Elec & Eltek 依利安達

ELEC & ELTEK INTERNATIONAL COMPANY LIMITED
依利安達集團有限公司*

(Member of Kingboard Holdings Limited)

(Incorporated in the Republic of Singapore with Limited Liability)

Singapore Company Registration Number: 199300005H

Singapore Stock Code: E16.SI

Hong Kong Stock Code: 1151

ANNUAL REPORT

2018

* For identification purpose only

Contents

Corporate Profile

Established in 1972, Elec & Eltek International Company Limited ("**Elec & Eltek**") is one of the global leading manufacturers of conventional (as well as technology advanced) high density interconnects ("**HDI**") and backplane printed circuit boards ("**PCB**") of up to 50-layers, and has made Quick Turn Around (QTA) service available, which offers shorter delivery load time. Elec & Eltek was listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in 1994 and achieved dual-listed status on the Mainboard of the Stock Exchange of Hong Kong Limited in 2011.

Elec & Eltek currently operates 4 production sites, which are located in Kaiping, Guangzhou, Yangzhou and Thailand. With its own laminate facilities, Elec & Eltek has sharpened the competitive edge of Elec & Eltek and its subsidiaries in cost control and material supply through vertical integration.

Elec & Eltek is dedicated to providing high quality PCBs to customers, which include global leaders in different electronics sectors, with its main focus being on Communication & Networking, Automotive Industries, Computer & Computer Peripherals and Consumer Electronics.

Elec & Eltek will continue to work on upgrading its mix of products of high-tech and high layer count PCB products, in order to cope with changing market demand. Moreover, we are ready to take advantage of more business opportunities, and meet the demand of the emerging markets. Leveraging on regional advantage, advanced technology and equipment and efficient management status, we are committed to delivering excellent value to all stakeholders.

Elec & Eltek's mission is to be a leading PCB manufacturer that supplies high quality and high technology PCBs in mass volume at competitive prices with excellent services.

Financial Highlights and Calendar

31 December 2018

FINANCIAL HIGHLIGHTS

	Twelve months ended 31 December		
	2018 US$'000	2017 US$'000	% Change
Revenue	**602,634**	500,388	20.4%
EBITDA	**74,867**	79,738	-6.1%
EBITDA margin	**12.4%**	15.9%	
Profit before tax	**32,670**	42,743	-23.6%
Net profit attributable to owners of the Company	**24,299**	36,161	-32.8%
Basic and diluted earnings per share	**US$13.00 cents**	US$19.35 cents	-32.8%
Full-year dividend per share – Proposed final dividend per share	**US$4.00 cents**	US$8.00 cents	-50.0%
Dividend payout ratio	**30.8%**	41.3%	
Net asset value per share	**US$2.19**	US$2.15	1.9%
Net gearing ratio	**20.5%**	11.8%	

FINANCIAL CALENDAR

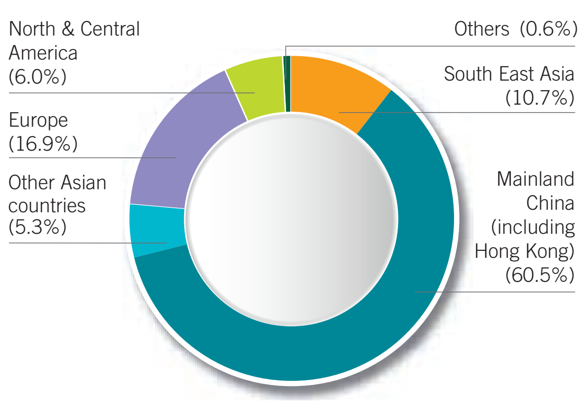
	2018	2017
Financial year results announced on	**1 March 2019**	1 March 2018
Annual Report and Accounts issued on	**25 March 2019**	26 March 2018
Annual General Meeting held on	**26 April 2019**	27 April 2018
Registers of Shareholders closed on	**5:00 pm (for Singapore shareholders) and 4:30 pm (for Hong Kong shareholders) 9 May 2019**	5:00 pm (for Singapore shareholders) and 4:30 pm (for Hong Kong shareholders) 11 May 2018
Final dividend payable on	**24 May 2019**	25 May 2018

Financial Highlights and Calendar

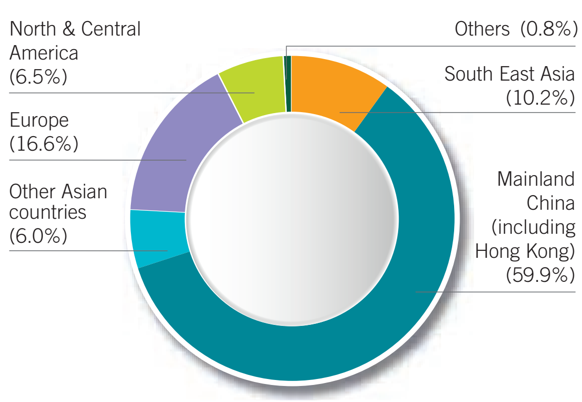
31 December 2018

TURNOVER BY GEOGRAPHICAL LOCATIONS

Financial year 2018

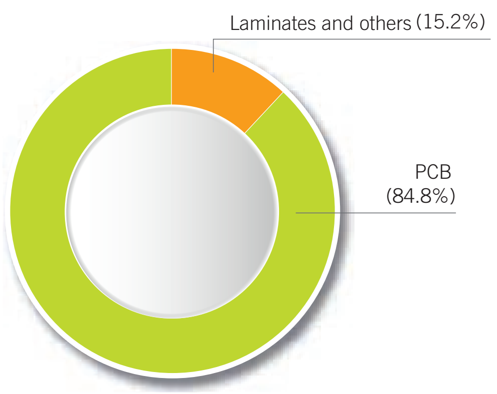


Financial year 2017

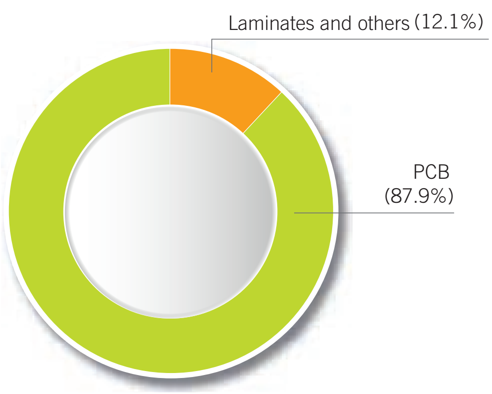


TURNOVER BY PRODUCT

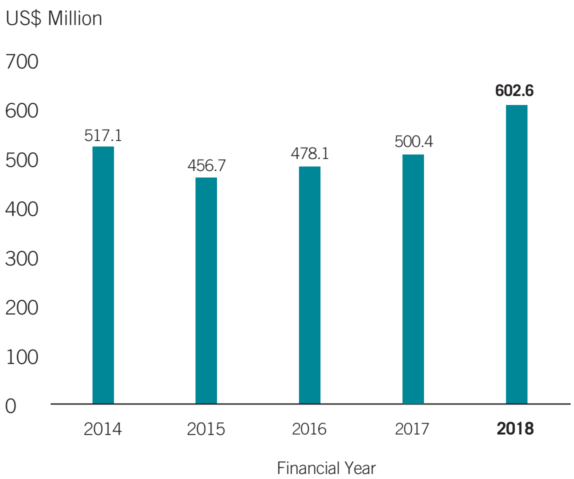
Financial year 2018



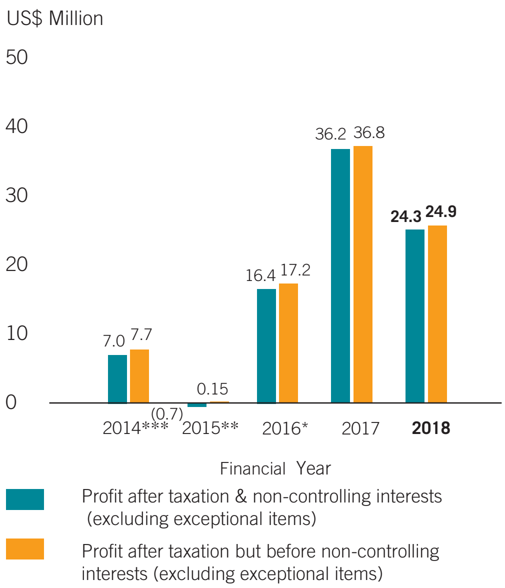
Financial year 2017



TURNOVER



PROFIT TREND

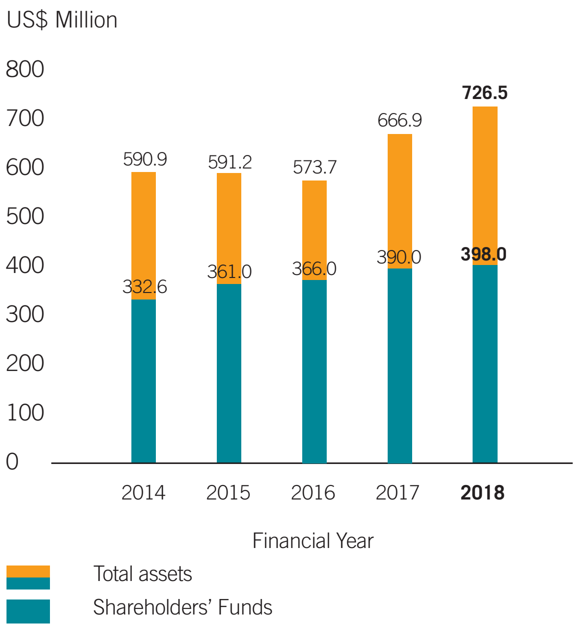


* excluding the additional provision for property, plant and equipment of approximately US$5.0 million made in the quarter ended 30 June 2016.

** excluding the additional provision for potential claims of approximately US$4.2 million made in the quarter ended 31 March 2015.

*** excluding the restructuring provision of approximately US$3.5 million made in the quarter ended 30 September 2014.

COMPARE TOTAL ASSETS WITH SHAREHOLDERS' FUNDS



Five Years' Financial Summary

	2018	2017	2016	2015	2014
	US$'000	US$'000	US$'000	US$'000	US$'000
Consolidated Results					
Turnover	**602,634**	500,388	478,137	456,730	517,075
Profit before taxation	**32,670**	42,743	21,567*	3,405**	9,397***
Taxation	**(7,755)**	(5,958)	(4,348)	(3,252)	(1,656)
Profit after taxation	**24,915**	36,785	17,219*	153**	7,741***
Non-controlling interest	**(616)**	(624)	(832)	(829)	(770)
Profit (loss) for the year	**24,299**	36,161	16,387*	(676)**	6,971***
Financial Positions					
Property, plant and equipment	**335,141**	286,660	260,415	286,245	308,017
Prepaid land use rights - non current portion	**12,367**	12,449	12,613	12,965	12,941
Non-current deposits	**8,398**	10,401	1,547	1,833	6,263
Investment properties	**104,554**	101,692	99,925	98,834	46,592
Deferred tax assets	**39**	84	84	83	84
Current assets	**266,026**	255,591	199,108	191,296	217,015
Total assets	**726,525**	666,877	573,692	591,256	590,912
Non-current liabilities	**58,415**	27,945	7,031	35,738	44,834
Current liabilities	**258,163**	237,564	189,988	184,127	203,404
Total liabilities	**316,578**	265,509	197,019	219,865	248,238
Net assets	**409,947**	401,368	376,673	371,391	342,674
Represented by:					
Shareholders' funds	**397,989**	390,026	365,955	360,980	332,567
Non-controlling interests	**11,958**	11,342	10,718	10,411	10,107
	409,947	401,368	376,673	371,391	342,674

* Excluding the additional provision for impairment of property, plant and equipment of approximately US$5.0 million made in the quarter ended 30 June 2016.

** Excluding the additional provision for potential claims of approximately US$4.2 million made in the quarter ended 31 March 2015.

*** Excluding the restructuring provision of approximately US$3.5 million made in the quarter ended 30 September 2014.

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS
Ms. Stephanie Cheung Wai Lin *(Vice-Chairman)*
Mr. Chang Wing Yiu
Mr. Ng Hon Chung
(resigned on 1 July 2018)

NON-EXECUTIVE DIRECTOR
Mr. Cheung Kwok Wing *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Stanley Chung Wai Cheong
Mr. Ong Shen Chieh
Mr. Kong Tze Wing

AUDIT COMMITTEE
Mr. Ong Shen Chieh *(Chairman)*
Mr. Kong Tze Wing
Mr. Stanley Chung Wai Cheong

NOMINATION COMMITTEE
Mr. Stanley Chung Wai Cheong *(Chairman)*
Mr. Ong Shen Chieh
Mr. Kong Tze Wing

REMUNERATION COMMITTEE
Mr. Stanley Chung Wai Cheong *(Chairman)*
Mr. Ong Shen Chieh
Mr. Kong Tze Wing

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE
Mr. Cheung Kwok Wing
Mr. Chang Wing Yiu

COMPANY SECRETARY
Ms. Marian Ho Wui Mee

REGISTERED OFFICE
80 Raffles Place #33-00
UOB Plaza 1
Singapore 048624
Tel: 65 6225 2626
Fax: 65 6225 1838

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS
23/F, Delta House
3 On Yiu Street, Shek Mun
Shatin, New Territories
Hong Kong
Tel: 852 2954 3137
Fax: 852 2954 2935

PRINCIPAL SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

BRANCH SHARE REGISTRAR
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STATUTORY AUDITORS
Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Partner: Mr. Kee Cheng Kong, Michael
(appointed since the financial year ended
31 December 2017)

SINGAPORE LEGAL ADVISORS
Dentons Rodyk & Davidson LLP

HONG KONG LEGAL ADVISORS
Allen & Overy

PRINCIPAL BANKERS
The Hongkong and Shanghai
Banking Corporation Limited
Standard Chartered Bank
Citibank, N.A.
DBS Bank Ltd.
MUFG Bank Limited

COMPANY WEBSITE
http://www.eleceltek.com

Structure of the Group

31 December 2018

規模化生產

Economy of Scale of Production

Structure of the Group

31 December 2018

Elec & Eltek International Company Limited
Singapore

Investment Holdings

- **Wholly-owned subsidiaries**
  - **The People's Republic of China ("PRC") / Hong Kong / Macao**
    - Kaiping Pacific Insulating Material Company Limited — PRC (100%)
    - Yangzhou Elec & Eltek Electronic Co., Ltd. — PRC (100%)
    - Elec & Eltek Company (Macao Commercial Offshore) Limited — Macao (100%)
    - Elec & Eltek Multilayer PCB Limited — Hong Kong (100%)
  - **Overseas**
    - Elec & Eltek (Thailand) Limited — Thailand (100%)
- **Non-wholly-owned subsidiaries**
  - **PRC**
    - Kai Ping Elec & Eltek Company Limited (95%)
    - Kaiping Elec & Eltek No.3 Company Limited (95%)
    - Kaiping Elec & Eltek No.5 Company Limited (95%)
    - Elec & Eltek (Guangzhou) Electronic Company Limited (98%)
    - Guangzhou Elec & Eltek Microvia Technology Limited (98%)

Chairman's Statement

On behalf of the board of directors (the "**Board**"), it is my pleasure to present to all of our valued investors the annual results of Elec & Eltek International Company Limited (the "**Company**") and its subsidiaries (the "**Group**") for the financial year ended 31 December 2018 ("**FY2018**").

BUSINESS REVIEW

The Company is delighted to announce its results for the financial year ended 31 December 2018 (the "**Year under Review**" or "**FY2018**"). During the Year under Review, the Group maintained steady growth in terms of orders and gradually increased its revenue. The Group's revenue for FY2018 increased by 20.4% as compared with that of FY2017 to approximately US$602.6 million (FY2017: US$500.4 million). However, during the Year under Review, after reaching the high sale prices in FY2017, the sale prices of laminates recorded a slight drop, resulting a decrease in its profit as compared with that of FY2017. At the same time, the Group recorded allowance for expected credit losses (for trade receivables) of US$4.9 million (FY2017: US$1.3 million) and inventory provision of US$3.4 million (FY2017: US$2.6 million) for FY2018. The Group's depreciation of property, plant and equipment increased by 11.9% as compared with that of FY2017 to US$40.0 million (FY2017: US$35.7 million) due to increase in the Group's additions to plant and equipment. As a result of the above, the Group's gross profit decreased by 8.6% to US$64.6 million as compared with that of FY2017 (FY2017: US$70.7 million), gross margin dropped to 10.7% as compared with that of FY2017 (FY2017: 14.1%) and EBITDA decreased by 6.1% to US$74.9 million as compared with that of FY2017 (FY2017:US$79.7 million). Net attributable profit (profit after tax and non-controlling interests) decreased by 32.8% to US$24.3 million as compared with that of FY2017 (FY2017: US$36.2 million).

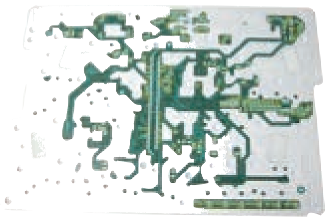
During the Year under Review, communication & networking products (including mobile phones) accounted for approximately 47.1% (FY2017: 48.8%) of the Group's PCB sales, while automotive PCB sales accounted for about 22.0% (FY2017: 21.5%) of the Group's PCB sales. Other products (including computer & peripherals, consumer electronics and industrial related products) accounted for 30.9% (FY2017: 29.7%) of the Group's PCB sales. High Density Interconnect ("**HDI**") PCB accounted for approximately 25.4% (FY2017: 27.3%) of the Group's PCB sales.

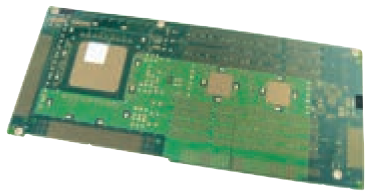
The Group's financial position remained healthy throughout the Year under Review. The Board has recommended a final one-tier tax exempt dividend of US$4.0 cents per share to shareholders of the Company, which will be subject to the shareholders' approval at the forthcoming annual general meeting.

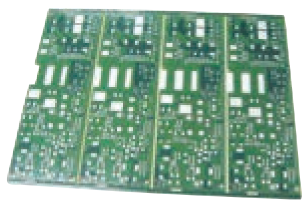
To the best of the Board's knowledge, nothing has come to the attention of the Board that may render the audited financial results for FY2018 to be false or misleading in any material respect.

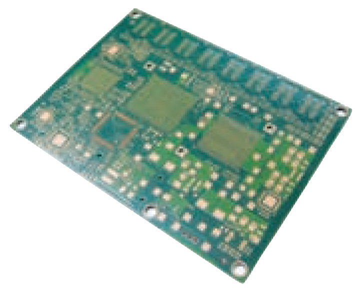
LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2018, the Group's net current assets were approximately US$7.9 million (31 December 2017: approximately US$18.0 million), making the current ratio 1.03 as compared to 1.08 as at 31 December 2017.









The net working capital cycle was 36 days as at 31 December 2018 (31 December 2017: 35 days) based on the following key metrics:

- Inventories, in terms of stock turnover days, decreased to 25 days (31 December 2017: 28 days).
- Trade receivables, in terms of debtors turnover days, decreased to 107 days (31 December 2017: 109 days).
- Trade payables, in terms of creditors turnover days, decreased to 96 days (31 December 2017: 102 days).

The Group's net gearing ratio (which is the ratio of interest bearing borrowings net of cash and cash equivalents to total equity) as at 31 December 2018 was approximately 20.5% (31 December 2017: 11.8%). As at 31 December 2018, the proportion of short-term and long-term bank borrowings stood at 51%: 49% (31 December 2017: 65%: 35%). The total equity of the Group, as at 31 December 2018, was approximately US$409.9 million (31 December 2017: approximately US$401.4 million). As at 31 December 2018, the Group had cash on hand and undrawn loan facilities of approximately US$25.1 million and US$62.9 million respectively.

The Group's transactions and monetary assets and liabilities are principally denominated in United States dollars, Renminbi and Hong Kong dollars, and the Group is therefore subject to risks associated with fluctuations in exchange rate between Renminbi and other currencies in which the Group conducts its businesses.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During FY2018, as far as the Company is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that had a significant impact on the businesses and operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group encourages environmental protection and promotes awareness towards environmental protection in its daily business operations. The Group is in compliance with international and national environmental standards and has implemented green production policies to raise efficiency and to minimize both energy consumption and pollutant discharge. The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the Group's business operations to enhance sustainability.

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group maintains good relationships with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints, and make recommendations on remedies with the aim of improving service quality. The Group has a good relationship with its suppliers, and conducts a fair and strict appraisal of its suppliers on an annual basis.

HUMAN RESOURCES

As at 31 December 2018, the Group had approximately 8,400 employees (31 December 2017: approximately 8,700). The salaries of employees are maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and the minimum wage guidelines prescribed by the relevant local government from time to time. The Group awards discretionary bonuses to eligible employees based upon profit target achievements of the Company and individual performance.

The Company has adopted a share option scheme in the Year under Review, in order to, among other purposes, attract and retain the best available personnel in due course and to align the individual interests of the employees with the Group's interests.

POSSIBLE RISK EXPOSURE

The Group's business is highly dependent on the computer and computer peripherals, communications and network equipment and customer electronics industries, which are cyclical in nature, and the Group's industry is subject to rapid technological change. During FY2018, the Group further improved its comprehensive risk management system, which covered all aspects of corporate strategies, operation and finance. In future developments, the Group will be highly aware of the risks associated with the conduct of its business and will adopt effective tackling measures proactively.

PROSPECTS

Along with the arrival of the new 5G telecommunication era, there will be great development potential for the communication & networking PCB market. In the past two years, the Group has made investments into the 5G area, with the aim of upgrading its production facilities in order to further expand its production capacity, and optimize product performance, so as to capture business opportunities. The Group will continue to place emphasis on product quality and cost control to continuously enhance the Group's competitiveness. The management is confident that the Group will be able to obtain more orders and increase its market share in each of its target markets in the coming years. The Group's laminates business will focus on production and sales of thin laminates, with the hope of bringing continuing growth momentum to the Group. In addition, with the Group's construction of an industrial building in Guangzhou to be almost completed in the second quarter of FY2019, there are potential tenants in negotiations at present. It is expected that the project will bring stable rental income to the Group.

APPRECIATION

On behalf of the Board, we take this opportunity to thank our stakeholders including shareholders, customers, suppliers and business partners for all their support extended to the Group. We would also like to thank members of the Board for their dedication and commitment, and our diligent employees for their hard work, loyal service and contributions made during 2018.

Cheung Kwok Wing
Chairman

1 March 2019

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 also dually listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**SEHK**"), 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 2012 (the "**Singapore Code**"). In the event of any conflict between the Singapore Code and Hong Kong Code, the Company will comply with the more onerous provisions. Throughout FY2018, the Company has complied with the Singapore Code and the Hong Kong Code, except as appropriately justified and disclosed.

BOARD MATTERS

Board's Conduct of Its Affairs

Principle 1: Effective board to lead and control the company

(a) The Board shall be responsible for establishing and maintaining the most effective leadership structure for the Company.

(b) The Board oversees the business of the Company and every director of the Company ("**Director**") 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.

(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.

BOARD MATTERS (Continued)

Board's Conduct of Its Affairs (Continued)

Principle 1: Effective board to lead and control the company (Continued)

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 Guidelines of the Singapore Code. During the year under review, the Board met once to review the Company's corporate governance policies and practices, 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, the compliance of the Model Code (as defined below) and the Company's compliance with the Hong Kong Code and the Singapore Code and disclosure in this Corporate Governance Report.

(d) 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**"). These committees have 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.

(e) The Board conducts scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly and year end results, and as may be warranted by particular circumstances and as may be deemed appropriate by the Board from time to time. The Articles of Association of the Company (the "**Articles**") provides 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 (this "**Report**"), as well as the attendance of each Board and Board committee member at these meetings are disclosed below:

		Board Committee			
	Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General Meeting**
Total number of meetings held	**4**	**4**	**1**	**1**	**1**
Executive Directors					
Stephanie Cheung Wai Lin *(Vice-Chairman)*	4	–	–	–	1
Chang Wing Yiu	2	–	–	–	–
Ng Hon Chung (resigned on 1 July 2018)	1	–	–	–	1
Non-executive Director					
Cheung Kwok Wing *(Chairman)*	2	–	–	–	–
Independent Non-executive Directors					
Stanley Chung Wai Cheong	4	4	1	1	1
Ong Shen Chieh	4	4	1	1	1
Kong Tze Wing	4	4	1	1	1

BOARD MATTERS (Continued)

Board's Conduct of Its Affairs (Continued)

Principle 1: Effective board to lead and control the company (Continued)

(f) 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, Directors' code of professional conduct, Directors' duties on notification, 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.

(g) During the period from the date of the last annual report to the date of this Report, in accordance with A.6.5 of the Hong Kong Code, Ms. Stephanie Cheung Wai Lin, Mr. Chang Wing Yiu, Mr. Cheung Kwok Wing, 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.

Board Composition and Guidance

Principle 2: Strong and independent element on the board

(a) Presently, the Board comprises six Directors, two of whom are executive Directors ("**Executive Directors**", and each an "**Executive Director**"), one of whom is a non-executive Director ("**Non-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 *(Vice-Chairman)*
Chang Wing Yiu
Ng Hon Chung (resigned on 1 July 2018)

Non-executive Director
Cheung Kwok Wing *(Chairman)*

Independent Non-executive Directors
Stanley Chung Wai Cheong
Ong Shen Chieh
Kong Tze Wing

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 simultaneously, 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.

Accordingly, 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.

BOARD MATTERS (Continued)

Board Composition and Guidance (Continued)

Principle 2: Strong and independent element on the board (Continued)

(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 Directors and Independent Non-executive Directors are 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 (j) of Principle 4 for further details), all the Directors (including the Non-executive Director and 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. 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 Guidelines 2.3 and 2.4 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 has no relationship with the Company, its related companies, its 10% shareholders[1], 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) 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: Chairman and Chief Executive Officer to be separate persons to ensure appropriate balance of power, increased accountability and greater capacity of the board for independent decision making

(a) The Chairman and the Vice-Chairman, who assumes the role and responsibility of the chief executive officer of the Company ("**Chief Executive Officer**"), collectively bear responsibility for the workings of the Board and ensure the integrity and effectiveness of the governance process of the Board. Whilst the Chairman plays a pivotal role in steering the strategic direction for the Board, the Vice-Chairman manages the day-to-day business of the Group and ensures the execution of the Board's decisions.

[1] "10% shareholder" (as defined in Principle 2 of the Singapore Code) shall refer to a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the Company. "Voting shares" exclude treasury shares.

BOARD MATTERS (Continued)

Chairman and Chief Executive Officer (Continued)

Principle 3: Chairman and Chief Executive Officer to be separate persons to ensure appropriate balance of power, increased accountability and greater capacity of the board for independent decision making (Continued)

(b) Pursuant to Guideline 3.3(d) of the Singapore Code, the Company should appoint a lead independent Director, as the Chairman is not an independent Director.

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.

Accordingly, the Board opines 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.

(c) The Independent Non-executive Directors have met periodically without the presence of the other Directors.

Board Membership

Principle 4: Formal and transparent process for the appointment and reappointment of Directors to the board

(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.

Nomination Committee

(c) 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.

(d) The Nomination Committee shall carry 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 and the cost of such professional advice will be borne by the Company; and

   (iii) any other authority that the Board may delegate from time to time.

(e) 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.

BOARD MATTERS (Continued)

Nomination Committee (Continued)

(f) 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;

(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 Guideline 2.3 and 2.4 of the Singapore Code, bearing in mind that an "independent" Director is one who has no relationship with the Company, its related companies 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 and the Chief Executive Officer;

(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.

(g) A Director who holds a full-time position in the Company should not hold more than 4 directorships in listed companies, and a Director who does not hold a full-time position in the Company should not hold more than 6 directorships in listed companies.

BOARD MATTERS (Continued)

Nomination Committee (Continued)

(h) 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 nominate the most suitable candidate to the Board for consideration and appointment as a Director.

(i) During the period from the date of the last annual report to the date of this 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.

The Nomination Committee has a policy concerning diversity of Board members which aims to maintain the Board with a diversity of Directors 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.

(j) 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. Cheung Kwok Wing and Ms. Stephanie Cheung Wai Lin (both of whom have been longest in office since their last re-election and who were both of 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. Cheung Kwok Wing and Ms Stephanie Cheung Wai Lin 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.

Mr. Ong Shen Chieh is not retiring by rotation pursuant to the Hong Kong Code and the Articles. 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 of the Company, the Company considers that he is not subject to retirement by rotation in order to comply with the Act.

BOARD MATTERS (Continued)

Nomination Committee (Continued)

(k) The profiles of the Directors and their respective shareholdings in the Company and its subsidiary companies are set forth on pages 38 to 40 and 125 to 129, respectively of this 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	Non-Executive/ Non-Independent	13 December 2004	28 April 2017	Kingboard[1]
Chang Wing Yiu	Executive/ Non-Independent	13 December 2004	27 April 2018	Kingboard[1]
Stephanie Cheung Wai Lin	Executive/ Non-Independent	1 August 2014	28 April 2017	Kingboard[1]
Ng Hon Chung (resigned on 1 July 2018)	Executive/ Non-Independent	1 September 2014	27 April 2018	Nil
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) Kakiko Group Limited (Hong Kong stock code: 2225)
Kong Tze Wing	Non-Executive/ Independent	27 July 2017	27 April 2018	Nil

Kingboard[1] – Kingboard Holdings Limited (Hong Kong stock code: 148)

(l) Save for the abovementioned Independent Non-executive Directors in paragraph (k) above, no other Directors are considered to be independent by the Nomination Committee.

BOARD MATTERS (Continued)

Board Performance

Principle 5: Formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board

(a) The Board has established a formal assessment process, which will be carried out annually for 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.

(c) 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 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 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.

(d) 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 seek the resignation of Directors.

Access to Information

Principle 6: Board members to have complete, adequate and timely information

(a) 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.

(b) 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.

BOARD MATTERS (Continued)

Access to Information (Continued)

Principle 6: Board members to have complete, adequate and timely information (Continued)

(c) Our Company Secretary will attend 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, 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.

(d) The Articles provide that the appointment and removal of any Company Secretary are subject to the approval of the Board.

REMUNERATION MATTERS

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors

Remuneration Committee

(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 executive compensation 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.

REMUNERATION MATTERS (Continued)

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors (Continued)

Remuneration Committee (Continued)

(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 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.

REMUNERATION MATTERS (Continued)

Remuneration Committee (Continued)

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors (Continued)

(f) The Remuneration Committee is also tasked with reviewing the Company's obligations arising in the event of termination of the Executive Directors' key management executive's contracts of service, to ensure that such contracts of service contain reasonable termination clauses, which are not overly generous.

(g) During the period from the date of the last annual report to the date of this 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.

Principle 8: Remuneration of directors should be adequate but not excessive

(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) All Independent Non-executive Directors receive Director's fees, which are subject to shareholders' approval at each AGM.

(c) Executive Directors do not receive Directors' fees. The remuneration for the Company's executive Directors and senior management 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 senior management 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.

Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration

(a) The Group's remuneration policy is to provide compensation packages at rates the reward good performances and the enhancement of shareholder value, and to attract, retain and motivate the Directors and employees. For disclosure of the remuneration of the Executive and Non-executive Directors and the five top earning senior management, and a breakdown of the fees payable to each Director, please refer to Note 10 to the Financial Statements on pages 110 to 112. The Board is of the view that given the sensitive and confidential nature of employee's remuneration, detailed disclosure on the top five key executives is not in the best interests of the Company and the Group. Such disclosure would disadvantage 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 amounts are presented in United States dollar equivalents (exchange rate: US$1: S$0.7413) instead of Singapore dollars as this Report is prepared in the functional currency of United States dollars.

REMUNERATION MATTERS (Continued)

Remuneration Committee (Continued)

Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration (Continued)

Employees' Share Option Scheme Committee

(b) The Employees' Share Option Scheme Committee comprises Mr. Cheung Kwok Wing (Non-executive Director) and Mr. Chang Wing Yiu (Executive Director).

(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) No options were granted since the commencement of the 2018 Scheme or as at the end of FY2018 to the Directors, controlling shareholders, eligible employees of the Company or their respective associates.

(e) Information on the 2018 Scheme is disclosed on page 44 in the Directors' Statement and pages 136 to 137 in Note 28 to the Financial Statements.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The board should present a balanced and understandable assessment of the company's performance, position and prospects

(a) 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 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.

(b) 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 Company 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 54 and 60 of this Report.

ACCOUNTABILITY AND AUDIT (Continued)

Risk Management and Internal Controls

Principle 11: Sound system of risk management and internal controls

(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 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 their 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 Board has received assurance from the Chief Executive Officer and Financial Controller (the equivalent of a Chief Financial Officer) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems.

Audit Committee

Principle 12: Establishment of Audit Committee with written terms of reference

(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 co-operate 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 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 audits 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;

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

Principle 12: Establishment of Audit Committee with written terms of reference (Continued)

(ii) reviewed and discussed the interim and annual results and financial position of the Company and the Group and the results announcements thereon for the six months ended 30 June 2018 and the year ended 31 December 2018, 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 of the Company;

(iv) reviewed and monitored the independence and objectives of the external 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 external 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 external 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 external auditors;

(vi) to be primarily responsible for approving the remuneration and terms of engagement of the external auditors and addressing any questions arising as a result of the external aduitors' resignation or dismissal;

(vii) to discuss with the external 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 external 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;

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

Principle 12: Establishment of Audit Committee with written terms of reference (Continued)

(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 external 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 external 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 external auditors' management letter, any material queries raised by the external 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 external 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 external 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

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

Principle 12: Establishment of Audit Committee with written terms of reference (Continued)

(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 FY2018.

(g) The Audit Committee has undertaken a review of the policy and arrangements by which staff of the Company 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 co-operation 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 staff of the Group 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:

Nature of services	Amount (US$'000)
Audit services	422
Non-audit services	61
Total:	483

(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 Vice-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.

(ii) Planned scope of annual and internal audit plans to ensure that the plans have sufficiently reviewed the system of internal controls.

In the review of the audited annual Financial Statements for FY2018, the Audit Committee has discussed with the management and the statutory auditors, the accounting principles and practices adopted by the Group and 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.

ACCOUNTABILITY AND AUDIT (Continued)

Key Audit Matters

The Audit Committee considered a number of key matters during the financial year ended 31 December 2018, taking into account the views of the Company's external auditor. The key audit matters and how they were addressed by the Audit Committee are detailed as follows:

<table>
<tr><th>S/N</th><th>Key Audit Matter from the Independent Auditor's Report</th><th>Comment from the Audit Committee</th></tr>
<tr><td>(1)</td><td colspan="2">Allowance for inventory obsolescence</td></tr>
<tr><td></td><td>As at 31 December 2018, the carrying amount of the Group's inventories amounting to US$39,631,000, net of allowance amounting to US$9,055,000. The Group has made allowance for slow moving and obsolete inventories during the year amounting to US$3,413,000.

The value of the inventory and the usage are affected by market demand and storage condition of the inventory. Management is required to assess the need for allowance for obsolete and/or slow-moving inventories which involves exercise of certain amount of judgement and estimate to determine whether:

(a) inventories are stated at the lower of cost or net realisable value; and

(b) allowance for obsolete and/or slow-moving inventories is adequate.

These judgements include estimating future selling prices of finished products and future usability of raw materials and saleability of finished goods, taking into consideration changes in technology and customers' preference.</td><td>The Audit Committee acknowledges that the assessment of the allowance for obsolete and/or slow-moving inventories requires significant judgement.

The Audit Committee has evaluated, through discussions with the management, on the levels of carrying amount of the Group's inventories and whether the allowance for obsolete and/or slow-moving inventories is adequate.</td></tr>
</table>

ACCOUNTABILITY AND AUDIT (Continued)

Key Audit Matters (Continued)

S/N	Key Audit Matter from the Independent Auditor's Report	Comment from the Audit Committee
(2)	*Allowance for expected credit losses*	
	As at 31 December 2018, the Group has trade receivables amounting to US$186,477,000, net of allowance amounting to US$5,494,000. Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made using the expected credit losses ("**ECL**") model under SFRS(I) 9 "Financial Instruments". These judgement include estimating and evaluating expected future receipts from customers based on historical experience and forward-looking information such as credit ratings, trade receivables ageing analysis, collections subsequent to the end of the reporting period, local economic conditions, past collection history and trend analysis and knowledge of the businesses.	The Audit Committee reviews the aging 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. While acknowledging the application of the management's judgement, the Audit Committee is satisfied that this judgement 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.
(3)	*Investment properties*	
	The carrying amount of Group's investment properties as at 31 December 2018 is US$104,554,000. The investment properties are stated at fair value, determined based on valuation performed by independent professional external valuers using the direct comparison method. The valuation of investment properties requires the application of significant judgement and estimation in determining the appropriate valuation methodology to be used, use of subjective assumptions and various unobservable inputs. The valuation is sensitive to underlying assumptions applied by the valuers such as market comparable used and the capitalisation rate may have a significant impact to the valuation.	The Audit Committee acknowledges that the assessment of the valuation of investment properties requires the exercise of significant judgement. The Audit Committee considered the methodologies and underlying assumptions applied by the valuers in arriving at the valuation of the properties. The Audit Committee considered the findings of the 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 was satisfied with the valuation process, the methodologies used and the valuation for investment properties.

ACCOUNTABILITY AND AUDIT (Continued)

Internal Audit

Principle 13: Independent internal audit function

(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, and the internal auditors report administratively to the Vice-Chairman (who assumes the role and responsibility of the Chief Executive Officer) 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 function according to the standards set by nationally recognized 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.

ACCOUNTABILITY AND AUDIT (Continued)

Shareholder Rights

Principle 14: Facilitate the exercise of shareholders' rights

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 the 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 the SGX-ST and the SEHK. For the avoidance of doubt, "business day" shall mean any day on which the 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 2 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.

ACCOUNTABILITY AND AUDIT (Continued)

Shareholder Rights (Continued)

Principle 14: Facilitate the exercise of shareholders' rights (Continued)

Procedures for shareholders to convene EGM and AGM (Continued)

(c) If the Directors do not, within 21 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 3 months from that date.

(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 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.

ACCOUNTABILITY AND AUDIT (Continued)

Shareholder Rights (Continued)

Principle 14: Facilitate the exercise of shareholders' rights (Continued)

Procedures for directing shareholders' enquiries to the Board

(a) Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary, whose contact details are 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

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

Company Secretary, Investor Relations and Communication with Shareholders

(a) Ms. Marian Ho Wui Mee, 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.

(b) The Company has also 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.

(c) During the Year under Review, there has been no change in the Company's constitutional documents.

Principle 15: Regular, effective and fair communication with shareholders

(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, if necessary.

(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.

ACCOUNTABILITY AND AUDIT (Continued)

Company Secretary, Investor Relations and Communication with Shareholders (Continued)

Principle 15: Regular, effective and fair communication with shareholders (Continued)

(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 development of the Group.

Principle 16: Engage greater shareholder participation at annual general meetings

(a) The Board endeavours to maintain an on-going dialogue with shareholders. All Directors are encouraged 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) At shareholders' meetings, each distinct issue is proposed as a separate resolution.

(d) 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.

(e) The Company prepares minutes of general meetings, and these minutes are made available to shareholders upon their request.

(f) 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.

(g) At the AGM held on 27 April 2018 ("**2018 AGM**"), the Chairman did not attend the 2018 AGM pursuant to Code Provision E.1.2 of the Hong Kong Code and Guideline 16.3 of the Singapore Code. The Chairman delegated the duty of attending the 2018 AGM to the Vice-Chairman, Ms. Stephanie Cheung Wai Lin, the Executive Director, who was able to answer and address questions raised by shareholders at the 2018 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.

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 147 of this Report.

CONTINUING CONNECTED TRANSACTIONS

Details of continued connected transactions for FY2018 that fall under Chapter 14A of the HK Listing Rules are set out in the section headed "Continuing Connected Transactions" on pages 49 to 51 in this 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 30 days, 30 days and 60 days respectively before the date of the board meeting to approve the Company's quarterly results, interim results and annual results, 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 FY2018.

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 minimize 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 FY2018 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 FY2018.

(c) Pursuant to the Deed, in February 2018, 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 report.

On behalf of the Board

Stephanie Cheung Wai Lin
Vice-Chairman

Chang Wing Yiu
Director

1 March 2019

EXECUTIVE DIRECTORS

Ms. Stephanie Cheung Wai Lin (張偉連), age 48, is an Executive Director, the Vice-Chairman and the Chief Executive Officer. She joined the Group and has been an Executive Director and the Vice-Chairman since August 2014. She also joined the Kingboard Group (namely Kingboard and its subsidiaries) in 2002, and was appointed as an executive director of Kingboard in January 2007. Prior to joining the Kingboard Group, she worked as an administration assistant manager in a listed company for about five (5) years. Ms. Cheung is the sister of Mr. Cheung Kwok Wing (the Non-executive Director and the Chairman) and sister-in-law of Mr. Chang Wing Yiu (currently an Executive Director).

Mr. Chang Wing Yiu (鄭永耀), age 52, is an Executive Director. He joined the Group in December 2004 and was appointed as a Non-executive Director on 13 December 2004. He was re-designated from a Non-executive Director to an Executive Director with effect from 1 August 2014. Mr. Chang is also an executive director of Kingboard and a shareholder of Hallgain Management Limited. Mr. Chang graduated from the Hong Kong Polytechnic University with a Higher Diploma in Marine Electronics and he possesses over 24 years' experience in laminates production. He is also a member of the Employees' Share Option Scheme Committee. Mr. Chang is the brother-in law of Mr. Cheung Kwok Wing (the Non-executive Director and the Chairman) and Ms. Stephanie Cheung Wai Lin (an Executive Director and the Vice-Chairman).

NON-EXECUTIVE DIRECTOR

Mr. Cheung Kwok Wing (張國榮), age 63, is the Non-executive Director and the Chairman. Mr. Cheung is also a member of the Employees' Share Option Scheme Committee. He joined the Group in December 2004 and was appointed as a Non-executive Director on 13 December 2004. He was appointed as the Chairman on 3 February 2005. In addition, Mr. Cheung is the chairman, executive director and one of the co-founders of Kingboard. Moreover, Mr. Cheung was the chairman and director of Kingboard Copper Foil Holdings Limited ("**KBCF**") which is the subsidiary of Kingboard listed on the SGX-ST up to 3 January 2012. Mr. Cheung won the Young Industrialist Award of Hong Kong 1993, which was organized by the Federation of Hong Kong Industries and was described as "far-sighted, enterprising, and having insight in the business". In 2006, he won the Hong Kong Business Owner-Operator Award 2006, which was organized by DHL and the South China Morning Post. In 2011, Mr. Cheung had been awarded the Honorary University Fellowships of The University of Hong Kong. Mr. Cheung possesses over 13 years' experience in the sales and distribution of electronic components including laminates prior to the establishment of the Kingboard Group. He sets the general direction and goals for the Kingboard Group. Furthermore, Mr. Cheung is a member of the National Committee of the Chinese People's Political Consultative Conference of The People's Republic of China. Mr. Cheung is also appointed as a Justice of the Peace under section 3(1)(b) of the Justices of the Peace Ordinance of Hong Kong with effect from July 1, 2015. Mr. Cheung is the brother of Ms. Stephanie Cheung Wai Lin (an Executive Director and the Vice-Chairman) and the brother-in-law of Mr. Chang Wing Yiu (an Executive Director). Mr. Cheung is a director and shareholder of Hallgain Management Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Stanley Chung Wai Cheong (鍾偉昌), age 49, is an Independent Non-executive Director. He joined the Group in April 2011 and was appointed as an Independent Non-executive Director on 11 April 2011. Mr. Chung graduated with a Bachelor of Commerce Degree from the University of Melbourne in 1993. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and is a certified practising accountant of CPA Australia. Mr. Chung possesses over 20 years' experience in accounting and financial management. He had also served as the financial controller for a number of listed companies in Hong Kong between 1997 and 2010. During the period from 1997 to 2001, Mr. Chung was appointed as the financial controller and company secretary of Kingboard. Mr. Chung is the Chairman of our Nomination Committee and Remuneration Committee, and a member of our Audit Committee.

Mr. Ong Shen Chieh (王圣洁), age 42, is an Independent Non-executive Director. He joined the Group in June 2016 and was appointed as an Independent Non-executive Director on 30 June 2016. Mr. Ong holds a Bachelor of Science degree in Real Estate from the National University of Singapore. He has extensive experience in the sectors of corporate finance, private equity and mergers and acquisitions. Mr. Ong has been appointed as the managing director of Sakal Investments Limited since March 2016, a private equity investment firm, where he is responsible for the origination of investment opportunities across Asia, as well as overseeing the execution of transactions of these investment opportunities. Furthermore, he is currently an independent non-executive director, the chairman of the nomination committee and a member of the audit committee and the remuneration committee of Eindec Corporation Limited, whose shares are listed on the Catalist Board of the SGX-ST. Mr. Ong is also currently an executive director of P99 Holdings Limited*.Mr. Ong has been appointed as an independent non-executive director of Kakiko Group Limited since September 2017, a company whose shares are listed on the main board of SEHK. Mr. Ong is the Chairman of our Audit Committee and a member of our Remuneration Committee and Nomination Committee.

* P99 Holdings Limited was delisted from the Catalist Board of the SGX-ST and is in the final stages of voluntary liquidation. The voluntary liquidation of P99 Holdings Limited is expected to be finalised in April 2019, at which point Mr. Ong will cease to be an executive director of that company.

Mr. Kong Tze Wing (江子榮), ***JP***, age 67, is an Independent Non-executive Director. He joined the Group in July 2017 and was appointed as an Independent Non-executive Director on 27 July 2017. He holds a Bachelor's degree in Accounting and a Bachelor's degree in Business Administration. He has been appointed as a Justice of the Peace for Hong Kong since 2008. Mr. Kong has over 45 years of experience in the accounting industry. Mr. Kong is a sole practitioner of the firm Messrs. James T. W. Kong & Co., Certified Public Accountants since 1982. He is a fellow member of the Association of Chartered Certified Accountants since 1985 and became a fellow of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in 1995. He has also been a fellow member of the Institute of Financial Accountants in the United Kingdom since 1995 and a fellow of CPA Australia since 2010. He has also been a fellow-professional accountant of the Institute of Public Accountants in Australia since 2001. Mr. Kong has been a Certified Public Accountant since 1981. He is actively participating in community services and has been appointed by the Hong Kong government to sit on various committees and appeal boards in Hong Kong. Mr. Kong is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Kong has been an independent non-executive director of Sing Pao Media Enterprises Limited ("**Sing Pao**") since March 2007, a company previously listed on the SEHK, and ceased to be a director in June 2015. Sing Pao was incorporated in the Cayman Islands and its subsidiaries were principally engaged in the publication of newspapers, magazines and books; and provisions of advertising and promotion services, internet content provision and advertising. On 12 August 2015, the High Court of the Hong Kong SAR ordered Sing Pao to be wound up (the "**Sing Pao Winding Up**"). As at the date of this Report, Sing Pao is in the process of winding up and Mr. Kong confirmed that he is not in a position to indicate the outcome or the current position of the Sing Pao Winding Up.

Note: For Directors' interest on Shares and Shares of the Company, please refer to the section headed "Directors' Interest in Shares and Debentures" in the Annual Report.

COMPANY SECRETARY

Ms. Marian Ho Wui Mee (何韋鄏), age 52, is the company secretary of the Company ("**Company Secretary**"). She was appointed as the Company Secretary on 22 December 2006 and she has been handling the corporate secretarial, as well as legal matters, for our Company. Ms. Ho is a senior partner in Dentons Rodyk & Davidson LLP's Corporate Practice Group. She was admitted to the Singapore Bar in 1991 and was admitted as a solicitor in England and Wales in 2003. She has been in private practice since 1991. Ms. Ho specialises in corporate finance as well as mergers and acquisitions. Her work in corporate finance covers, *inter alia*, rights issues, convertible bonds and notes issues, warrant issues and share option schemes. In relation to mergers and acquisitions, Ms. Ho has advised on a range of domestic and cross-border transactions, strategic alliances, business acquisitions and divestments, as well as corporate restructurings. Ms. Ho also advises on fund management and collective investment schemes, particularly regarding the compliance of offshore funds in Singapore. In addition, Ms. Ho acts as company secretary for a wide range of corporate secretarial clients, which includes private limited companies, public-listed companies and companies limited by guarantee. Ms. Ho was recognized by Asialaw, a publication that serves as the guide to Asia-Pacific's leading domestic and regional law firms, as a leading lawyer in general corporate practice in 2008, 2010, 2011, 2012 and 2013, and as a market-leading lawyer for construction and real estate in 2017. Ms. Ho was also recognized by Asia Legal 500, a publication that assesses the strengths of law firms and lawyers, as a Recommended Lawyer for Capital Markets in 2015, and she was recognised most recently, in 2017 and 2018, as an Acritas Star Lawyer.

Directors' Statement

The Directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for FY2018.

In the opinion of the Directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, as set out on pages 61 to 146, are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2018, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

DIRECTORS

The Directors of the Company in office during the year and up to at the date of this Report are:

Executive Directors:
Stephanie Cheung Wai Lin *(Vice-Chairman)*
Chang Wing Yiu
Ng Hon Chung (resigned on 1 July 2018)

Non-executive Director:
Cheung Kwok Wing *(Chairman)*

Independent non-executive Directors:
Stanley Chung Wai Cheong
Ong Shen Chieh
Kong Tze Wing

On 1 July 2018, Mr. Ng Hon Chung resigned as executive Director to devote more time to his personal commitment.

In accordance with Article 95(2) and 95(4) of the Articles, one (1) of our Executive Directors, Ms. Stephanie Cheung Wai Lin, and our Non-executive Director, Mr. Cheung Kwok Wing, will retire from directorship by rotation, and, being eligible, each of such Directors, will offer themselves for re-election at the forthcoming AGM.

No Director of the Company proposed for re-election at the forthcoming AGM has a service contract, which is not terminable by the Group within one year and without payment of compensation (other than statutory compensation).

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Except as disclosed in this Report, neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares or debentures in the Company or any subsidiary in the Group.

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Certain of our Directors hold directorships in certain members of the Kingboard Group. Save for the continuing connected transactions between the Group and the Kingboard Group, no transaction, arrangement or contract of significance between the Company or any of its subsidiaries and Company's controlling shareholder or any of its subsidiaries, or in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. Please refer to the section headed "Continuing Connected Transactions" below for further details of such transactions.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors holding office at the end of the financial year had no interests in the shares, underlying shares and debentures of the Company, its ultimate holding company, Kingboard, and related corporations (other than wholly-owned subsidiary companies) as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Act and recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the Hong Kong Securities and Futures Ordinance ("**SFO**") or as otherwise notified to the Company and SEHK pursuant to the Model Code, save as follows:

	Shareholdings registered in name of or beneficially held by directors		**Shareholdings in which directors are deemed to have an interest**	
Name of directors and companies in which interests are held	**At end of year**	At beginning of year or date of appointment, if later	**At end of year**	At beginning of year or date of appointment, if later
The Company				
Long position				
(Ordinary shares)				
Cheung Kwok Wing	**1,547,200**	1,547,200	**—**	—
Chang Wing Yiu	**486,600**	486,600	**—**	—
Kingboard (parent company)				
Long position				
(Ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	**3,341,405**	1,142,405	**1,714,565**	1,738,065
Chang Wing Yiu	**6,216,488**	6,216,488	**1,570,740**	1,570,740
Stephanie Cheung Wai Lin	**1,299,000**	1,479,000	**20,000**	20,000

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Name of directors and companies in which interests are held	Shareholdings registered in name of or beneficially held by directors: At end of year	Shareholdings registered in name of or beneficially held by directors: At beginning of year or date of appointment, if later	Shareholdings in which directors are deemed to have an interest: At end of year	Shareholdings in which directors are deemed to have an interest: At beginning of year or date of appointment, if later
Kingboard				
(parent company)				
(Options to subscribe for unissued ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	**—**	3,360,000	**—**	—
Chang Wing Yiu	**—**	2,660,000	**—**	—
Stephanie Cheung Wai Lin	**—**	2,460,000	**—**	—
Kingboard Laminates Holdings Limited				
(fellow subsidiary)				
Long position				
(Ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	**1,143,000**	1,043,000	**100,000**	—
Chang Wing Yiu	**7,500,000**	7,500,000	**1,700,000**	1,700,000
Stephanie Cheung Wai Lin	**200,000**	200,000	**—**	—
Kong Tze Wing	**1,000**	1,000	**500**	500
Kingboard Laminates Limited				
(fellow subsidiary)				
Long position				
(Non-voting deferred shares of HK$1.00 each[1])				
Cheung Kwok Wing	**1,904,400**	1,904,400	**—**	—
Chang Wing Yiu	**423,200**	423,200	**—**	—

(1) None of the non-voting deferred shares of Kingboard Laminates Limited are held by the group of Kingboard. Such deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of Kingboard Laminates Limited, and have practically no rights to dividends or to participate in any distribution on winding up.

There were no changes in any of the above-mentioned interests between the end of the financial year and 28 February 2019.

DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for:

(a) Salaries, bonuses and other benefits as disclosed in the financial statements.

(b) Certain Directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

SHARE OPTIONS

(a) Options to take up unissued shares

The 2018 Elec & Eltek Employee's Share Option Scheme (the "**2018 Scheme**") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 27 April 2018 and was adopted by the Company on 12 September 2018 upon fulfilment of all the conditions precedent as set out in Rule 2 of the 2018 Scheme. Since its adoption, no option has been granted by the Company pursuant to the 2018 Scheme.

Under the 2018 Scheme, options granted to the Directors and employees may, except in certain special circumstances, be exercised at any time after the first or second anniversary of the date of grant but no later than the fifth anniversary of the date of grant of the relevant option. The options may be exercised in full or in respect of 1,000 ordinary shares of the Company or a multiple thereof, on the payment of the aggregate exercise price. The exercise price is based on the average of the last dealt prices for an ordinary share of the Company on the SGX-ST for a period of five consecutive market days immediately preceding the date of grant. The Employees' Share Option Scheme Committee may at its discretion fix the exercise price at a discount not exceeding 20 percent to the above price.

The 2018 Scheme is administered by the Employee's Share Option Scheme Committee whose members are:

Mr. Cheung Kwok Wing
Mr. Chang Wing Yiu

(b) Unissued shares under option and option exercised

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted and there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising all Non-executive Directors, is chaired by Mr. Ong Shen Chieh, an Independent Non-executive Director, and includes Mr. Stanley Chung Wai Cheong and Mr. Kong Tze Wing, Independent Non-executive Directors. The Audit Committee has met four times since the last AGM and has reviewed the following, where relevant, with the Executive Directors and statutory and internal auditors of the Company:

(a) the internal audit plans, the results of the internal audits 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;

(b) the interim and annual results and financial position of the Company and the Group and the results announcements thereon for the six months ended 30 June 2018 and the year ended 31 December 2018 and the accounting principles and practices adopted by the Group;

(c) 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 of the Company;

(d) the independence and objectives of the external auditors;

(e) the co-operation and assistance given by the management to the Company's statutory auditors;

(f) recommend to the Board, subject to shareholders' approval, the re-appointment of the statutory auditors of the Company; and

(g) the Group's interested person transactions and continuing connected transactions.

In addition, the Audit Committee has undertaken a review of all the non-audit services provided by the statutory auditors, and concluded that, in their opinion, such services did not affect the independence of the statutory auditors.

The Audit Committee has full access to, and has the co-operation of, the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The statutory and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Directors the nomination of Deloitte & Touche LLP ("**DTT**") for re-appointment as statutory auditors of the Company at the forthcoming AGM of the Company. The Group has complied with Rules 712 and 715 of the SGX Listing Manual.

AUDITORS

The financial statements for the FY2018 were audited by DTT. DTT will retire as the auditor of the Company at the conclusion of the forthcoming AGM and will offer themselves for reappointment. A resolution for the re-appointment of DTT as auditors of the Company will be proposed in the forthcoming AGM.

Directors' Statement

ADDITIONAL INFORMATION

The Directors are pleased to present in the Report the following additional information as required under the Companies Ordinance (Chapter 622, the Laws of Hong Kong) ("**HKCO**") and other relevant laws and regulations governed in Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of major subsidiaries of the Company are set out in Note 20 to the Financial Statements.

BUSINESS REVIEW

Discussion and analysis of the business review of the Group for FY2018 required by Schedule 5 to the HKCO, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in "Chairman's Statement" of this Report, which discussion forms part of this "Directors' Statement".

To the best of the Board's knowledge, nothing has come to the attention of the Board that may render the audited financial results for FY2018 to be false or misleading in any material respect.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2018 are set out in Note 20 to the Financial Statements.

DIVIDEND POLICY

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.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 61 and 62, respectively.

No interim dividend was paid to the shareholders of the Company during the year. The Directors have recommended a final one-tier tax exempt dividend of US$4.0 cents per share to shareholders of the Company, whose names appear on the register of members of the Company on 9 May 2019, which will be subject to the shareholders' approval at the forthcoming AGM, and the retention of the remaining profit in the Company.

The Singapore Principal Share Transfer Books, Singapore Register of Members of the Company, Hong Kong Share Transfer Books and Hong Kong Register of Members of the Company will be closed on 10 May 2019 for the purpose of determining the shareholders' entitlements to the dividends to be proposed at the AGM to be held on 26 April 2019.

RESULTS AND DIVIDENDS (Continued)

All removal in respect of shares in the Company, between the principal register of members in Singapore and the branch register of members in Hong Kong, all necessary documents, remittances accompanied by the relevant share certificates, received up to close of the business at 5:00 p.m. and 4:30 p.m. on 30 April 2019 by the Company's Singapore Principal Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd., at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) or the Hong Kong Branch Share Registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders) will be registered to determine shareholders' entitlements to such dividend. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5:00 p.m. on 9 May 2019 will be entitled to such proposed dividend.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 December 2018, resulting in an increase in fair value of approximately US$3,748,000, which has been credited directly to profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Expenditure of approximately US$85,104,000 was incurred during the year primarily to expand the production capacity of the Group. Details of all changes in the property, plant and equipment of the Group during the year are set out in Note 17 to the Financial Statements.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of Company's share capital are set out in Note 27 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of Singapore, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a *pro rata* basis to existing shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holding of Company's shares.

PURCHASE, REDEMPTION OR SALE OF SHARES

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold its equity securities during the financial year.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the HK Listing Rules and considers all of the Independent Non-executive Directors to be independent.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, the register of substantial shareholders and other shareholders maintained by the Company pursuant to Section 336 of of Part XV of the SFO shows that, other than the interests disclosed herein in respect of certain Directors and the chief executive officer of the Company, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Long position

Ordinary shares of the Company ("Shares")

Name of shareholder	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Elec & Eltek International Holdings Limited ("**EEIH**")	Beneficial owner	90,741,550	48.55%
Elitelink Holdings Limited ("**Elitelink**")	Beneficial owner	34,321,615	18.36%
Ease Ever Investments Limited ("**Ease Ever**")	Interest in controlled corporation (Note 1)	90,741,550	48.55%
Kingboard Investments Limited ("**Kingboard Investments**")	Interest in controlled corporation (Note 2)	125,063,165	66.91%
	Beneficial owner	10,978,500	5.87%
Jamplan (BVI) Limited ("**Jamplan**")	Interest in controlled corporation (Note 3)	136,041,665	72.78%
Kingboard	Interest in controlled corporation (Note 4)	136,041,665	72.78%
	Beneficial owner	1,622,500	0.87%
Hallgain Management Limited ("**HML**")	Interest in controlled corporation (Note 5)	137,664,165	73.65%

Notes:

1. The entire issued share capital of EEIH is owned approximately 77.34% by Ease Ever, approximately 11.59% by Kingboard and approximately 11.07% by Kingboard Investments. Ease Ever is deemed to have an interest in 90,741,550 Shares held by EEIH, under the provisions of the SFO.

2. The entire issued share capital of Elitelink and Ease Ever are owned by Kingboard Investments. Kingboard Investments is deemed to have an interest in 34,321,615 Shares held by Elitelink and 90,741,550 Shares which Ease Ever is deemed to have an interest in, under the provisions of the SFO.

3. The entire issued share capital of Kingboard Investments is owned by Jamplan. Jamplan is deemed to have an interest in 10,978,500 Shares held by Kingboard Investments and 125,063,165 Shares which Kingboard Investments is deemed to have an interest in, under the provisions of the SFO.

4. The entire issued share capital of Jamplan is owned by Kingboard. Kingboard is deemed to have an interest in 136,041,665 Shares which Jamplan is deemed to have an interest in, under the provisions of the SFO.

5. Approximately 39.02% of the issued share capital of Kingboard is owned by HML. HML is deemed to have an interest in 1,622,500 Shares held by Kingboard and 136,041,665 shares which Kingboard is deemed to have an interest in, under the provisions of the SFO. There is no shareholder of HML who is entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at HML's general meetings. HML and its directors are not accustomed to act in accordance with any shareholder's direction. Mr. Cheung Kwok Wing is a director of HML.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2018.

CONTINUING CONNECTED TRANSACTIONS

Overview

The Group has entered into several transactions in the ordinary course of its business with Kingboard and its subsidiaries (other than members of the Group) during the year ended 31 December 2018. Since Kingboard is a substantial shareholder of the Company, each of Kingboard and its subsidiaries (other than members of the Group) is a connected person of the Company. These transactions between the Group and the Kingboard Group constituted continuing connected transactions under Chapter 14A of the HK Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the HK Listing Rules.

Set out below is a summary of these continuing connected transactions during FY2018.

1. Purchase of equipment

On 7 November 2016, the Company entered into an equipment purchase framework agreement with Kingboard (the "**Equipment Purchase Framework Agreement**") to renew the old equipment purchase framework agreement, which expired on 31 December 2016. Pursuant to the Equipment Purchase Framework Agreement, the Kingboard Group may sell certain equipment to the Group from time to time in accordance with the terms of the Equipment Purchase Framework Agreement, for a term commencing from 1 January 2017 to 31 December 2019. The Equipment Purchase Framework Agreement comprises the general terms and conditions upon which the Group may purchase equipment from the Kingboard Group. The Group and the Kingboard Group may from time to time enter into purchase agreements or the Group may submit purchase orders setting out the detailed terms for the purchase of the equipment, provided that such detailed terms shall not be inconsistent with the terms of the Equipment Purchase Framework Agreement. The Kingboard Group will not be obligated to sell any prescribed quantity of equipment to the Group during the term of the Equipment Purchase Framework Agreement. The actual quantity, specification and price of the equipment under the Equipment Purchase Framework Agreement will be subject to the individual orders placed by the Group with the Kingboard Group.

The prices at which the equipment are to be supplied by the Kingboard Group to the Group shall be the market price, or, if the same is not available, a price which is not less favorable to the Group than the price at which the Kingboard Group supplies similar equipment to the independent third parties, having regard to the quantity and other conditions of the purchase.

The annual caps for transactions under the Equipment Purchase Framework Agreement are US$10,000,000, US$11,000,000 and US$12,100,000 for three years ending 31 December 2017, 2018 and 2019, respectively. Please refer to the Company's circular dated 30 November 2016 for more information.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Overview (Continued)

2. *Sale and purchase of goods and services*

On 7 November 2016, the Company entered into a master sales and purchases agreement with Kingboard (the "**Master Sales and Purchases Agreement**") to renew the old master sales and purchases agreement, which expired on 31 December 2016. Pursuant to the Master Sales and Purchases Agreement, the Kingboard Group may sell certain goods and/or services including, but not limited to, copper foil, kraft paper, copper balls, laminates, glass fabric and prepreg etc. to the Group and the Group may sell certain goods and/or services including, but not limited to, repair of drill spindle services, prepreg, laminates and any other value-added sub-contract services relating to PCB manufacturing microdrilling services for PCBs to the Kingboard Group from time to time in accordance with the terms of the Master Sales and Purchases Agreement, for a term commencing from 1 January 2017 to 31 December 2019.

The Master Sales and Purchases Agreement comprises the general terms and conditions upon which the Kingboard Group may purchase the abovementioned goods and/or services from the Group and *vice versa*. The relevant party may from time to time enter into purchase agreements or submit, purchase orders setting out the detailed terms for the purchase of the goods and/or services, provided that such detailed terms shall not be inconsistent with the terms of the Master Sales and Purchases Agreement. The Kingboard Group will not be obligated to sell or purchase any prescribed quantity of goods and/or services from the Group, and the Group will not be obligated to sell or purchase any prescribed quantity of goods and/or services to the Kingboard Group during the term of the Master Sales and Purchases Agreement. The actual quantity, specification and price of the goods and/or services under the Master Sales and Purchases Agreement will be subject to the individual orders placed by the relevant party with the other party.

The prices at which the goods and/or services are to be supplied by the relevant party to the other party shall be the market price, or, if the same is not available, a price which is not less favourable to the Group or the Kingboard Group (as the case may be) than the price at which the relevant party supplies similar goods and/or services to independent third parties, having regard to the quantity and other conditions of the purchase.

The annual caps for (i) purchase of goods and/or services by the Group from Kingboard Group are US$165,000,000, US$189,800,000 and US$218,300,000; and (ii) sale of goods and/or services by the Group to the Kingboard Group are US$26,200,000, US$30,100,000 and US$34,600,000 under the Master Sales and Purchase Agreement for the three years ending 31 December 2017, 2018 and 2019, respectively. Please refer to the Company's circular dated 30 November 2016 for more information.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Overview (Continued)

The table below illustrates the actual transaction amount and the corresponding annual cap for each of the foregoing continuing connected transaction for the year ended 31 December 2018.

	Actual amount for the year ended 31 December 2018 (US$'000)	Corresponding annual cap for the year ended 31 December 2018 (US$'000)
Purchase of equipment	9,867	11,000
Sale and purchase of goods and services - Purchases of materials from the Kingboard Group	140,830	189,800
Sale and purchase of goods and services - Goods sold to the Kingboard Group	28,888	30,100

The amounts of the above transactions did not exceed the corresponding annual caps for FY2018 as announced by the Group.

Deloitte Touche Tohmatsu Hong Kong was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu Hong Kong has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Report in accordance with Rule 14A.56 of the HK Listing Rules. The Independent Non-executive Directors have reviewed the continuing connected transactions and the unqualified letter from the auditors, and have confirmed that the aforesaid continuing connected transactions have been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' REMUNERATION

Directors' remuneration is subject to approval by the Remuneration Committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of Directors' remuneration are set out in Note 10 of the Financial Statements.

REMUNERATION POLICY

The Group's remuneration policy is to provide compensation packages at rates that reward good performance and the enhancement of shareholder value, and to attract, retain and motivate the Directors and employees.

The Remuneration Committee makes recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, having regard to the Company's operating results, individual performances and comparable market statistics. Employees of the Group are compensated based on their merit, qualifications and competence.

The 2008 Scheme and 2018 Scheme are administered by the Employee's Share Option Scheme Committee. Details of the 2008 Scheme and 2018 Scheme are set out in the section headed "Share Options" in this Directors' Statement and Note 28 to the Financial Statements.

The 2008 Scheme and 2018 Scheme have a maximum duration of ten (10) years.

PERMITTED INDEMNITY PROVISION

According to the Articles, subject to the provisions of, and so far as may be permitted by, the statutes, every Director, auditor, secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all expenses, charges, cost, damages, claims, proceedings, losses or liabilities whatsoever, which he may sustain or incur in or about the execution and discharge of the duties of his office or otherwise in relation thereto.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Group; or existed during the Year under Review.

CHARITABLE DONATIONS

The Group did not make any charitable donation during the Year under Review.

DISTRIBUTABLE RESERVES

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on pages 66 and 67.

At 31 December 2018, the retained earnings of the Group amounted to approximately US$216,569,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Report, the Company has maintained a sufficient public float, as required under the SGX-ST Listing Rules, as at the latest practicable date prior to the issue of this Report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group by itself and together with the next four largest customers accounted for approximately 17.1% and 38.2%, respectively of the Group's sales for the year.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for approximately 15.1% and 24.4%, respectively of the Group's purchases for the year.

The largest supplier is a related company of the Group. Details please refer to Note 5 of the Financial Statements.

Each of Mr. Cheung Kwok Wing, Mr. Chang Wing Yiu, and Ms. Stephanie Cheung Wai Lin holds directorships in Kingboard or certain other members of the Kingboard Group. Further, each of Mr. Cheung Kwok Wing, Mr. Chang Wing Yiu and Ms. Stephanie Cheung Wai Lin is also a shareholder of Kingboard. Save as disclosed above, none of the Directors, their associates; or any shareholder (which, to the knowledge of the Directors, own more than 5% of the Company's share capital) have any interest in the five largest customers or the five largest suppliers of the Group.

On behalf of the Board

Stephanie Cheung Wai Lin
Vice-Chairman

1 March 2019

Chang Wing Yiu
Director

1 March 2019

Independent Auditor's Report

TO THE MEMBERS OF
ELEC & ELTEK INTERNATIONAL COMPANY LIMITED

Report on the Audit of the Financial Statements

OPINION

We have audited the accompanying financial statements of Elec & Eltek International Company Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies as set out on pages 61 to 146.

In our opinion, the accompanying financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("**the Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority's ("**ACRA**") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Allowance for inventory obsolescence	
As at 31 December 2018, the carrying amount of the Group's inventories amounting to US$39,631,000, net of allowance amounting to US$9,055,000. The Group has made allowance for slow moving and obsolete inventories during the year amounting to US$3,413,000. The value of the inventory and the usage are affected by market demand and storage condition of the inventory. Management is required to assess the need for allowance for obsolete and/or slow-moving inventories which involves exercise of certain amount of judgement and estimate to determine whether: (a) Inventories are stated at the lower of cost or net realisable value; and (b) Allowance for obsolete and/or slow-moving inventories is adequate. These judgements include estimating future selling prices of finished products and future usability of raw materials and saleability of finished goods, taking into consideration changes in technology and customers' preference.	We tested the design and implementation of the relevant key controls over the valuation of inventories. We tested inventories to assess if they are stated at the lower of cost or net realisable value by comparing the actual sales value to the book value for a selected samples of finished goods and raw material. We looked out for slow moving and obsolete inventory during our attendance/observation of physical inventory count at year end. We considered the inventory ageing analysis of the Group at year end, and subsequent usage and sales of inventory after year end, taking into consideration the impact of changes in technology and customers' preference and our knowledge of the Group's business operations and the industry in which the Group operates. We discussed with management and challenged the assumptions used by management in arriving at the allowance for obsolete and/or slow-moving inventories and assessed the reasonableness and accuracy of the provisioning methodology. The key judgement and estimation on the allowance for obsolete and/or slow-moving inventories are disclosed in Note 3(iv) to the financial statements, and further information related to inventories are provided in Note 16 to the financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Allowance for expected credit losses As at 31 December 2018, the Group has trade receivables amounting to US$186,477,000, net of allowance amounting to US$5,494,000. Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made using the expected credit losses ("**ECL**") model under SFRS(I) 9 "Financial Instruments". These judgement include estimating and evaluating expected future receipts from customers based on historical experience and forward-looking information such as credit ratings, trade receivables ageing analysis, collections subsequent to the end of the reporting period, local economic conditions, past collection history and trend analysis and knowledge of the businesses.	We tested the design and implementation of the relevant key controls over the assessment and monitoring of credit risks, and determination of allowance for expected credit losses. We discussed with management and evaluated the ECL model used in determining the allowance for expected credit losses. We challenged and evaluated management's assessment on both the quantitative and qualitative information considered by them that is reasonable and supportable, including historical experience and forward-looking information such as credit ratings, trade receivables ageing analysis, collections subsequent to the end of the reporting period, local economic conditions, past collection history and trend analysis and knowledge of the businesses. The key assumptions and estimation on allowance for ECL and the Group's credit risk management are disclosed in Notes 3(iii) and 4 to the financial statements, and further information related to trade receivables is provided in Note 14 to the financial statements.

Key audit matter	How our audit addressed the key audit matter
Investment properties	
The carrying amount of Group's investment properties as at 31 December 2018 is US$104,554,000. The investment properties are stated at fair value, determined based on valuation performed by independent professional external valuers using the direct comparison method. The valuation of investment properties requires the application of significant judgement and estimation in determining the appropriate valuation methodology to be used, use of subjective assumptions and various unobservable inputs. The valuation is sensitive to underlying assumptions applied by the valuers such as market comparable used and the capitalisation rate may have a significant impact to the valuation.	We assessed competency, capability and objectivity of the independent professional external valuers and read the terms of engagements of the valuers to determine whether there were any matters which might affect their objectivity or impede their scope of work. We assessed the valuation methodology (direct comparison method), assumptions and estimates used against general market practice for similar property type. We held discussions with the valuers both with and without presence of the management to discuss and understand the valuation process, the valuation methodology, performance of the properties and the significant judgement and assumptions applied, including future lease income and yields. We have also considered the adequacy and appropriateness of the disclosures made in the financial statements, including description of the inherent degree of subjectivity relating to significant unobservable inputs. The key judgement and estimation on investment properties are disclosed in Note 3(ii) to the financial statements, and further information related to investment properties, including the valuation techniques, the key inputs and the inter-relationships between the inputs and valuation is provided in Note 19 to the financial statements.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the Directors' Statement, Corporate Profile, Financial Highlights and Calendar, Five Years' Financial Summary, Corporate Information, Structure of the Group, Chairman's Statement, Profiles of Board of Directors and Core Management and Interested Persons Transactions, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Report on Corporate Governance and Statistic of Shareholdings, which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is material misstatement on this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information which are expected to be made available to us after the date of this auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs. We have not performed our work at the date of this auditor's report.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair view financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner responsible for the audit resulting in this independent auditor's report is Mr. Kee Cheng Kong, Michael.

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
Singapore

1 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	NOTES	THE GROUP 2018 US$'000	THE GROUP 2017 US$'000
Revenue	33	**602,634**	500,388
Cost of sales		**(538,049)**	(429,704)
Gross profit		**64,585**	70,684
Other operating income and gains	6	**6,653**	4,806
Distribution and selling costs		**(10,096)**	(10,401)
Administrative expenses		**(26,107)**	(19,240)
Other operating expenses and losses		**(414)**	(1,876)
Finance costs	7	**(1,951)**	(1,230)
Profit before taxation		**32,670**	42,743
Income tax expense	8	**(7,755)**	(5,958)
Profit for the year	9	**24,915**	36,785
Profit attributable to:			
Owners of the Company		**24,299**	36,161
Non-controlling interests		**616**	624
		24,915	36,785
		United States cents	United States cents
Earnings per share:			
– basic and diluted	12	**13.00**	19.35

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTE	THE GROUP 2018 US$'000	2017 US$'000
Profit for the year	9	**24,915**	36,785
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, representing other comprehensive expense for the year, net of tax		**(1,382)**	(875)
Total comprehensive income for the year		**23,533**	35,910
Total comprehensive income attributable to:			
Owners of the Company		**22,917**	35,286
Non-controlling interests		**616**	624
		23,533	35,910

Statements of Financial Position

As at 31 December 2018

	NOTES	THE GROUP 31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
ASSETS				
Current assets				
Cash and bank balances	13	**25,077**	25,985	18,651
Trade receivables	14	**186,477**	168,280	131,523
Bills receivables	14	**1,148**	3,555	3,341
Other receivables	15	**13,294**	13,216	11,879
Prepaid land use rights	18	**399**	399	399
Inventories	16	**39,631**	44,156	33,315
Total current assets		**266,026**	255,591	199,108
Non-current assets				
Property, plant and equipment	17	**335,141**	286,660	260,415
Prepaid land use rights	18	**12,367**	12,449	12,613
Deposits for acquisition of plant and equipment	17	**8,398**	10,401	1,547
Investment properties	19	**104,554**	101,692	99,925
Deferred tax assets	25	**39**	84	84
Total non-current assets		**460,499**	411,286	374,584
Total assets		**726,525**	666,877	573,692

Statements of Financial Position

As at 31 December 2018

	NOTES	THE GROUP 31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
LIABILITIES AND EQUITY				
Current liabilities				
Bank loans	21	**55,353**	47,286	49,523
Trade payables	22	**150,176**	133,012	108,232
Bills payables	22	**15,442**	17,293	308
Other payables	23	**31,418**	35,332	29,506
Contract liabilities	23	**679**	1,407	751
Provision for taxation		**5,095**	3,234	1,668
Total current liabilities		**258,163**	237,564	189,988
Non-current liabilities				
Bank loans	21	**53,850**	25,942	5,659
Deferred tax liabilities	25	**3,403**	2,003	1,372
Deferred income	26	**1,162**	–	–
Total non-current liabilities		**58,415**	27,945	7,031
Capital, reserves and non-controlling interests				
Share capital	27	**113,880**	113,880	113,880
Reserves		**284,109**	276,146	252,075
Equity attributable to owners of the Company		**397,989**	390,026	365,955
Non-controlling interests		**11,958**	11,342	10,718
Total equity		**409,947**	401,368	376,673
Total liabilities and equity		**726,525**	666,877	573,692

		THE COMPANY		
	NOTES	**31 December 2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
ASSETS				
Current assets				
Cash and bank balances	13	**98**	179	182
Other receivables	15	**7**	1	–
Total current assets		**105**	180	182
Non-current asset				
Subsidiary companies	20	**474,747**	470,324	468,783
Total non-current asset		**474,747**	470,324	468,783
Total assets		**474,852**	470,504	468,965
LIABILITIES AND EQUITY				
Current liabilities				
Other payables	23	**4,385**	2,258	3,590
Amounts due to subsidiary companies	24	**247,163**	231,454	219,579
Total current liabilities		**251,548**	233,712	223,169
Capital, reserves and non-controlling interests				
Share capital	27	**113,880**	113,880	113,880
Reserves		**109,424**	122,912	131,916
Equity attributable to owners of the Company		**223,304**	236,792	245,796
Total equity		**223,304**	236,792	245,796
Total liabilities and equity		**474,852**	470,504	468,965

Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital US$'000	Capital reserve US$'000 (Note i)	Statutory reserve US$'000 (Note ii)	Revaluation reserve US$'000 (Note iii)	Other reserve US$'000 (Note iv)	Retained earnings US$'000	Foreign currency translation reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
THE GROUP										
Balance at 1 January 2017	113,880	1,916	6,252	42,684	166	185,973	15,084	365,955	10,718	376,673
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	36,161	–	36,161	624	36,785
Exchange differences arising on translation of foreign operations, representing other comprehensive expense for the year, net of tax	–	–	–	–	–	–	(875)	(875)	–	(875)
Total	–	–	–	–	–	36,161	(875)	35,286	624	35,910
Transfer from retained earnings to statutory reserve	–	–	574	–	–	(574)	–	–	–	–
Transactions with owners, recognised directly in equity										
Dividends paid (Note 11) – in respect of previous financial year	–	–	–	–	–	(11,215)	–	(11,215)	–	(11,215)
Total	–	–	574	–	–	(11,789)	–	(11,215)	–	(11,215)
Balance at 31 December 2017	113,880	1,916	6,826	42,684	166	210,345	14,209	390,026	11,342	401,368
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	24,299	–	24,299	616	24,915
Exchange differences arising on translation of foreign operations, representing other comprehensive expense for the year, net of tax	–	–	–	–	–	–	(1,382)	(1,382)	–	(1,382)
Total	–	–	–	–	–	24,299	(1,382)	22,917	616	23,533
Transfer from retained earnings to statutory reserve	–	–	3,121	–	–	(3,121)	–	–	–	–
Transactions with owners, recognised directly in equity										
Dividends paid (Note 11) – in respect of previous financial year	–	–	–	–	–	(14,954)	–	(14,954)	–	(14,954)
Total	–	–	3,121	–	–	(18,075)	–	(14,954)	–	(14,954)
Balance at 31 December 2018	**113,880**	**1,916**	**9,947**	**42,684**	**166**	**216,569**	**12,827**	**397,989**	**11,958**	**409,947**

Notes:

(i) Capital reserve represents amounts transferred from share option reserve upon the exercise of share options in prior years.

(ii) Statutory reserve represents amounts set aside by subsidiary companies operating in the People's Republic of China (the "**PRC**") and Thailand for declaration of dividends as required under the laws of the PRC and Thailand.

(iii) The revaluation reserve of the Group represents the gain on revaluation of certain properties of the Group as a result of the transfer from property for own use to investment properties.

(iv) The amount credited to other reserve represents the difference between the fair value of consideration and the carrying amount of the net assets attributable to the additional interest in subsidiaries being acquired from non-controlling shareholders, which will be recognised to the profit or loss upon the disposal of the subsidiaries or the disposal by the subsidiaries in prior years.

	Share capital US$'000	**Capital reserve US$'000**	**Retained earnings US$'000**	**Total equity US$'000**
THE COMPANY				
Balance at 1 January 2017	113,880	1,916	130,000	245,796
Profit for the year, representing total comprehensive income for the year	–	–	2,211	2,211
Transactions with owners, recognised directly in equity				
Dividends paid (Note 11)				
– in respect of previous financial year	–	–	(11,215)	(11,215)
Total	–	–	(9,004)	(9,004)
Balance at 31 December 2017	113,880	1,916	120,996	236,792
Profit for the year, representing total comprehensive income for the year	–	–	1,466	1,466
Transactions with owners, recognised directly in equity				
Dividends paid (Note 11)				
– in respect of previous financial year	–	–	(14,954)	(14,954)
Total	–	–	(13,488)	(13,488)
Balance at 31 December 2018	**113,880**	**1,916**	**107,508**	**223,304**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 US$'000	2017 US$'000
OPERATING ACTIVITIES		
Profit before taxation	**32,670**	42,743
Adjustments for:		
Allowance for expected credit losses	**267**	1,389
Bad trade debts written off	**4,707**	–
Finance costs	**1,951**	1,230
Depreciation of property, plant and equipment	**39,952**	35,703
Amortisation of prepaid land use rights	**399**	164
Gain on disposal of property, plant and equipment	**(73)**	(231)
Government grants relating to assets	**(20)**	–
Gain on fair value change of investment properties	**(3,748)**	(1,767)
Allowance for inventory obsolescence	**3,413**	2,629
Interest income	**(105)**	(102)
Operating income before movements in working capital	**79,413**	81,758
Increase in inventories	**(1,851)**	(13,470)
Increase in trade, bills and other receivables	**(25,175)**	(39,697)
Increase in trade, bills and other payables and contract liabilities	**19,587**	48,047
Net cash generated from operations	**71,974**	76,638
Interest income received	**105**	102
Interest paid	**(2,225)**	(1,458)
Income taxes paid	**(4,363)**	(3,716)
NET CASH FROM OPERATING ACTIVITIES	**65,491**	71,566
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**212**	323
Purchase of property, plant and equipment	**(79,169)**	(61,852)
Additions to prepaid land use rights	**(128)**	–
Deposits paid for acquisition of property, plant and equipment	**(5,935)**	(8,756)
Government grants received for acquisition of property, plant and equipment	**1,304**	–
NET CASH USED IN INVESTING ACTIVITIES	**(83,716)**	(70,285)

	2018 US$'000	2017 US$'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**123,031**	59,688
Repayment of bank borrowings	**(86,955)**	(41,642)
Dividends paid by the Company	**(14,954)**	(11,215)
NET CASH FROM FINANCING ACTIVITIES	**21,122**	6,831
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,897**	8,112
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**25,985**	18,651
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCES OF CASH HELD IN FOREIGN CURRENCIES, NET	**(3,805)**	(778)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 13)	**25,077**	25,985

1. GENERAL

Elec & Eltek International Company Limited (Registration Number 199300005H) (the "**Company**") is a limited liability company incorporated and domiciled in Singapore. The Company's ultimate holding company is Kingboard Holdings Limited ("**Kingboard**"), a company incorporated in Cayman Islands. Related companies in these financial statements refer to the ultimate holding company and its subsidiary companies.

The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited and the Main Board of The Stock Exchange of Hong Kong Limited ("**SEHK**"). The financial statements are expressed in United States Dollars, which is the functional currency of the Company.

The Company's registered office is located at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624.

The headquarters and principal place of business of the Company in Hong Kong is located at 23/F, Delta House, 3 On Yiu Street, Shek Mun, Shatin, New Territories, Hong Kong.

The Group's manufacturing operations are located in the People's Republic of China (the "**PRC**"), Hong Kong and Thailand.

The principal activity of the Company is investment holding. Its subsidiary companies are primarily engaged in the fabrication and distribution of double-sided, multi-layer and high density interconnect ("**HDI**") printed circuit boards ("**PCB**"). Details of the principal activities of the subsidiary companies are disclosed in Note 20. There have been no significant changes in the nature of these activities during the financial year.

As at 31 December 2018, the Group's net current assets and total assets less total current liabilities amounted to US$7,863,000 (31 December 2017: US$18,027,000, 1 January 2017: US$9,120,000) and US$468,362,000 (31 December 2017: US$429,313,000, 1 January 2017: US$383,704,000) respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2018 were authorised for the issue by the Board of Directors on 1 March 2019.

For all periods up to and including the year ended 31 December 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("**FRSs**"). These financial statements for the year ended 31 December 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). Details of first-time adoption of SFRS(I) are included in Note 34.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("**SFRS(I)**").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 "Share-based Payment", leasing transactions that are within the scope of SFRS(I) 1 - 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1 - 2 "Inventories" or value-in-use in SFRS(I) 1 - 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiary companies. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses of a subsidiary company acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, income, equity, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiary companies that do not result in the Group losing control over the subsidiary companies are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary companies. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary company are accounted for as if the Group and directly disposed of the related assets or liabilities of the subsidiary company (i.e. reclassified to profit or loss or transferred to another category of equity as specified permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's separate financial statements, investments in subsidiary companies are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

Business combinations

Acquisitions of subsidiary companies and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1 - 12 "Income Taxes" and SFRS(I) 1 - 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's and the Company's statements of financial position when the Group and the Company become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classification of financial assets (Continued)

Despite the aforegoing, the Group and the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group and the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group and the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classification of financial assets (Continued)

Amortised cost and effective interest method (Continued)

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other operating income and gains" line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other operating income and gains" or "other operating expenses and losses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("**ECL**") on investments in debt instruments that are measured at amortised cost as well as loan commitments and financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely the printed circuit boards (PCB) industry.

In particular, particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

For loan commitments and financial guarantee contracts, the date that the Group or the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group or the Company considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group or the Company considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Groups understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses (Continued)

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, and amounts due from customers are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred financial asset, the Group recognises its retained interest in the financial asset and an associate liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other operating gains and losses" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction-in-progress are stated at cost. No depreciation is provided until the construction is completed and the asset are available for use.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	20 years
Leasehold land and buildings	50 years
Leasehold improvements	lower of 10 years or lease terms
Furniture and fixtures	5 years
Plant and equipment	5 to 10 years
Motor vehicles and yacht	5 to 7 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in the revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss.

Prepaid land use rights

The cost acquiring land use rights in the PRC are classified as prepaid land use rights and amortised on a straight line basis over the period of 50 years, which represents the relevant land use rights that have been granted to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates for future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Statutory reserve

PRC

The PRC's laws and regulations require Sino-foreign cooperative joint ventures to provide for certain statutory reserves, mainly reserve fund and enterprise expansion fund, which are appropriated from net income as reported in the statutory financial statements. The use of these reserves is at the discretion of the entities' board of directors. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority.

Thailand

Under the Thailand Civil and Commercial Code, the subsidiary companies in Thailand are required to set up the appropriation for legal reserve of at least 5% of its net income at each dividend declaration until the reserve reaches 10% of authorised capital. The reserve is not available for dividend distribution until the reserve reaches 10% of authorised capital.

Revenue recognition

The Group recognises revenue from the following major sources:

- Fabrication and distribution of PCB
- Rental income from rental of investment properties

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Fabrication and distribution of PCB

The Group fabricates and distributes PCBs directly to customers through its subsidiaries that are responsible for trading and distribution of PCBs.

Revenue from the sale of manufactured goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Rental income from rental of investment properties

The Group's policy for recognition of revenue from operating lease is described above under Leases.

Others

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Retirement benefit obligations

Payments to defined contribution retirement benefit plans are charged as an expenses when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, state-sponsored retirement benefit scheme in the PRC and Mandatory Provident Fund in Hong Kong, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting period.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary companies, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment properties is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodies in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Foreign currency transactions and translation

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statements of financial position of the Company are presented in United States Dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions and translation (Continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary company that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary company that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in foreign currency translation reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

There are no critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation and impairment of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 50 years. The carrying amount of the Group's property, plant and equipment at 31 December 2018 was US$335,141,000 (31 December 2017: US$286,660,000, 1 January 2017: US$260,415,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

The Group tests whether properties, plant and equipment have suffered any impairment in accordance with its accounting policy whenever there is any indication that the assets may have been impaired. The recoverable amounts of properties, plant and equipment have been determined based on discounted cash flow method of each Cash Generating Unit ("**CGU**"). This requires the management to estimate the future cash flows expected from the CGU which involve key assumptions such as revenue growth rates, capital expenditures, terminal value and an appropriate discount rate in order to calculate the present value of the future cash flows. No impairment loss was recognised during the years ended 31 December 2018 and 31 December 2017.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(ii) Investment properties

The fair value of each investment property is individually determined at the end of each reporting period by independent valuers based on a market value assessment, on an existing use basis. The valuers have adopted direct comparison approach, which involved certain assumptions of market conditions. Any favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income. The fair value of US$104,554,000 (31 December 2017: US$101,692,000, 1 January 2017: US$99,925,000) also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

(iii) Allowance for expected credit losses

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The carrying amounts of the Group's trade receivables as at 31 December 2018 is US$186,477,000 (31 December 2017: US$168,280,000, 1 January 2017: US$131,523,000). The allowances as at 31 December 2018 amounted to US$5,494,000 (31 December 2017: US$9,058,000, 1 January 2017: US$7,980,000).

(iv) Allowance for inventory obsolescence

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes allowance for inventory obsolescence for items that are identified as obsolete and slow-moving. The accumulated allowance for inventories as at 31 December 2018 amounted to US$9,055,000 (31 December 2017: US$5,642,000, 1 January 2017: US$4,434,000). The management estimates the net realisable value for goods for resale based primarily on the latest selling prices and current market conditions. The carrying amount of the inventories of the Group as at 31 December 2018 is US$39,631,000 (31 December 2017: US$44,156,000, 1 January 2017: US$33,315,000).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(v) Income and deferred taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's tax payable amounts at 31 December 2018 is US$5,095,000 (31 December 2017: US$3,234,000, 1 January 2017: US$1,668,000). The Group's deferred tax assets and deferred tax liabilities at 31 December 2018 are US$39,000 (31 December 2017: US$84,000, 1 January 2017: US$84,000) and US$3,403,000 (31 December 2017: US$2,003,000, 1 January 2017: US$1,372,000), respectively.

(vi) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the Group's investment property portfolio and concluded that, while the Group's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation arising from investment properties located in Hong Kong, the management has determined that the presumption that investment properties measured using the fair value model are recovered through sale is not rebutted.

For the Group's investment properties located in the PRC, the management concluded that they are depreciable, and being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation arising from investment properties located in the PRC, the management has determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted. The potential deferred tax impact to the Group is immaterial and no deferred tax liability arising from the change in fair value of investment properties located in the PRC was recognised at the end of the reporting period.

Changes in the management assessment could impact whether the Group rebuts the presumption to recover the investment properties measured under fair value model through sale, and therefore future deferred tax charge could be revised.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	THE GROUP			THE COMPANY		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	**31 December 2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
Financial assets						
Financial assets at amortised cost	**218,273**	203,612	158,430	**98**	180	182
Financial liabilities						
Financial liabilities at amortised cost	**304,693**	258,865	193,228	**247,433**	231,745	219,820
Financial guarantee contracts	**–**	–	–	**4,115**	1,967	3,349

Financial risk management policies and objectives

The Group's and the Company's major financial instruments include bank balances and cash, bank borrowings, trade and other receivables and bills receivables, trade and other payables and bills payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign exchange risk management

The Group transacts business in various foreign currencies, and therefore exposed to foreign exchange risk.

Whenever possible, the Group seeks to maintain a natural hedge through the matching of liabilities, including borrowings, against assets in the same currency or against the entity's functional currency, in particular its future revenue stream.

When necessary, foreign exchange forward contracts are used by the Group to manage its foreign currency exposure arising from its operating activities.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

Financial risk management policies and objectives

Foreign exchange risk management

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	THE GROUP						THE COMPANY					
	Liabilities			Assets			Liabilities			Assets		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	**31 December 2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000	**31 December 2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000	**31 December 2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
USD	**–**	–	–	**–**	162	2	**–**	–	–	**–**	–	–
HKD	**70,962**	347	208	**80**	285	1,628	**–**	–	69	**–**	9	–
RMB	**82,792**	73,099	140,329	**65,397**	59,255	73,892	**–**	–	–	**–**	–	–
SGD	**88**	117	327	**100**	98	93	**–**	–	3	**62**	49	87
GBP	**–**	–	4	**–**	–	13	**–**	–	–	**–**	–	–
EUR	**–**	–	–	**232**	95	168	**–**	–	–	**–**	–	–
JPY	**–**	–	–	**6**	–	3	**–**	–	–	**–**	–	–
THB	**9,627**	10,790	15,846	**7,570**	6,414	6,841	**–**	–	–	**–**	–	–
TWD	**–**	–	–	**4**	–	5	**–**	–	–	**–**	–	–
MYR	**–**	–	–	**1**	12	5	**–**	–	–	**–**	–	–

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Financial risk management policies and objectives (Continued)

Foreign exchange risk management (Continued)

The following table detail the sensitivity to a 5% increase and decrease in the Chinese Renminbi and Thai Baht against the United States Dollar. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

If the Chinese Renminbi and Thai Baht strengthens by 5% against the United States Dollars, profit or loss will decrease by:

	THE GROUP	
	2018	2017
	US$'000	US$'000
Chinese Renminbi	**(870)**	(692)
Thai Baht	**(103)**	(219)

For a 5% weakening of the Chinese Renminbi and Thai Baht against the United States Dollars, there would be an equal and opposite impact on the profit and loss. This is mainly attributable to the exposure outstanding on receivables and payables at the end of the reporting period in the Group.

No sensitivity analysis on other currencies of the Group has been prepared as the directors of the Company considered that the financial impact arising from exchange rate fluctuation on the other currencies is immaterial.

No sensitivity analysis on currencies of the Company has been prepared as the directors of the Company considered that the financial impact arising from exchange rate fluctuation on the currencies is immaterial.

Interest rate risk management

The Group's primary interest rate risk relates to its borrowings from banks. The interest rates and terms of repayment of the loans of the Group are disclosed in Note 21.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments as referred to above at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would increase/decrease by US$492,000 (2017: profit increase/decrease by US$301,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Financial risk management policies and objectives (Continued)

Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2018, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the maximum amount the Group would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed in the section "Liquidity risk management" in this Note. The related loss allowance is disclosed in the respective notes to the financial statements.

In order to minimise credit risk, the Group's management develops and maintains the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group's management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Basic for recognising expected credit losses (ECL)
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Financial risk management policies and objectives (Continued)

Overview of the Group's exposure to credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

Ss	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US$'000	Loss allowance US$'000	Net carrying amount US$'000
THE GROUP						
31 December 2018						
Trade receivables	**14**	**(Note)**	**Lifetime ECL (simplified approach)**	**191,971**	**(5,494)**	**186,477**
Other receivables	**15**	**(Note)**	**Lifetime ECL (simplified approach)**	**5,571**	**–**	**5,571**
					(5,494)	
31 December 2017						
Trade receivables	14	(Note)	Lifetime ECL (simplified approach)	177,338	(9,058)	168,280
Other receivables	15	(Note)	Lifetime ECL (simplified approach)	5,792	–	5,792
					(9,058)	
1 January 2017						
Trade receivables	14	(Note)	Lifetime ECL (simplified approach)	139,503	(7,980)	131,523
Other receivables	15	(Note)	Lifetime ECL (simplified approach)	4,915	–	4,915
					(7,980)	

Note:

The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix, grouping by internal credit rating. Note 14 and 15 include further details on the loss allowance for these assets respectively.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Financial risk management policies and objectives (Continued)

Credit risk management

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, the Group assesses the potential customer's credit quality and determines credit limits to be allowed before accepting any new customer. Credit limits granted to customers are reviewed regularly.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Of the trade receivables balance at the end of the year, US$29 million (31 December 2017: US$30 million, 1 January 2017: US$25 million) is due from Company A, the Group's largest customer. Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to Company A did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The credit risk for bank deposits, bank balances and bill receivables exposed is considered minimal as such amounts are placed with reputable financial institutions.

In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called on.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Financial risk management policies and objectives (Continued)

Credit risk management (Continued)

Further details of credit risks on trade receivables is disclosed in Note 14 to the financial statements.

The amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company are disclosed in Note 30 to the financial statements.

Liquidity risk management

The Group's and the Company's cash and short term deposits, operating cash flow and availability of banking facilities are actively managed to ensure that there is adequate working capital and that repayment and funding needs are met.

The amount due to subsidiary companies are payable at the sole discretion of the directors of the Company.

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	Weighted average effective interest rate % p.a.	On demand or within 6 months US$'000	Within 6 months to 1 year US$'000	Within 1 to 2 years US$'000	Within 2 to 5 years US$'000	Total undiscounted amount US$'000	Adjustment US$'000	Total carrying amount US$'000
THE GROUP								
31 December 2018								
Variable interest rate instruments:								
Bank loans	**2.26**	**54,563**	**2,169**	**7,234**	**49,292**	**113,258**	**(4,055)**	**109,203**
Non-interest bearing:								
Trade and other payables	**–**	**176,702**	**18,788**	**–**	**–**	**195,490**	**–**	**195,490**
		231,265	**20,957**	**7,234**	**49,292**	**308,748**	**(4,055)**	**304,693**
31 December 2017								
Variable interest rate instruments:								
Bank loans	2.04	42,095	5,731	26,471	–	74,297	(1,069)	73,228
Non-interest bearing:								
Trade and other payables	–	174,019	11,618	–	–	185,637	–	185,637
		216,114	17,349	26,471	–	259,934	(1,069)	258,865

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Financial risk management policies and objectives (Continued)

Liquidity risk management (Continued)

Liquidity and interest risk analysis (Continued)

Non-derivative financial liabilities (Continued)

	Weighted average effective interest rate % p.a.	On demand or within 6 months US$'000	Within 6 months to 1 year US$'000	Within 1 to 2 years US$'000	Within 2 to 5 years US$'000	Total undiscounted amount US$'000	Adjustment US$'000	Total carrying amount US$'000
THE GROUP - continued								
1 January 2017								
Variable interest rate instruments:								
Bank loans	2.19	34,095	16,145	5,783	–	56,023	(841)	55,182
Non-interest bearing:								
Trade and other payables	–	124,738	13,308	–	–	138,046	–	138,046
		158,833	29,453	5,783	–	194,069	(841)	193,228

	Weighted average effective interest rate % p.a.	**On demand or within 6 months US$'000**	**Within 6 months to 1 year US$'000**	**Within 2 to 5 years US$'000**	**Total undiscounted amount US$'000**	**Adjustment US$'000**	**Total carrying amount US$'000**
THE COMPANY							
31 December 2018							
Non-interest bearing:							
Amount due to subsidiary companies	–	**247,433**	–	–	**247,433**	–	**247,433**
31 December 2017							
Non-interest bearing:							
Amount due to subsidiary companies	–	231,745	–	–	231,745	–	231,745
1 January 2017							
Non-interest bearing:							
Amount due to subsidiary companies	–	219,820	–	–	219,820	–	219,820

The maximum amount that the Company could be forced to settle under the financial guarantee contract as disclosed in Note 30, if the full guarantee amount is claimed by the counterparty to guarantee, is US$221,739,000 (2017: US$201,435,000). The earliest period that the guarantee could be called is within 1 year (2017: 1 year) from the end of the reporting period.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Financial risk management policies and objectives (Continued)

Liquidity risk management (Continued)

Liquidity and interest risk analysis (Continued)

Non-derivative financial liabilities (Continued)

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

	Weighted average effective interest rate % p.a.	On demand or within 6 months US$'000	Within 6 months to 1 year US$'000	Within 2 to 5 years US$'000	Total undiscounted amount US$'000	Adjustment US$'000	Total carrying amount US$'000
THE GROUP							
31 December 2018							
Variable interest rate instruments:							
Cash and bank balances	**0.44**	**25,086**	**–**	**–**	**25,086**	**(9)**	**25,077**
Non-interest bearing:							
Trade, bills and other receivables	**–**	**193,196**	**–**	**–**	**193,196**	**–**	**193,196**
		218,282	**–**	**–**	**218,282**	**(9)**	**218,273**
31 December 2017							
Variable interest rate instruments:							
Cash and bank balances	0.46	25,995	–	–	25,995	(10)	25,985
Non-interest bearing:							
Trade, bills and other receivables	–	177,627	–	–	177,627	–	177,627
		203,622	–	–	203,622	(10)	203,612
1 January 2017							
Variable interest rate instruments:							
Cash and bank balances	0.11	18,684	–	–	18,684	(33)	18,651
Non-interest bearing:							
Trade, bills and other receivables	–	138,235	1,544	–	139,779	–	139,779
		156,919	1,544	–	158,463	(33)	158,430

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Financial risk management policies and objectives (Continued)

Liquidity risk management (Continued)

Liquidity and interest risk analysis (Continued)

Non-derivative financial liabilities (Continued)

	Weighted average effective interest rate % p.a.	On demand or within 6 months US$'000	Within 6 months to 1 year US$'000	Within 2 to 5 years US$'000	Total undiscounted amount US$'000	Adjustment US$'000	Total carrying amount US$'000
THE COMPANY							
31 December 2018							
Non-interest bearing:							
Cash and bank balances and other receivables	—	**98**	—	—	**98**	—	**98**
31 December 2017							
Non-interest bearing:							
Cash and bank balances and other receivables	—	180	—	—	180	—	180
1 January 2017							
Non-interest bearing:							
Cash and bank balances	—	182	—	—	182	—	182

Fair value of financial assets and financial liabilities

Management considered that the carrying amounts of financial assets and financial liabilities of the Group recorded at amortised cost in the financial statements approximate their fair values.

Capital risk management policies and objectives

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of bank borrowings and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings. The Group's overall strategy remains unchanged from prior year.

5. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Kingboard which is also the Company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's groups of companies.

Some of the Group's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions between the Company and its subsidiary companies, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related companies are disclosed below:

Trading transactions

The significant transactions, which are also connected transactions as defined in the listing rules of SEHK, between the Group and its related parties and the effects of these transactions on terms agreed among the companies are as follows:

	THE GROUP	
	2018 US$'000	2017 US$'000
Income		
Sales to related companies	**(28,888)**	(25,058)
Expenses		
Purchases from related companies	**140,830**	107,881
Purchase of equipment from related companies	**9,867**	4,613
Sharing of office space and office expenses paid to related companies	**106**	134

Compensation of directors and key management personnel

Total compensation paid to Company's directors and key management executives, as well as fees paid to the Company's directors and directors of subsidiary companies are as follows:

	THE GROUP	
	2018 US$'000	2017 US$'000
Directors (Note 10)		
Salaries, bonuses and other costs	**2,863**	3,050
Provident fund and other defined contributions	**22**	27
	2,885	3,077
Key management executives		
Salaries, bonuses and other costs	**897**	918
Provident fund and other defined contributions	**18**	20
	915	938

6. OTHER OPERATING INCOME AND GAINS

	THE GROUP	
	2018	2017
	US$'000	US$'000
Interest income	**105**	102
Compensation received *	**–**	1,344
Gain on disposal on property, plant and equipment	**73**	231
Gain on fair value changes of investment properties	**3,748**	1,767
Gain on foreign exchange	**739**	747
Government grants relating to assets (Note 26)	**20**	–
Government research and development grant	**1,056**	523
Others	**912**	92
	6,653	4,806

* This pertains to compensation received from the PRC government for a piece of land being returned to the PRC government in prior years.

7. FINANCE COSTS

	THE GROUP	
	2018	2017
	US$'000	US$'000
Interest on bank loans	**2,225**	1,458
Less: Amounts capitalised	**(274)**	(228)
	1,951	1,230

8. INCOME TAX EXPENSE

	THE GROUP	
	2018	2017
	US$'000	US$'000
Current tax:		
Singapore income tax	**7**	1
PRC enterprise income tax	**4,932**	3,869
Hong Kong income tax	**403**	453
	5,342	4,323
Deferred taxation (Note 25)	**2,413**	1,635
	7,755	5,958

8. INCOME TAX EXPENSE (Continued)

Income tax for the Group is calculated at the rate prevailing for the respective jurisdiction.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Pursuant to the Law of PRC on Enterprise Income Tax, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% for three years since it was officially endorsed. As at 31 December 2018, there are three subsidiary companies (2017: three) in the PRC qualified as High-New Technology Enterprise.

In addition, the Company's subsidiary company in Thailand is exempted from corporate profits tax for a period ranging from seven to eight years with another five years of a 50% exemption after the initial eight-year term, effective from the date the taxable income is first earned.

The tax charge for the year can be reconciled as follows:

	THE GROUP	
	2018	2017
	US$'000	US$'000
Profit before taxation	**32,670**	42,743
Tax charge at the domestic income tax rate of 25% (Note)	**8,168**	10,686
Tax effect of expenses not deductible for tax purposes	**4,413**	1,106
Tax effect of income not taxable for tax purposes	**(5,138)**	(3,778)
Tax effect of utilisation of temporary differences previously not recognised	**(42)**	–
Tax effect of tax losses not recognised	**3,561**	2,215
Tax effect of utilisation of tax losses previously not recognised	**(2,724)**	(4,836)
Effect of different tax rates of subsidiaries operating in other jurisdictions/areas other than the PRC	**(2,879)**	(1,070)
Deferred tax liabilities for undistributed earnings (Note 25)	**2,396**	1,635
Tax charge for the year	**7,755**	5,958

Note: The domestic income tax rate of 25% represents the PRC Enterprise Income Tax of which the Group's operations are substantially based.

9. PROFIT FOR THE YEAR

	THE GROUP	
	2018	2017
	US$'000	US$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments		
- Remuneration	**2,818**	3,008
- Fees	**45**	42
- Contributions to defined contribution plans	**22**	27
	2,885	3,077
Staff costs (excluding directors' emoluments)		
– Salaries and employees benefits	**87,752**	87,751
– Contributions to defined contribution plans	**3,336**	3,109
Depreciation of property, plant and equipment	**39,952**	35,703
Amortisation of prepaid land use rights	**399**	164
Statutory auditor's emoluments		
– Audit fees paid to auditors	**422**	418
– Non-audit fees paid to auditors	**61**	61
Gain on disposal of property, plant and equipment	**(73)**	(231)
Allowance for expected credit losses	**267**	1,389
Bad trade debts written off	**4,707**	–
Allowance for inventory obsolescence	**3,413**	2,629
Gain on foreign exchange	**(739)**	(747)

10. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

Year ended 31 December 2018

	Cheung Kwok Wing US$'000	Stephanie Cheung Wai Lin US$'000	Chang Wing Yiu US$'000	Ng Hon Chung US$'000 (note 1)	Ong Shen Chieh US$'000	Stanley Chung Wai Cheong US$'000	Kong Tze Wing US$'000	Total US$'000
Fees	–	–	–	–	15	15	15	45
Other emoluments:								
Salaries and other benefits	–	141	200	151	–	–	–	492
Performance related incentive payment*	–	959	1,225	96	19	27	–	2,326
Contributions to defined contribution retirement benefit plans	–	7	9	6	–	–	–	22
Total emoluments	–	1,107	1,434	253	34	42	15	2,885

Year ended 31 December 2017

	Cheung Kwok Wing US$'000	Stephanie Cheung Wai Lin US$'000	Chang Wing Yiu US$'000	Ng Hon Chung US$'000	Ong Shen Chieh US$'000	Stanley Chung Wai Cheong US$'000	Kong Tze Wing US$'000 (note 2)	Raymond Leung Hai Ming US$'000 (note 3)	Total US$'000
Fees	–	–	–	–	15	15	7	5	42
Other emoluments:									
Salaries and other benefits	–	127	181	262	–	–	–	–	570
Performance related incentive payment*	–	962	1,228	192	20	27	–	9	2,438
Contributions to defined contribution retirement benefit plans	–	6	9	12	–	–	–	–	27
Total emoluments	–	1,095	1,418	466	35	42	7	14	3,077

Notes:

(1) Mr. Ng Hon Chung resigned on 1 July 2018.

(2) Mr. Kong Tze Wing was appointed as Independent Non-executive Director of the Company on 27 July 2017.

(3) Mr. Raymond Leung Hai Ming resigned on 28 April 2017.

* The performance related incentive payments were determined based on the sales performance of the Group of the year.

10. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (Continued)

Number of Directors in remuneration bands

	THE GROUP	
	2018	2017
US$370,661[(1)] and above	**2**	3
US$185,331[(2)] to US$370,660[(2)]	**1**	–
Below US$185,330	**3**	4
	6	7

[(1)] Equivalent to S$500,000

[(2)] Equivalent to S$250,000 to S$499,999

Ms. Stephanie Cheung Wai Lin is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

The director nominated from Kingboard Holdings Limited, namely, Mr. Cheung Kwok Wing, did not receive any remuneration from the Company or from any of its subsidiary companies.

During the year, there were no loans or quasi-loans or other dealings in favour of the directors or their controlled bodies corporate and connected entities.

The five highest paid employees in the Group, included 3 directors (2017: 3 directors) of the Company for both years. The details of the emoluments paid to the remaining 2 individuals (2017: 2 individuals) were as follows:

	THE GROUP	
	2018 US$'000	2017 US$'000
Salaries and other benefits	**320**	396
Performance related incentive payments	**179**	113
Contributions to retirement benefits scheme	**7**	10
	506	519

Their emoluments were within the following bands:

	THE GROUP	
	2018 No. of employees	2017 No. of employees
US$318,964[(1)] to US$382,757[(1)]	**1**	1
US$127,586[(2)] to US$191,378[(2)]	**1**	1
	2	2

[(1)] Equivalent to HK$2,500,001 to HK$3,000,000

[(2)] Equivalent to HK$1,000,001 to HK$1,500,000

10. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (Continued)

During both years, no emoluments were paid to or receivable by the Directors or the Group's five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the both years.

During the year under review, no employee whose annual remuneration exceeded US$37,066 (equivalent to S$50,000) was related to the Chairman, the Chief Executive Officer or any other Director of the Company.

The five highest paid employees in the Group, excluded 3 directors (2017: 3 directors) of the Company for both years were as follows:

	THE GROUP	
	2018 **US$'000**	2017 US$'000
Salaries and other benefits	**673**	709
Performance related incentive payments	**224**	209
Contributions to retirement benefits scheme	**18**	20
	915	938

Their emoluments were within the following bands:

	THE GROUP	
	2018 **No. of employees**	2017 No. of employees
US$185,331[1] to US$370,660[1]	**1**	2
Below US$185,330[2]	**4**	3
	5	5

[1] Equivalent to S$250,000 to S$500,000

[2] Equivalent to S$250,000

As the Company have to maintain confidentiality of staff remuneration matter, remuneration of five highest paid employees in the Group would not be disclosed as it is not in the best interest of the Company to do so given the highly competitive industry condition.

11. DIVIDENDS

The amount and the rates of dividends paid during the year are:

	THE GROUP AND THE COMPANY	
	2018	2017
	US$'000	US$'000
In respect of previous financial year		
Dividend paid:		
– Final one-tier tax exempt dividend for 2017: United States 8.0 cents (2016: United States 6.0 cents) per ordinary share	**14,954**	11,215

No dividend in respect of current financial year was paid or declared during both years.

The Directors have recommended a one-tier tax exempt final dividend of United States 4.0 cents (2017: United States 8.0 cents) per share amounting to US$7,477,000 (2017: US$14,954,000) to be payable in respect of the current financial year. This dividend will be recorded as a liability on the statement of financial position of the Company and of the Group upon approval by the shareholders of the Company at the forthcoming Annual General Meeting of the Company.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary owners of the Company is based on the following:

	THE GROUP	
	2018	2017
	US$'000	US$'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**24,299**	36,161

	2018	2017
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**186,920**	186,920

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

13. CASH AND BANK BALANCES

	THE GROUP			THE COMPANY		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	**31 December 2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
Cash at bank and on hand (cash and cash equivalents)	**25,077**	25,985	18,651	**98**	179	182

Cash and bank balances comprise cash and short-term bank deposits with an original maturity of three months or less held by the Group and the Company. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear interest at average effective interest rate of 0.44% (31 December 2017: 0.46%, 1 January 2017: 0.11%) per annum and for a tenure of less than three months.

14. TRADE AND BILLS RECEIVABLES

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Trade receivables:			
– Third parties	**179,250**	172,109	135,205
– Related companies (Note 5)	**12,721**	5,229	4,298
Less: Allowance for expected credit losses	**(5,494)**	(9,058)	(7,980)
Total trade receivables	**186,477**	168,280	131,523
Bills receivables	**1,148**	3,555	3,341

The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on the relevant invoice dates, at the end of the reporting period:

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Within 90 days	**156,701**	133,674	113,882
91 to 180 days	**29,776**	34,606	17,641
	186,477	168,280	131,523

14. TRADE AND BILLS RECEIVABLES (Continued)

The average credit period on sale of goods is 30 to 120 days (2017: 30 to 120 days, 1 January 2017: 30 to 120 days). No interest is charged on the trade receivables. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has made substantial loss allowance for all receivables over 180 days past due because historical experience has indicated that these receivables are generally of greater risk of possible loss.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

At the end of the reporting period, the bills receivables are aged within 180 days (31 December 2017: 180 days, 1 January 2017: 180 days).

Included in the Group's trade receivable balance are debtors with a carrying amount of US$27.6 million (31 December 2017: US$22.4 million, 1 January 2017: US$30.6 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables are 107 days (31 December 2017: 109 days, 1 January 2017: 101 days).

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Over due by 1 to 90 days	**27,497**	21,329	30,562
Over due by 91 to 180 days	**107**	1,079	–
	27,604	22,408	30,562

14. TRADE AND BILLS RECEIVABLES (Continued)

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	THE GROUP Trade receivables				
31 December 2018	**Low risk US$'000**	**Watch list US$'000**	**Doubtful US$'000**	**Loss US$'000**	**Total US$'000**
Expected credit loss	**0.4%**	**1.4%**	**4.3%**	**100.0%**	
Estimated total gross carrying amount at default	**35,639**	**78,728**	**76,675**	**929**	**191,971**
Lifetime ECL	**(143)**	**(1,102)**	**(3,320)**	**(929)**	**(5,494)**
					186,477

	THE GROUP Trade receivables				
31 December 2017	Low risk US$'000	Watch list US$'000	Doubtful US$'000	Loss US$'000	Total US$'000
Expected credit loss	0.4%	2.4%	7.5%	100.0%	
Estimated total gross carrying amount at default	38,278	44,770	93,443	847	177,338
Lifetime ECL	(153)	(1,074)	(6,984)	(847)	(9,058)
					168,280

	THE GROUP Trade receivables				
1 January 2017	Low risk US$'000	Watch list US$'000	Doubtful US$'000	Loss US$'000	Total US$'000
Expected credit loss	0.4%	1.9%	6.8%	100.0%	
Estimated total gross carrying amount at default	25,373	23,971	88,771	1,388	139,503
Lifetime ECL	(101)	(455)	(6,036)	(1,388)	(7,980)
					131,523

14. TRADE AND BILLS RECEIVABLES (Continued)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

	THE GROUP Lifetime ECL			
	Not credit-impaired			
	Individually assessed US$'000	Collectively assessed US$'000	Credit-impaired US$'000	Total US$'000
Balance as at 1 January 2017	101	6,491	1,388	7,980
Currency realignment	–	31	7	38
Amounts written off	–	–	(349)	(349)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	18	1,570	(199)	1,389
Balance as at 31 December 2017	119	8,092	847	9,058
Currency realignment	–	(171)	(18)	(189)
Amounts written off	–	–	(3,642)	(3,642)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	(4)	(3,471)	3,742	267
Balance as at 31 December 2018	115	4,450	929	5,494

The following tables explain how significant changes in the gross carrying amount of the trade receivables contributed to changes in the loss allowance:

	THE GROUP 2018 (Decrease) increase in lifetime ECL	
	Not credit-impaired US$'000	Credit-impaired US$'000
Amounts written off	–	**(3,642)**
Origination of new trade receivables net of those settled, as well as increase in days past due	**(3,475)**	**3,742**

14. TRADE AND BILLS RECEIVABLES (Continued)

	THE GROUP 2017 Increase (decrease) in lifetime ECL	
	Not credit-impaired US$'000	Credit-impaired US$'000
Amounts written off	–	(349)
Origination of new trade receivables net of those settled, as well as increase in days past due	1,588	(199)

15. OTHER RECEIVABLES

	THE GROUP			THE COMPANY		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	**31 December 2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
Deposits	**1,722**	1,375	1,453	**–**	–	–
Prepaid expenses	**2,129**	2,627	2,348	**7**	1	–
Other tax refundable*	**5,594**	4,797	4,616	**–**	–	–
Others	**3,849**	4,417	3,462	**–**	–	–
	13,294	13,216	11,879	**7**	1	–

* The amount mainly included value-added tax receivable which will be utilised to offset future value-added tax payables by the Group.

16. INVENTORIES

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Raw materials	**11,477**	11,180	8,525
Work-in-progress	**11,903**	16,402	11,469
Finished goods	**16,251**	16,574	13,321
	39,631	44,156	33,315

The cost of inventories recognised as an expense of US$538.0 million (2017: US$429.7 million) includes approximately US$3,413,000 (2017: US$2,629,000) in respect of allowance for inventory obsolescence.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land US$'000	Freehold buildings US$'000	Leasehold land and buildings US$'000	Leasehold improvements US$'000	Furniture and fixtures US$'000	Plant and equipment US$'000	Motor vehicles and yacht US$'000	Construction-in-progress US$'000	Total US$'000
THE GROUP									
COST									
At 1 January 2017	6,961	5,156	152,735	63,918	9,211	493,826	1,522	10,382	743,711
Currency realignment	–	–	53	78	13	937	9	22	1,112
Reclassifications	–	–	2,624	–	–	8,559	–	(11,183)	–
Additions	–	–	–	1,916	104	54,915	86	5,059	62,080
Disposals	–	–	–	(2,758)	(644)	(31,598)	(71)	–	(35,071)
At 31 December 2017	6,961	5,156	155,412	63,154	8,684	526,639	1,546	4,280	771,832
Currency realignment	–	(1)	(654)	(60)	(103)	(551)	(2)	(137)	(1,508)
Reclassifications	–	–	30	2,350	–	1,372	–	(3,752)	–
Additions	–	–	949	7,085	205	50,836	344	28,137	87,556
Disposals	–	(2)	–	(3,144)	(703)	(32,096)	(208)	–	(36,153)
At 31 December 2018	6,961	5,153	155,737	69,385	8,083	546,200	1,680	28,528	821,727
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 January 2017	–	4,597	39,018	52,973	8,776	376,526	1,406	–	483,296
Currency realignment	–	–	87	87	53	906	10	9	1,152
Charge for the financial year	–	60	3,677	2,553	177	28,954	112	170	35,703
Disposals	–	–	–	(2,758)	(644)	(31,506)	(71)	–	(34,979)
At 31 December 2017	–	4,657	42,782	52,855	8,362	374,880	1,457	179	485,172
Currency realignment	–	(2)	(596)	(167)	(81)	(1,676)	(2)	–	(2,524)
Charge for the financial year	–	60	3,471	2,714	178	33,443	86	–	39,952
Disposals	–	(2)	–	(3,144)	(703)	(31,957)	(208)	–	(36,014)
At 31 December 2018	–	4,713	45,657	52,258	7,756	374,690	1,333	179	486,586
CARRYING AMOUNTS									
At 31 December 2018	6,961	440	110,080	17,127	327	171,510	347	28,349	335,141
At 31 December 2017	6,961	499	112,630	10,299	322	151,759	89	4,101	286,660
At 1 January 2017	6,961	559	113,717	10,945	435	117,300	116	10,382	260,415

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The key assumptions used for the value-in-use calculation are those regarding the revenue growth rates, expected capital expenditures, terminal value and discount rate. Management prepares cash flow forecasts derived from the most recent financial budgets approved by the Board of Directors for the next five years with growth rate for revenue and expenses based on the industry growth forecast and customer base. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. The discount rate in measuring the amount of value in use was 14% (31 December 2017: 18%, 1 January 2017: 20%) in relation to plant and machinery. Based on the value-in-use estimation, management is of the view that no impairment is required in respect of plant and equipment, which are used in the Group's fabrication and distribution of PCB segment for the year ended 31 December 2018.

Management has performed certain sensitivity analysis on the value-in-use calculation and concluded that if growth rate for revenue decreases by 5% or the estimated costs growth rate increases by 5% and all other variables were held constant, the result will not change significantly.

Details of the freehold and leasehold properties held by the Group as at 31 December 2018 are set out below:

	Description and location	Gross area (sq. m.)	Tenure	Use
(i)	Land at No. 134 Moo 2 Soi Sriyothin Pakred-Pathumthani Road, Bang-Khayang, Muang District, Thailand	82,080	Freehold	Industrial
(ii)	Building at No. 3 Linjiang Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	42,965	Leasehold	Industrial
(iii)	Building at Lot No. 7303-0076, Majialong Gongye Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC	5,441	Leasehold	Industrial
(iv)	Building at No. 318 Siqian West Road, Shagang District, Kaiping City, Guangdong Province, the PRC	61,885	Leasehold	Industrial
(v)	Building at West of Shidai Avenue, Yizheng Economic Development Zone, Jiangsu Province, the PRC	76,681	Leasehold	Industrial

During the year, US$274,000 (2017: US$228,000) of finance cost was capitalised and included in the cost of leasehold buildings and plant and equipment. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 2.2% (2017: 2.2%).

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement in deposit for acquisition of property, plant and equipment is as follows:

	THE GROUP	
	2018	2017
	US$'000	US$'000
Balance at beginning of the financial year	**10,401**	1,547
Currency realignment	**175**	98
Transferred to additions of property, plant and equipment during the financial year	**(8,113)**	–
Additions during the financial year	**5,935**	8,756
Balance at end of the financial year	**8,398**	10,401

18. PREPAID LAND USE RIGHTS

	THE GROUP
	US$'000
Cost:	
At 1 January 2017 and 31 December 2017	16,734
Currency realignment	680
Additions	128
At 31 December 2018	17,542
Accumulated amortisation:	
At 1 January 2017	3,722
Amortisation during the year	164
At 31 December 2017	3,886
Currency realignment	491
Amortisation during the year	399
At 31 December 2018	4,776
Carrying amount:	
At 31 December 2018	12,766
At 31 December 2017	12,848
At 1 January 2017	13,012

18. PREPAID LAND USE RIGHTS (Continued)

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Current	**399**	399	399
Non-current	**12,367**	12,449	12,613
	12,766	12,848	13,012

This represents prepaid land use rights in the PRC for a period of 50 years.

19. INVESTMENT PROPERTIES

	THE GROUP	
	2018 US$'000	2017 US$'000
At fair value		
Balance at beginning of the financial year	**101,692**	99,925
Currency realignment	**(886)**	–
Gain on fair value change included in profit or loss	**3,748**	1,767
Balance at end of the financial year	**104,554**	101,692

Investment properties were carried at their fair values upon transfers from property, plant and equipment and land use rights, and the increase in carrying amount at the date of transfers were recognised in equity as revaluation reserve.

The Group's investment properties are held under leasehold interests. The property rental income from the Group's investment properties which are leased out under operating leases, amounted to US$8,144,000 (31 December 2017: US$6,841,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties are US$1,219,000 (31 December 2017: US$1,073,000).

Fair value measurement of Group's investment properties

The fair values of the Group's investment properties at 31 December 2018 have been determined on the basis of valuation carried out by independent valuer, Ravia Global Appraisal Advisory Limited (Note 1) (31 December 2017: Ravia Global Appraisal Advisory Limited, 1 January 2017: Roma Appraisals Limited (Note 2)) having recognised professional qualification and recent experience in the location and category of the properties being valued. The fair value was determined based on the direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and location of the subject property. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year. The investment properties of the Group are classified as level 3 under the fair value hierarchy. There were no transfer among fair value hierarchy during the year.

19. INVESTMENT PROPERTIES (Continued)

Fair value measurement of Group's investment properties (Continued)

Name of property	Fair value as at 31 December: 31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	Valuation methodology	Significant unobservable inputs	Range (price per square metre): 31 December 2018 US$	31 December 2017 US$	1 January 2017 US$
Factories at Eastern Park of Guangzhou Economic and Technological Development District, The PRC	**38,760**	36,960	37,198	Direct Comparison Method	Price per square metre, using market direct comparables and taking into account of location and other individual factors such as size of property and layout/design	**276**	263	341-383
Factory at Nanjing Economic and Technological Development Zone, The PRC	**2,400**	2,320	2,358	Direct Comparison Method	Price per square metre, using market direct comparables and taking into account of location and other individual factors such as size of property and layout/design	**436**	421	470-487
Apartment units of Jin Lan Court, Hong Yuan Garden, Guangdong Province, The PRC	**534**	522	343	Direct Comparison Method	Price per square metre, using market direct comparables and taking into account of size of properties and level adjustment on individual floors of the properties	**1,060**	1,036	675-689
Office units at Merit Industrial Centre, Hong Kong	**62,860**	61,890	60,026	Direct Comparison Method	Price per square metre, using market direct comparables and taking into account of size of properties and level adjustment on individual floors of the properties	**4,507-4,520**	4,432-4,839	4,297-4,699

19. INVESTMENT PROPERTIES (Continued)

Fair value measurement of Group's investment properties (Continued)

The key input used in valuing the investment properties was the price per square metre, adjusted for location, size of property, layout and design, which the higher the price used would result in the higher the fair value measurement of the investment properties, and vice versa.

Details of investment properties held by the Group as at 31 December 2018 are set out below:

Description and location	Tenure	Unexpired term of the lease
The PRC		
(i) Factories at Eastern Park of Guangzhou Economic and Technological Development District, The PRC	Leasehold	50 years commencing from 16 August 2000
(ii) Factory at Nanjing Economic and Technological Development Zone, The PRC	Leasehold	48 years commencing from 4 December 2002
(iii) Apartment units of Jin Lan Court, Hong Yuan Garden, Guangdong Province, The PRC	Leasehold	70 years commencing from 30 April 1999
Hong Kong		
(iv) Office units at Merit Industrial Centre, Hong Kong	Leasehold	75 years commencing from 5 October 1953 and renewable for a further 75 years

Note:

1. The address of Ravia Global Appraisal Advisory Limited is Unit B, 12/F, CKK Commercial Centre, 289 Hennessy Road, Wan Chai, Hong Kong in 2018 and Unit B, 7/F, Chang Pao Ching Building, No. 427 - 429 Hennessy Road, Wan Chai, Hong Kong in 2017.

2. The address of Roma Appraisals Limited is Unit 3806, 38/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

20. SUBSIDIARY COMPANIES

	THE COMPANY		
	As at 31 December 2018 US$'000	As at 31 December 2017 US$'000	As at 1 January 2017 US$'000
Unquoted equity shares, at cost	**22,111**	22,186	22,186
Recognition of share options granted to directors and employees of subsidiary companies	**541**	541	541
Recognition of financial guarantee provided to subsidiary companies	**30,174**	25,240	23,232
Amounts due from subsidiary companies	**421,921**	422,357	422,824
	474,747	470,324	468,783

The amount due from subsidiary companies are unsecured, non-interest bearing and are repayable at the sole discretion of the directors of the subsidiary companies, and are thus treated as deemed investment in the subsidiary companies and classified as non-current.

During the year, a wholly-owned subsidiary, Elec & Eltek Printed Circuit Board Corporation, with a paid up capital of US$75,000 was placed under voluntary liquidation and dissolved. The surplus/deficit arising on the dissolution is not material.

The Company issued financial guarantees to banks for credit facilities of its subsidiary companies and recorded a deemed financial guarantee fee income in accordance with the provisions of SFRS(I) 9 "Financial instruments: Recognition and measurement". The deemed income was amortised over the period of the guarantee. The guarantee fee was not charged by the Company to the subsidiary companies. The full amount of the guarantee fee, including the unamortised portion, is deemed to be additional investment in the subsidiary companies.

20. SUBSIDIARY COMPANIES (Continued)

Details of the principal subsidiary companies at 31 December 2018 are as follows:

	Name of principal subsidiary company	Country of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held			Principal activities
				31 December 2018 %	31 December 2017 %	1 January 2017 %	
^	Elec & Eltek (Guangzhou) Electronic Company Limited 依利安達(廣州)電子有限公司	The PRC[2]	US$95,596,000	**98.0**	98.0	98.0	Manufacturing and distribution of PCBs
^	Guangzhou Elec & Eltek Microvia Technology Limited 廣州依利安達微通科技有限公司	The PRC[2]	US$24,800,000	**98.0**	98.0	98.0	Manufacturing and distribution of PCBs
^	Kai Ping Elec & Eltek Company Limited 開平依利安達電子有限公司	The PRC[2]	US$49,520,000	**95.0**	95.0	95.0	Manufacturing and distribution of PCBs
^	Kaiping Elec & Eltek No.3 Company Limited 開平依利安達電子第三有限公司	The PRC[2]	US$87,800,000	**95.0**	95.0	95.0	Manufacturing and distribution of PCBs
^	Kaiping Elec & Eltek No.5 Company Limited 開平依利安達電子第五有限公司	The PRC[2]	US$30,075,100	**95.0**	95.0	95.0	Manufacturing and distribution of PCBs
^	Yangzhou Elec & Eltek Electronic Co., Ltd. 揚州依利安達電子有限公司	The PRC[1]	1 January 2017 and 31 December 2017: US$60,000,000 31 December 2018: US$120,000,000[3]	**100.0**	100.0	100.0	Manufacturing and distribution of PCB raw materials
@	Elec & Eltek Multilayer PCB Limited 依利多層線路板有限公司	Hong Kong	HK$5,000,000	**100.0**	100.0	100.0	Distribution of PCBs
ß	Elec & Eltek (Thailand) Limited	Thailand	Baht780,000,000	**100.0**	100.0	100.0	Manufacturing and distribution of PCBs
%	Elec & Eltek Company (Macao Commercial Offshore) Limited 依利安達(澳門離岸商業服務)有限公司	Macao	MOP1,081,300	**100.0**	100.0	100.0	Trading of PCBs and provision of sales and marketing services
^	Kaiping Pacific Insulating Material Company Limited 開平太平洋絕緣材料有限公司	The PRC[1]	1 January 2017 and 31 December 2017: US$15,000,000 31 December 2018: US$25,000,000[4]	**100.0**	100.0	100.0	Manufacturing and distribution of high-end PCB raw materials

20. SUBSIDIARY COMPANIES (Continued)

@ Audited by Deloitte Touche Tohmatsu - Hong Kong.

ß Audited by PYS Audit Company Limited for statutory purpose.

% Audited by Deloitte Touche Tohmatsu - Macau for statutory purpose. Deloitte Touche Tohmatsu - Hong Kong audited the financial statements for consolidation purposes.

^ Audited by Guangzhou Xin Zhong Nan Certified Public Accountants Co., Ltd., a Certified Public Accountants firm in the PRC under PRC Generally Accepted Accounting Principles for local compliance. Deloitte Touche Tohmatsu - Hong Kong audited the financial statements for consolidation purposes.

[1] These companies were established in the PRC in the form of Wholly Foreign-owned Enterprise.

[2] These companies were established in the PRC in the form of Sino-Foreign Joint Venture.

[3] During the year, this subsidiary issued an additional paid up share capital of US$60,000,000 to finance its working capital.

[4] During the year, this subsidiary issued an additional paid up share capital of US$10,000,000 to finance its working capital.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

In accordance with the requirements of Rules 715 and 716 the SGX-ST Listing Manual, the directors of the Company and the Audit Committee, having reviewed the appointment of different auditors for the Group’s subsidiaries, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

20. SUBSIDIARY COMPANIES (Continued)

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Principal place of business	Number of wholly-owned subsidiaries 31 December 2018	31 December 2017	1 January 2017
Investment holding	Singapore	**9**	10	10
	Hong Kong	**4**	4	4
	British Virgin Islands	**2**	2	2
		15	16	16
Manufacturing/ Property investment	Hong Kong	**1**	1	1
	The PRC	**2**	2	2
	Thailand	**1**	1	1
		4	4	4
Trading	Macau	**1**	1	1
		1	1	1
Corporate services	Hong Kong	**1**	1	1
	United States	**–**	1	1
	Singapore	**1**	1	1
		2	3	3
Inactive	The PRC	**3**	3	3
	British Virgin Islands	**1**	1	1
	Singapore	**2**	1	1
		6	5	5
		28	29	29

20. SUBSIDIARY COMPANIES (Continued)

Principal activities	Principal place of business	Number of non-wholly-owned subsidiaries 31 December 2018	31 December 2017	1 January 2017
Manufacturing/ Property investment	The PRC	**5**	5	5
Inactive	The PRC	**1**	2	2
		6	7	7

At the end of the reporting period, there is no non-wholly owned subsidiaries that have material non-controlling interests to the Group.

21. BANK LOANS

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Bank loans	**109,203**	73,228	55,182

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Bank loans A	**53,860**	47,286	49,523
Bank loan B	**29,814**	25,942	5,659
Bank loan C	**25,529**	–	–
	109,203	73,228	55,182

21. BANK LOANS (Continued)

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Carrying amount repayable*:			
On demand or within one year	**55,353**	47,286	49,523
More than one year, but not exceeding two years	**5,974**	25,942	5,659
More than two years, but not exceeding five years	**47,876**	–	–
	109,203	73,228	55,182
Less: Amount due within one year shown under current liabilities	**(55,353)**	(47,286)	(49,523)
Amount shown under non-current liabilities	**53,850**	25,942	5,659

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The details of the bank loans are as follows:

(a) Bank loans A totalling US$53,860,000 bore interest at weighted effective rates of 2.07 (31 December 2017: 2.04%, 1 January 2017: 2.19%). The interest rates are repriced at 0.8% to 1.0% (31 December 2017: 0.8% to 1.0%, 1 January 2017: 1.0% to 2.5%) per annum over 1, 2, 3 weeks or 1, 2, 3 months (31 December 2017: 1, 2, 3 or 6 months, 1 January 2017: 1, 2 or 3 months) London Interbank Offer Rate ("**LIBOR**") or Hong Kong Interbank Offer Rate ("**HIBOR**"). Bank loans A and the related interest are repayable at the end of each interest period of 1, 2, 3 weeks or 1, 2, 3 months (31 December 2017: 1, 2, 3 or 6 months, 1 January 2017: 1, 2 or 3 months) from the date of drawdown and are covered by corporate guarantee from the Company;

(b) Bank loan B totalling US$29,814,000 bore interest at weighted effective rates of 2.58% (31 December 2017: 2.04%, 1 January 2017: 2.19%). The interest rates are repriced at 1.7% (31 December 2017: 1.7%, 1 January 2017: 1.7%) per annum over 1, 2 or 3 months (31 December 2017: 1, 2 or 3 months, 1 January 2017: 1, 2 or 3 months LIBOR). Bank loan B is repayable on 21 December 2021 while the interests are payable at the end of each interest period of 1, 2, 3 or 6 months from the date of drawdown.

    Bank loan B is covered by corporate guarantee from the Company, and the Company undertakes to maintain:

    (i) a consolidated tangible net worth at a level not less than US$300,000,000 (31 December 2017: US$300,000,000, 1 January 2017: US$300,000,000) at any time;

    (ii) a consolidated gearing ratio and consolidated interest cover ratio at a level of not higher than 70% and not less than 8 times, respectively at all time; and

    Bank loan B is also provided under negative pledges from the Company as follows:

    (i) the Group has complied with the financial covenants as at the end of the financial year;

    (ii) there are no fixed or floating charges against any assets belonging to the Group or the Company; and

21. BANK LOANS (Continued)

(c) Bank loan C totalling US$25,529,000 bore interest at weighted effective rates of 2.31%. The interest rates are repriced at 1.1% per annum over 1, 2 or 3 months HIBOR. Bank loan C is repayable by 17 quarterly instalments commencing 12 months after loan drawdown in November 2018, while the interests are payable at the end of each interest period of 1, 2 or 3 months from the date of drawdown.

Bank loan C was drawdown in November 2018 under five years term loan facility ("**Facility**") with a 15 months committed period ("**Committed Period**"). After the Committed Period, the Facility will be subject to review by the bank at any time and from time to time and the bank shall have an unrestricted discretion to cancel the Facility.

Bank loan C is covered by corporate guarantee from the Company, and the Company undertakes to maintain:

(i) a minimum consolidated tangible net worth at a level not less than US$250,000,000 at any time;

(ii) a consolidated gearing ratio at a level of not higher than 85% at any time; and

(iii) a consolidated earning before interests, taxes, depreciation and amortisation to interest ratio of not lower than 5 times at any time.

All borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The fair value of the Group's borrowings approximates their carrying amount.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2018 US$'000	**Financing cash flows (i) US$'000**	**Currency realignment US$'000**	**31 December 2018 US$'000**
Bank loans	**73,228**	**36,076**	**(101)**	**109,203**

	1 January 2017 US$'000	Financing cash flows (i) US$'000	Currency realignment US$'000	31 December 2017 US$'000
Bank loans	55,182	18,046	–	73,228

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.

22. TRADE AND BILLS PAYABLES

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Third parties	**99,985**	89,129	68,248
Related companies (Note 5)	**50,191**	43,883	39,984
Total trade payables	**150,176**	133,012	108,232
Bills payables	**15,442**	17,293	308

Trade and bills payables are non-interest bearing and generally on 15 to 120 days' terms (31 December 2017: 15 to 120 days, 1 January 2017: 15 to 120 days). The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Within 90 days	**91,938**	92,699	78,415
91 to 180 days	**41,132**	28,695	18,695
Over 180 days	**17,106**	11,618	11,122
	150,176	133,012	108,232

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The bills payables were aged within 180 days (31 December 2017: within 180 days, 1 January 2017: within 180 days). The bills payables mainly related to the purchase of equipment via the payment mode of issuing irrevocable letters of credits.

23. OTHER PAYABLES AND CONTRACT LIABILITIES

(A) Other payables

	THE GROUP			THE COMPANY		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	**31 December 2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
Accrued expenses	**26,345**	30,121	25,999	**270**	291	241
Financial guarantee contracts	**–**	–	–	**4,115**	1,967	3,349
Deferred income (Note 26)	**77**	–	–	**–**	–	–
Compensation received in advance	**979**	–	–	**–**	–	–
Other tax payables	**490**	–	–	**–**	–	–
Other payables	**3,527**	5,211	3,507	**–**	–	–
	31,418	35,332	29,506	**4,385**	2,258	3,590

(B) Contract liabilities

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Amounts received in advance of delivery of goods (Note)	**679**	1,407	751

Note: Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. When the customer initially purchases the goods and paid in advance, the transaction price received at that point by the Group is recognised as contract liability until the goods have been delivered to the customer.

There were no significant changes in the contract liabilities balances during the reporting period.

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward contract liabilities. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

The Group's revenue recognised that was included in the contract liabilities balance at the beginning of the period:

	2018 US$'000	2017 US$'000
Amounts received in advance of delivery of goods	**1,407**	751

24. AMOUNTS DUE TO SUBSIDIARY COMPANIES

The amounts due to subsidiary companies are unsecured, interest free and repayable on demand.

25. DEFERRED TAXATION

The followings are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Deferred tax assets	**39**	84	84
Deferred tax liabilities	**(3,403)**	(2,003)	(1,372)

Deferred tax assets

	Excess of tax written down value over carrying amount of property, plant and equipment US$'000
THE GROUP	
At 1 January 2017 and 31 December 2017	84
Currency realignment	(5)
Charge to profit or loss for the year (Note 8)	(40)
At 31 December 2018	39

25. DEFERRED TAXATION (Continued)

Deferred tax liabilities

	Excess of carrying amount of property plant and and equipment over tax written down value US$'000	Undistributed earnings US$'000	Total US$'000
THE GROUP			
At 1 January 2017	(37)	(1,335)	(1,372)
Currency realignment	–	(128)	(128)
Charge to profit or loss for the year (Note 8)	–	(1,635)	(1,635)
Utilised during the year	–	1,132	1,132
At 31 December 2017	(37)	(1,966)	(2,003)
Currency realignment	–	91	91
Credit (charge) to profit or loss for the year (Note 8)	23	(2,396)	(2,373)
Utilised during the year	–	882	882
At 31 December 2018	(14)	(3,389)	(3,403)

At the end of the reporting period, the Group has unutilised tax losses of US$46.4 million (31 December 2017: US$50.1 million, 1 January 2017: US$62.0 million) available for offset against future profits. Included in the unutilised tax losses are tax losses of US$30.8 million, (31 December 2017: US$42.7 million, 1 January 2017: US$47.6 million), which can only be carried forward for a maximum period of 5 years from the year of assessment. Other losses may be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

At the end of the reporting period, deferred tax liabilities have been recognised for all the temporary differences associated with undistributed earnings of subsidiaries.

26. DEFERRED INCOME

During the year, the Group received government grants of US$1,304,000 in aggregate from various PRC government authorities as an incentive for acquisition of property, plant and equipment. The amount received is to be recognised in profit or loss over the useful lives of the relevant assets.

During the year, US$20,000 of the grants have been recognised in profit or loss.

27. SHARE CAPITAL

	THE GROUP AND THE COMPANY			
	2018		2017	
	No. of shares	**US$'000**	No. of shares	US$'000
Issued and fully paid:				
At the beginning and the end of the year	**186,919,962**	**113,880**	186,919,962	113,880

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and has no par value.

In 2018 and 2017, there are no options outstanding granted to directors and employees of the Group and associates of controlling shareholders to subscribe for unissued ordinary shares each as described in the report of directors.

28. SHARE-BASED PAYMENTS

The Company had, on 9 May 2008, adopted the 2008 Elec & Eltek Employees' Share Option Scheme (the "**2008 Scheme**"), which expired on 8 May 2018.

A new share option scheme, known as the 2018 Elec & Eltek Employees' Share Option Scheme (the "**2018 Scheme**") was approved by the shareholders of the Company at the Annual General Meeting held on 27 April 2018, and was adopted by the Company on 12 September 2018 upon fulfilment of all the conditions precedent as set out the 2018 Scheme. Since its adoption, no options have been granted by the Company pursuant to the 2018 Scheme.

The purpose of the 2018 Scheme is to provide an opportunity for employees who have contributed significantly to the growth and performance of the Group and who satisfy the eligibility criteria as set out in Rule 4 of the 2018 Scheme, to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services. Additionally, the 2018 Scheme will help the Group to attract and retain the services of appropriate, qualified and experienced employees who would be able to contribute to the Group's business and operations.

The 2018 Scheme entitles the option holders to exercise their options and subscribe for new ordinary shares in the Company at either: (1) the "Market Price", which is defined as the average of the last dealt prices of the Company's shares (as determined by reference to the Official List published by the SGX-ST) for a period of five consecutive market days immediately preceding the relevant date of grant; or (2) a discount to the Market Price (as defined earlier), provided that the discount shall not exceed 20% of the Market Price, save that the exercise price must be at least the highest of: (i) the closing price of the shares of the Company as stated in the SEHK's daily quotations sheet on the date of grant; and (ii) the average closing price of the shares of the Company as stated in the SEHK's daily quotations sheets for the five business days immediately preceding the date of grant.

Options granted at the Market Price may be exercised after the first anniversary of the date of grant, or, if granted at a discount to the Market Price, may be exercised after the second anniversary of the date of grant, and options granted either at the Market Price or at a discount to the Market Price expire on a date not later than the fifth anniversary of the date of grant.

28. SHARE-BASED PAYMENTS (Continued)

The duration of the 2018 Scheme is ten years from the date of adoption of the 2018 Scheme. The total number of shares that may be issued upon exercise of all options granted under the 2018 Scheme shall not exceed 18,691,996 shares, representing 10% of the total number of shares of the Company in issue as at 12 September 2018, being the adoption date of the 2018 Scheme, and the date of this Report.

Unless approved by the shareholders of the Company and Kingboard, the total number of shares of the Company issued and to be issued upon exercise of the share options granted to each qualifying participant (including both exercised and outstanding options granted under the 2018 Scheme and any previous share option schemes of the Company) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue from time to time.

No qualifying participant who is a substantial shareholder or an independent non-executive director of Kingboard, or any of their respective associates, shall be granted any options, which, if exercised in full, would result in the shares issued and issuable to such person under the 2018 Scheme in the 12-month period up to and including the proposed grant date for such options: (a) representing in aggregate more than 0.1% of the number of shares then in issue; and (b) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets of the SEHK on each relevant date on which the grant of such options is made to such person under the relevant scheme, in excess of HK$5 million, unless such grant of options is approved in advance by the shareholders of Kingboard in general meeting.

No qualifying participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates shall be granted any options, which, if exercised in full, would result in the shares issued and issuable to such person under the 2018 Scheme in the 12-month period up to and including the proposed grant date for such options: (a) representing in aggregate over 0.1% of the number of shares then in issue; and (b) having an aggregate value, based on the closing price of the shares as stated in the SEHK's daily quotations sheets on each relevant date on which the grant of such options is made to such person under the relevant scheme, in excess of HK$5 million, unless such grant of options is approved in advance by the shareholders of the Company and of Kingboard in general meeting.

Share options may be accepted within 30 days after the relevant date of grant, accompanied by, inter alia, payment of SGD$1.00 (or its equivalent) as consideration by the participants.

The Company did not grant any share option in 2017 and 2018.

29. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

The employees of the Group that are located in Singapore, the PRC and Hong Kong are members of the Central Provident Fund Board in Singapore, a state-sponsored retirement benefit plan in the PRC and Mandatory Provident Fund Scheme in Hong Kong, operated by the Government of Singapore, the PRC and Hong Kong, respectively. The respective entities are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

The total expense recognised in profit or loss of US$3,358,000 (2017: US$3,136,000) represents contributions payable to these plans by the Group at rates specified in the rules of the respective plans.

30. CONTINGENT LIABILITIES

	THE GROUP			THE COMPANY		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000	**31 December 2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
Contingent liabilities						
(i) Bank guarantees given to third parties (unsecured)*	**856**	853	822	**–**	–	–
(ii) Corporate guarantees given by the Company to secure bank credit facilities granted to subsidiary companies (unsecured)	**–**	–	–	**221,739**	201,435	222,772

* In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group and the Company are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period.

31. CAPITAL COMMITMENTS

	THE GROUP		
	31 December 2018 US$'000	31 December 2017 US$'000	1 January 2017 US$'000
Capital expenditure not provided for in the financial statements:			
Commitments in respect of contracts placed for plant expansion	**37,422**	28,867	5,335

32. OPERATING LEASES ARRANGEMENT

The Group as lessee

	THE GROUP	
	2018	2017
	US$'000	US$'000
Minimum lease payments under operating leases recognised as an expense in the current year	**47**	52

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases, when fall due as follows:

	THE GROUP		
	31 December 2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
Within one year	**–**	47	67
In two to five years	**–**	–	20
Total	**–**	47	87

Operating lease payments represent rental payable by the Group for some of its office properties and leases are negotiated for an average of two years.

The Group as lessor

The Group rents outs its investment properties in the PRC and Hong Kong under operating leases. Property rental income earned during the year was US$8,144,000 (2017: US$6,841,000). Properties have committed tenants of one to over five years (2017: one to over five years).

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease receipts:

	THE GROUP		
	31 December 2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
Within one year	**4,708**	5,167	4,554
In the second to fifth years inclusive	**11,873**	15,131	8,107
Over fifth year	**2,076**	3,718	5,303
	18,657	24,016	17,964

33. INFORMATION BY SEGMENT ON GROUP'S OPERATIONS

The Group's operating activities are attributable to two reporting and operating segments on (i) fabrication and distribution of PCB; and (ii) property investment. These reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conform to SFRS(I)s, that are regularly reviewed by the Executive Directors of the Company.

There are two (2017: two) reportable and operating segments in current year as follows:

(a) fabrication and distribution of PCB segment, which engages in the fabrication and distribution of PCB; and

(b) property investment segment, which engages in properties rental.

Revenue from fabrication and distribution of PCB is recorded at a point in time while revenue from property investment is recorded over time.

Segment revenues and results

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

	Fabrication and distribution of PCB US$'000	**Property investment US$'000**	**Consolidated US$'000**
For the year ended 31 December 2018			
Segment revenue			
Revenue from external customers	**594,490**	**8,144**	**602,634**
SEGMENT RESULTS	**24,326**	**9,477**	**33,803**
Corporate and other unallocated expenses			**(1,133)**
Profit before taxation			**32,670**

	Fabrication and distribution of PCB US$'000	Property investment US$'000	Consolidated US$'000
For the year ended 31 December 2017			
Segment revenue			
Revenue from external customers	493,547	6,841	500,388
SEGMENT RESULTS	36,387	7,535	43,922
Corporate and other unallocated expenses			(1,179)
Profit before taxation			42,743

Note: The directors of the Company are not aware of any transactions between the operating segments during the year.

33. INFORMATION BY SEGMENT ON GROUP'S OPERATIONS (Continued)

Segment revenues and results (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment and without allocation of certain items of expenses. This is the measure reported to the Executive Directors of the Company for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

	Fabrication and distribution of PCB US$'000	**Property investment US$'000**	**Unallocated US$'000**	**Consolidated US$'000**
For the year ended 31 December 2018				
ASSETS				
Segment assets	**580,105**	**124,812**	**–**	**704,917**
Unallocated assets	**–**	**–**	**21,608**	**21,608**
Consolidated total assets				**726,525**
LIABILITIES				
Segment liabilities	**(258,488)**	**(55,256)**	**–**	**(313,744)**
Unallocated liabilities	**–**	**–**	**(2,834)**	**(2,834)**
Consolidated total liabilities				**(316,578)**

	Fabrication and distribution of PCB US$'000	Property investment US$'000	Unallocated US$'000	Consolidated US$'000
For the year ended 31 December 2017				
ASSETS				
Segment assets	535,513	105,379	–	640,892
Unallocated assets	–	–	25,985	25,985
Consolidated total assets				666,877
LIABILITIES				
Segment liabilities	(261,995)	(1,511)	–	(263,506)
Unallocated liabilities	–	–	(2,003)	(2,003)
Consolidated total liabilities				(265,509)

33. INFORMATION BY SEGMENT ON GROUP'S OPERATIONS (Continued)

Segment assets and liabilities (Continued)

	Fabrication and distribution of PCB US$'000	Property investment US$'000	Unallocated US$'000	Consolidated US$'000
For the year ended 1 January 2017				
ASSETS				
Segment assets	453,809	101,232	–	555,041
Unallocated assets	–	–	18,651	18,651
Consolidated total assets				573,692
LIABILITIES				
Segment liabilities	(192,386)	(1,593)	–	(193,979)
Unallocated liabilities	–	–	(3,040)	(3,040)
Consolidated total liabilities				(197,019)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than cash and bank balances; and
- all liabilities are allocated to operating segments other than provision for taxation and deferred tax liabilities.

Other segment information

For the year ended 31 December 2018

	Fabrication and distribution of PCB US$'000	**Property investment US$'000**	**Segment total US$'000**	**Unallocated US$'000**	**Total US$'000**
Amounts included in the measure of segment profit or segment assets and liabilities:					
Gain on fair value of investments properties	**–**	**(3,748)**	**(3,748)**	**–**	**(3,748)**
Depreciation and amortisation	**40,351**	**–**	**40,351**	**–**	**40,351**

33. INFORMATION BY SEGMENT ON GROUP'S OPERATIONS (Continued)

Other segment information (Continued)

For the year ended 31 December 2017

	Fabrication and distribution of PCB US$'000	Property investment US$'000	Segment total US$'000	Unallocated US$'000	Total US$'000
Amounts included in the measure of segment profit or segment assets and liabilities:					
Gain on fair value of investments properties	–	(1,767)	(1,767)	–	(1,767)
Depreciation and amortisation	35,703	–	35,703	–	35,703

Revenue by geographical area

The Group's revenue from external customers based on the shipment locations of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets		
	2018 US$'000	2017 US$'000	**31 December 2018 US$'000**	31 December 2017 US$'000	1 January 2017 US$'000
Asia					
The PRC (including Hong Kong)	**364,866**	299,575	**442,979**	396,787	361,026
South East Asia*	**64,595**	51,072	**17,520**	14,499	13,558
Others*	**31,824**	30,108	**–**	–	–
	461,285	380,755	**460,499**	411,286	374,584
Europe*	**101,839**	83,312	**–**	–	–
North and Central America*	**35,986**	32,320	**–**	–	–
Rest of the World*	**3,524**	4,001	**–**	–	–
	602,634	500,388	**460,499**	411,286	374,584

* The revenue from external customers of the countries within these regions are individually less than 10% of the total revenue of the Group.

33. INFORMATION BY SEGMENT ON GROUP'S OPERATIONS (Continued)

Revenue from major products and services

	2018 US$'000	2017 US$'000
PCB	**503,862**	433,991
Laminates and others	**90,628**	59,556
Rental income	**8,144**	6,841
	602,634	500,388

Information about major customers

Revenue from one major customer which accounts for 10% or more of the Group's revenue is as follows:

	2018 US$'000	2017 US$'000
Customer A	**103,240**	76,678

34. ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework - Singapore Financial Reporting Standards (International) ("**SFRS(I)**") for the first time for financial year ended 31 December 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1.

In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts are not presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017) as there were no changes compared to amounts previously reported.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 and SFRS(I) 15 which are effective at the same time.

35. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements following the Group and the Company's adoption of the SFRS(I)s that became effective during the year.

As a result, certain line items have been amended in the statement of financial position and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation

The items were reclassified as follows:

	31 December 2017		1 January 2017	
	Previously reported US$'000	After reclassification US$'000	Previously reported US$'000	After reclassification US$'000
Statement of financial position				
Other payables	36,739	35,332	30,257	29,506
Contract liability	—	1,407	—	751

36. STANDARDS ISSUED BUT NOT EFFECTIVE

Effective for annual periods beginning on or after 1 January 2019

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the Group and the Company in the periods of their initial application.

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

Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 "Consolidated Financial Statements" and SFRS(I) 1-28 "Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

SFRS(I) 16 "Leases"

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of US$47,000 as disclosed in Note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I) 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Management has performed an assessment of the possible impact of implementing SFRS(I) 16. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the entity's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the new SFRS(I) 16.

36. STANDARDS ISSUED BUT NOT EFFECTIVE (Continued)

Effective date is deferred indefinitely (Continued)

SFRS(I) INT 23 "Uncertainty over Income Tax Treatments"

The Interpretation provides guidance on determining the accounting tax position when there is uncertainty over income tax treatments.

The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a Group;
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings;
- if probable, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; and
- if not probable, the entity should reflect the effect of uncertainty in determining its accounting tax position.

Management anticipates that there is no significant impact on financial statements other than certain accounting policies and additional disclosures relating to income tax on the initial application of SFRS(I) INT 23. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the entity's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the new SFRS(I) INT 23.

Amendments to SFRS(I) 10 "Consolidated Financial Statements" and SFRS(I) 1 - 28 "Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The pronouncement addresses the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. In a transaction involving an associate or a joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

When an entity sells or contributes assets that constitute a business to a joint venture or associate, or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised in full.

When an entity sells or contributes assets that do not constitute a business to a joint venture or associate, or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised only to the extent of the unrelated investors' interests in the joint venture or associate, i.e. the entity's share of the gain or loss is eliminated.

Interested Persons Transactions

INTERESTED PERSONS TRANSACTIONS

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

Name of Interested Person US$'000	Aggregate value of all interested person transactions during the period under review (including transactions less than S$100,000 and excluding transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual) **CY2018**	CY2017	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (including transactions less than S$100,000) **CY2018**	CY2017
Purchases of plant and equipment				
Chung Shun Laminates (Macao Commercial Offshore) Limited	**—**	—	**9,867**	4,613
	—	—	**9,867**	4,613
Purchases of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	**—**	—	**109,555**	87,013
Delta Realty Limited	**106**	52	**—**	—
Elec & Eltek Corporate Services Limited	**—**	82	**—**	—
Heng Yang Kingboard Chemical Co., Ltd.	**—**	—	**2,385**	1,865
Hong Kong Fibre Glass Company Limited	**—**	—	**26,919**	17,784
Huizhou Chung Shun Chemical CompanyLimited	**—**	—	**1,971**	1,219
	106	134	**140,830**	107,881
Provision of goods and services				
Chung Shun Laminates (Macau Commercial Offshore) Limited	**—**	—	**5,008**	7,493
Express Electronics (Suzhou) Co., Ltd.	**—**	—	**8**	324
Techwise (Macao Commercial Offshore)Circuits Limited	**—**	—	**23,872**	17,241
	—	—	**28,888**	25,058

Statistics of Shareholdings

Number of shares in issue	:	186,919,962
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	35	1.42	1,297	0.00
100 - 1,000	256	10.36	172,419	0.10
1,001 - 10,000	1,594	64.53	6,451,148	3.45
10,001 - 1,000,000	574	23.24	25,115,916	13.44
1,000,001 AND ABOVE	11	0.45	155,179,182	83.01
TOTAL	**2,470**	**100.00**	**186,919,962**	**100.00**

As at 1 March 2019, 25.26% of the Company's total number of issued ordinary shares, was held in the hands of the public. Accordingly, the Company confirms that Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

SUBSTANTIAL SHAREHOLDERS (HOLDING 5% AND ABOVE)

(as shown in the Register of Substantial Shareholders)

Name of substantial shareholders	Direct Interest No. of shares	Deemed Interest No. of shares
Hallgain Management Limited ("**HML**") (1)	–	137,664,165
Kingboard Holdings Limited ("**Kingboard**") (2)	1,622,500	136,041,665
Jamplan (BVI) Limited ("**Jamplan**") (3)	–	136,041,665
Kingboard Investments Limited ("**KIL**") (4)	10,978,500	125,063,165
Ease Ever Investments Limited ("**Ease Ever**") (5)	–	90,741,550
Elec & Eltek International Holdings Limited ("**EEIH**")	90,741,550	–
Elitelink Holdings Limited ("**Elitelink**")	34,321,615	–

(1) HML's deemed interest arises from its 39.02% direct shareholding interest in Kingboard.
(2) Kingboard's deemed interest arises from its 100% direct shareholding interest in Jamplan.
(3) Jamplan's deemed interest arises from its 100% direct shareholding interest in KIL.
(4) KIL's deemed interest arises from its 100% direct shareholding interest in Elitelink and Ease Ever.
(5) Ease Ever's deemed interest arises from its 77.34% direct shareholding interest in EEIH.

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