and annual results (as the case may be), with a reminder that the Directors and relevant employees cannot deal in the securities of the Company until after such results have been published.
- (b) Directors and officers are also prohibited from dealing in the Company's securities when they are in possession of unpublished inside or price sensitive information of the Group. Directors and officers are also advised not to deal in the Company's securities for short term considerations and they are expected to observe insider trading laws at all times.
- (c) Following specific enquiry made by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct throughout FY2019.

## NON-COMPETE UNDERTAKINGS

- (a) The Company has received an annual declaration from Kingboard that Kingboard has complied with the non-compete undertakings pursuant to the terms of the deed of non-competition dated 27 June 2011 entered into between Kingboard and the Company (the “**Deed**”), as referred to on pages 141 to 144 in the listing document of the Company dated 30 June 2011. Appropriate compliance procedures have been established by the Company to minimise the effect of any actual or potential business competition.
- (b) The Independent Non-executive Directors, to the best of their knowledge and belief, are of the view that:
  - (i) Kingboard has complied with the terms of the Deed for FY2019 and has not entered into any transaction with the intent to breach the terms of the Deed during the aforementioned year.
  - (ii) The Company has complied with the Corporate Governance Report as described in Appendix 14 to the HK Listing Rules for FY2019.
- (c) Pursuant to the Deed, in FY2019, Kingboard offered the Company an opportunity to acquire a PCB manufacturer based in China (the “**Acquisition Opportunity**”). As the Company would like to focus on the development of its existing business, the Independent Non-executive Directors decided to decline the Acquisition Opportunity after discussions with the Directors and senior management of the Group who did not hold directorship and/or position in the Kingboard Group.

## COMPETING INTERESTS

None of the Directors and their respective close associates (as defined in the HK Listing Rules) had any interests in any business which competes or may compete with the business of the Group or any other conflicts of interest which such person has or may have with the Group which must be disclosed in this Annual Report.