Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Elec & Eltek International Company Limited

Stock code: E16

Meeting details:
Date: 28 April 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Company Description

The Company was incorporated on 2 January 1993 under the name of Brandeur Hldgs Pte Ltd. On 4 February 1994, the Company changed its name to Elec & Eltek Intl Co Pte Ltd. It was converted to a public limited company and adopted its present name on 12 July 1994. The Group was formed with effect from 1 January 1994 as a result of a restructuring exercise. Elec & Eltek, with its regional investment office in Singapore, is principally engaged in the manufacture and distribution of high-density double-sided and multi-layer printed circuit boards ("PCBs"). The Group mass-produces high density interconnect ("HDI"), microvia, backplanes, high-end servers and up to 38-layer PCBs with production capacity of approximately 48 million square feet per annum. Our diverse customer base includes worldwide market leaders in different sectors, such as computer and computer peripherals, communication/networking, consumer electronics, and automotive. It provides "one-stop-shopping" for customers with wide array of PCBs requirements. On the upstream, through vertical integration, its prepreg and laminate material plants in mainland China and Thailand.
(Source: https://www.sgx.com/securities/equities/E16)

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Q1. In FY2019, the group achieved revenue of US$616.5 million, of which US$102.1 million was generated from "Laminates and others" (page 154 of the annual report). This accounted for 17% of the group's revenue for the financial year. In FY2015, "Laminates and others" generated just US$12.3 million in revenue.

The segment has grown by approximately 70% (compound annual growth rate) in the last 4 years.

(i) **How are the economic and risk profiles of the "Laminates and others" segment similar to or different from the group's core business of PCB?**

(ii) **Would the board/management consider showing PCB and "Laminates and others" as two separate operating segments?**

Q2. As disclosed in the Directors' statement (page 49), expenditure of approximately US$51.7 million was incurred in FY2019 primarily to expand production capacity. This is lower than the US$85.1 million spent in FY2018 but still substantially higher than the US$22.5 million spent in FY2017.

In particular, the carrying amount for the group's plant and equipment has increased from US$117 million as at 1 January 2017 to US$168 million as at 31 December 2019 (page 126).

(i) **What is the current production capacity of the group? Can management help shareholders understand if it has completed its major capacity expansion?**

(ii) **As the Guangzhou industrial building has been completed, what is the projected level of the group's capital expenditure going forward?**

Q3. On 6 August 2018, the Monetary Authority of Singapore issued the revised Code of Corporate Governance ("2018 CG Code") which supersedes and replaces the earlier code that was issued in May 2012.

The 2018 CG Code applies to annual reports covering financial years commencing from 1 January 2019.

In the company's "Report on Corporate Governance" (pages 14 to 39), it was disclosed that it had adopted the Singapore Code of Corporate Governance 2012. There are substantial differences between the 2018 CG Code and the earlier code. For instance, Provision 2.1 in the 2018 CG Code states that:

> *An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere,*

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with the exercise of the director's independent business judgement in the best interests of the company.

The company has used the earlier definition of an "independent" director in its report.

(i) **Would the directors, the company secretary and the Singapore legal advisors help shareholders understand if the 2018 CG Code applies to the company?**

(ii) **In particular, would Mr. Ong Shen Chieh, the Singapore-resident Director on the board, clarify if he is aware of the 2018 CG Code? What was his contribution to the company's "Report on Corporate Governance"?**

(iii) **Would the company be reviewing its corporate governance practices and re-issue a report based on the 2018 CG Code?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)