



Elec & Eltek 依利安達
Elec & Eltek International Holdings Limited
(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTIONS

The Board wishes to announce that (1) the Group Subsidiaries entered into a number of Transactions with the Kingboard Companies in the manner described below and (2) the Kaiping Companies entered into the Sub-contracting Arrangements with Kingboard Jiangmen during the Relevant Period.

As Kingboard Chemical is a substantial shareholder of the Company and the Kingboard Subsidiaries and Kingboard Jiangmen are subsidiaries of Kingboard Chemical, the Kingboard Companies and Kingboard Jiangmen are connected persons of the Company as defined in the Listing Rules. Accordingly, each Transaction and the Sub-contracting Arrangements constituted connected transaction of the Company under the Listing Rules. The Company had inadvertently omitted to announce and disclose the details of the Transactions and the Sub-contracting Arrangements in accordance with Rule 14.25 (1) of the Listing Rules (1) when, and after, the aggregate amount of the Transactions and the Sub-contracting Arrangements exceeded HK\$1,000,000; and (2) when Elec & Eltek (Guangzhou) entered into one of the Transactions on 28 January 2003 with Kingboard Chemical with a consideration exceeding HK\$1,000,000.

Since the aggregate amount involved in the Transactions and the Sub-contracting Arrangements during the Relevant Period was above HK\$1,000,000 or 0.03% of the consolidated net tangible asset but less than 3% of the consolidated net tangible assets of the Company as at 31 December 2002, the Company is only required by the Listing Rules to disclose the details of the Transactions and the Sub-contracting Arrangements by way of an announcement and include the details thereof in the annual report of the Company for the year ended 30 June 2003.

After the Last Transaction Date and up to the date of this Announcement, no Transactions or Sub-contracting Arrangements had been conducted. The Group Subsidiaries had managed to find alternative suppliers from the PRC and Taiwan at comparable prices and therefore ceased conducting the Transactions with Kingboard Companies after the Last Transaction Date, but the Group Subsidiaries might consider conducting the Transactions in the future if the Kingboard Companies offer more favourable terms. On the other hand, the Sub-contracting Arrangements will not be conducted unless there is a sudden increase in demand for printed circuit boards which is beyond the manufacturing capacity of the Group. However, the Company will comply with the relevant requirements of the Listing Rules should the Transactions or the Sub-contracting Arrangements be conducted in the future.

As the Company had failed to announce and disclose the Transactions and the Sub-contracting Arrangements at the relevant time(s) as required under the Listing Rules, the Stock Exchange considers the Company had been in breach of the Listing Rules and reserves the right to take appropriate action against the Company and the Directors for such breach.

1. THE TRANSACTIONS AND THE SUB-CONTRACTING ARRANGEMENTS

During the Relevant Period, the following Group Subsidiaries entered into the Transactions on a regular basis with the following Kingboard Companies:-

- (a) Between Elec & Eltek (Thailand) Limited and Jamplan Marketing Limited;
- (b) Between an individual company in the Kaiping Companies on one hand and (i) Kingboard Laminates Limited and (ii) Hong Kong Copper Foil Limited on the other hand;
- (c) Between Elec & Eltek (Guangzhou) and Kingboard Chemical; and
- (d) Between Shenzhen Pacific Insulating Material Co., Ltd. and (i) Hong Kong Copper Foil Limited and (ii) Hong Kong Fiber Glass Company Limited.

Under the Transactions, the relevant company in the Group Subsidiaries purchased, and the relevant company in the Kingboard Companies supplied, raw materials for the manufacturing of printed circuit boards. The consideration paid by the relevant company in the Group Subsidiaries in each Transaction was dependent on the quantity of raw materials purchased, and in each case according to the provisions contained in the relevant Order. The total consideration paid by the Group Subsidiaries under the Transactions was HK\$14,702,743.

Furthermore, during March 2003, each of the Kaiping Companies entered into the Sub-contracting Arrangements individually with Kingboard Jiangmen. Under the Sub-contracting Arrangements, each of the Kaiping Companies sub-contracted to Kingboard Jiangmen the drilling process in the manufacturing of the printed circuit boards at a consideration which is dependent on the quantity of the printed circuit boards drilled under each individual transaction, but each such transaction was of a consideration of not more than HK\$1,000,000, and in each case according to the provisions contained in the relevant Order. The total consideration paid by the Kaiping Companies under the Sub-contracting Arrangements was HK\$1,603,207.

The Transactions and the Sub-contracting Arrangements had been carried out in the ordinary and usual course of business of the Group Subsidiaries, the Kingboard Companies and Kingboard Jiangmen. The consideration of each of the Transactions and the Sub-contracting Arrangements, which was determined by reference to the prevailing market price for the relevant types of transaction at the material time, was arrived at after arms-length negotiation between the relevant Group Subsidiary and the relevant Kingboard Company or Kingboard Jiangmen as and when they entered into a Transaction or a Sub-contracting Arrangement. The Directors (including the independent non-executive Directors) are of the view that the Transactions and the Sub-contracting Arrangements were entered into on normal commercial terms, the consideration paid by each of the Group Subsidiaries thereunder represented a fair and reasonable price and they are in the commercial interests of the Company and its shareholders as a whole.

After the Last Transaction Date and up to the date of this Announcement, no Transactions or Sub-contracting Arrangements had been conducted. The Group Subsidiaries had managed to find alternative suppliers from the PRC and Taiwan at comparable prices and therefore ceased conducting the Transactions with Kingboard Companies after the Last Transaction Date, but the Group Subsidiaries might consider conducting the Transactions in the future if the Kingboard Companies offer more favourable terms. On the other hand, the Sub-contracting Arrangements will not be conducted unless there is a sudden increase in demand for printed circuit boards which is beyond the manufacturing capacity of the Group. However, the Company will comply with the relevant requirements of the Listing Rules should the Transactions or the Sub-contracting Arrangements be conducted in the future.

2. INFORMATION ON THE GROUP, KINGBOARD CHEMICAL AND REASONS FOR AND BENEFITS OF THE TRANSACTIONS AND THE SUB-CONTRACTING ARRANGEMENTS

The principal activity of the Group includes, amongst others, the design, manufacture and distribution of double-sided, multi-layered and high-density printed circuit boards. As Kingboard Chemical (together with its subsidiaries) is one of the leading providers of raw materials for the manufacture of printed circuit boards, the Directors are of the view that the raw materials provided by the Kingboard Companies at a competitive price could reduce the cost of the printed circuit boards manufactured by the Group Subsidiaries. Furthermore, the Directors are of the view that by entering into the Sub-contracting Arrangements, the Kaiping Companies were allowed to gear up for the sudden surge in the demand for printed circuit boards during the material time.

3. GENERAL

As Kingboard Chemical is a substantial shareholder of the Company, holding approximately 24.63% of the issued capital of the Company as at the date of this announcement, and the Kingboard Subsidiaries and Kingboard Jiangmen are subsidiaries of Kingboard Chemical, the Kingboard Companies and Kingboard Jiangmen are connected persons of the Company, and the Transactions and the Sub-contracting Arrangements constituted connected transactions of the Company under the Listing Rules.

Apart from one of the Transactions entered on 28 January 2003 between Elec & Eltek (Guangzhou) and Kingboard Chemical with a consideration exceeded HK\$1,000,000, the transaction amount of each Transaction or Sub-contracting Arrangement during the Relevant Period was less than HK\$1,000,000. The aggregate amount involved in all the Transactions and the Sub-contracting Arrangements during the Relevant Period, although amounted to more than HK\$1,000,000, was less than 3% of the consolidated net tangible assets of the Company as at 31 December 2002. Accordingly, the Company is only required by the Listing Rules to disclose the details of the Transactions and the Sub-contracting Arrangements by way of an announcement and include the details thereof in the annual report of the Company for the year ended 30 June 2003.

Due to an inadvertent omission on the part of the Company, it only came to the knowledge of the Company recently that it omitted to announce and disclose the details of the Transactions and the Sub-contracting Arrangements in accordance with Rule 14.25(1) of the Listing Rules (1) when, and after, the aggregate amount of the Transactions and the Sub-contracting Arrangements exceeded HK\$1,000,000; and (2) when Elec & Eltek (Guangzhou) entered into one of the Transactions on 28 January 2003 with Kingboard Chemical with a consideration exceeding HK\$1,000,000 and thereby breached the Listing Rules. The Stock Exchange reserves the right to take appropriate action against the Company and the Directors for such breaches. The Company will include details of the Transactions and the Sub-contracting Arrangements in the annual report and accounts of the Company for the year ended 30 June 2003 in accordance with the Listing Rules.

With a view to remedy the deficiencies in the compliance procedures previously adopted by the Group, the following steps have been implemented by the Company:

1. The Company has modified the existing procedure in monitoring connected transactions by providing its subsidiaries with a list of the connected person(s) of the Company from time to time and requesting each of its subsidiaries to notify all proposed transactions to be entered into by the subsidiaries with the connected person(s) to the finance department of the Company immediately after the terms of such transactions have been approved in principle by the management of the relevant subsidiary(ies);
2. Furthermore, the Company will request each of its subsidiaries to submit on a monthly basis a report to the finance department of the Company setting out the particulars of all the transactions entered into by each of the subsidiaries in the preceding calendar month;
3. The finance department of the Company will ensure that the procedures above are complied with by the subsidiaries of the Company by reviewing the report (as referred to in (2) above) immediately upon its receipt of the same and will review the financial record of the subsidiaries of the Company every three (3) months; and
4. The Company will arrange further seminars to be given to the staff and personnel of its subsidiaries on or before the end of September 2003 about the relevant requirements of connected transactions under the Listing Rules.

4. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	The Board of Directors
“Company”	Elec & Eltek International Holdings Limited
“Director(s)”	Director(s) of the Company
“Elec & Eltek (Guangzhou)”	Elec & Eltek (Guangzhou) Electronic Company Limited, a cooperative joint venture established in the PRC with limited liability;
“Group”	The Company and its subsidiaries

Elec & Eltek International Holdings Limited

“Group Subsidiaries”	The following indirect and non-wholly owned subsidiaries of the Company which have entered into the Transactions with the Kingboard Companies: (i) The Kaiping Companies; (ii) Elec & Eltek (Thailand) Limited, a company incorporated in Thailand with limited liability; (iii) Elec & Eltek (Guangzhou); and (iv) Shenzhen Pacific Insulating Material Co., Ltd., an equity joint venture established in the PRC with limited liability
“Kaiping Companies”	(i) Kai Ping Elec & Eltek Company Limited, an equity joint venture established in the PRC with limited liability; (ii) Kaiping Elec & Eltek No.2 Company Limited, an equity joint venture established in the PRC with limited liability; and (iii) Kaiping Elec & Eltek No.3 Company Limited, an equity joint venture established in the PRC with limited liability
“Kingboard Chemical”	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange, and is a substantial shareholder of the Company holding as to approximately 24.63% of the interest thereof as at the date of this announcement and is a connected person of the Company
“Kingboard Companies”	Kingboard Chemical and the Kingboard Subsidiaries
“Kingboard Jiangmen”	Kingboard Laminates (Jiangmen) Co. Ltd., a foreign investment enterprise established in the PRC with limited liability and a subsidiary of Kingboard Chemical
“Kingboard Subsidiaries”	The subsidiaries of Kingboard Chemical which have entered into the Transactions with the Group Subsidiaries, namely: (i) Hong Kong Copper Foil Limited, a company incorporated in the British Virgin Islands with limited liability; (ii) Hong Kong Fiber Glass Company Limited, a company incorporated in the Hong Kong Special Administrative Region with limited liability; (iii) Kingboard Laminates Limited, a company incorporated in the Hong Kong Special Administrative Region with limited liability; and (iv) Jamplan Marketing Limited, a company incorporated in the Hong Kong Special Administrative Region with limited liability
“Last Transaction Date”	23 April 2003, after which date no Transaction was recorded
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Order”	The purchase order in respect of a Transaction or an order in respect of a Sub-contracting Arrangement issued by the relevant company of the Group Subsidiaries involved therein to the relevant company of the Kingboard Companies involved therein or Kingboard Jiangmen (as the case may be)
“PRC”	The People’s Republic of China
“Relevant Period”	The period commencing on 11 July 2002 and ending on the Last Transaction Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-contracting Arrangement(s)”	The sub-contracting arrangement(s) entered into between each of the Kaiping Companies and Kingboard Jiangmen, for the drilling process in the manufacturing of printed circuit boards
“Transaction(s)”	The transaction(s) entered into between an individual company of the Group Subsidiaries and an individual company of the Kingboard Companies for the sale and purchase of raw materials relating to the manufacturing of printed circuit boards

By Order of the Board
Canice Chung Tai Keung
Director

Hong Kong, 8 July 2003

Please also refer to the published version of this announcement in The Standard dated on 09-07-2003.