

CIRCULAR DATED 4 APRIL 2008

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Circular is issued by Elec & Eltek International Company Limited (the “Company”). If you are in any doubt as to the contents herein or as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the Company, you should at once hand this Circular together with the accompanying Notice of 1st Extraordinary General Meeting and Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale, for onward transmission to the purchaser or transferee.

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Elec & Eltek 依利安達

Elec & Eltek International Company Limited

(Incorporated in the Republic of Singapore)

Company Registration Number 199300005H

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (A) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**
- (B) THE PROPOSED RENEWAL OF THE MANDATE FOR INTERESTED PERSON TRANSACTIONS**

IMPORTANT DATES AND TIMES

- Last date and time for lodgement of Proxy Form : 19 April 2008 at 2:30 p.m.
- Date and time of 1st Extraordinary General Meeting : 21 April 2008 at 2:30 p.m. (or as soon as practicable immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 2:00 p.m. on the same day and at the same place)
- Place of 1st Extraordinary General Meeting : STI Auditorium
168 Robinson Road, Level 9,
Capital Tower, Singapore 068912

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout the Circular:-

“Act” or “Companies Act”	:	Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time
“AGM”	:	Annual General Meeting of the Company
“Articles”	:	The Articles of Association of the Company
“Audit Committee”	:	The audit committee of the Company
“Board”	:	The board of Directors of the Company
“Company”	:	Elec & Eltek International Company Limited
“Controlling Shareholder”	:	A person who:- (a) holds directly or indirectly 15% or more of the total number of issued shares excluding Treasury Shares in the Company (unless the SGX-ST determines that such a person is not a Controlling Shareholder of the Company); or (b) in fact exercises control over the Company
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“EEIC Group”	:	The Company and its Subsidiaries and Associated Companies
“EEIH”	:	Elec & Eltek International Holdings Limited
“1 st EGM”	:	The 1 st Extraordinary General Meeting of the Company, notice of which is set out on pages 27 to 29 of this Circular
“EPS”	:	Earnings per Share
“FY2007”	:	Financial year ended 31 December 2007
“HKEX”	:	The Stock Exchange of Hong Kong Limited
“Independent Directors”	:	Messrs Li Muk Kam, Philip Chan Sai Kit, Clement Sun, Claudia Heng Nguan Leng, Li Chiu Cheuk, Philip Wong Yu Hong, Larry Lai Chong Tuck and Raymond Leung Hai Ming who are Directors considered to be independent in relation to the IPT Mandate
“Interested Persons”	:	Persons who are considered “interested persons” within the meaning of Chapter 9 of the Listing Manual, as defined in Section 3.2.2 of this Circular
“Interested Person Transaction”	:	A transaction entered into between an entity at risk and an Interested Person within the meaning of Chapter 9 of the Listing Manual as defined in Section 3.2.2 of this Circular

DEFINITIONS

“IPT Mandate”	:	General mandate from the Shareholders to authorise EEIC Group to enter into transactions with the classes of Interested Persons set out in Section 3.6 of this Circular, upon and subject to the terms of such mandate
“Kingboard”	:	Kingboard Chemical Holdings Limited
“Kingboard Group”	:	Kingboard and its Subsidiaries and Associated Companies
“Latest Practicable Date”	:	26 March 2008, being the latest practicable date prior to the printing of this Circular for the purpose of obtaining relevant information for inclusion herein
“Listing Manual”	:	The Listing Manual of the SGX-ST, as may be amended or modified from time to time
“Market Day”	:	A day on which the SGX-ST is open for securities trading
“Notice of 1st EGM”	:	The notice of 1 st EGM as set out on pages 27 to 29 of this Circular
“NTA”	:	Net tangible assets
“Off-Market Share Purchase”	:	A Share Purchase by the Company effected otherwise than on the SGX-ST pursuant to an equal access scheme in accordance with Section 76C of the Act, for the purchase of Shares from the Shareholders
“On-Market Share Purchase”	:	A Share Purchase by the Company effected on the SGX-ST through one or more duly licensed stock brokers appointed by the Company for the purpose
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register
“Share Options”	:	Outstanding employee share options granted pursuant to the 2002 Elec & Eltek Employees’ Share Option Scheme
“Share Purchase”	:	Purchase of Shares by the Company pursuant to the Share Purchase Mandate
“Share Purchase Mandate”	:	General mandate from the Shareholders to authorise the Directors to exercise all the powers of the Company to purchase Shares in accordance with the terms set out in the resolution authorising the same
“Shares”	:	Ordinary shares in the capital of the Company
“SIC”	:	Securities Industry Council
“Substantial Shareholder”	:	A person (including a corporation) who has an interest in not less than 5% of the total votes attached to all the voting Shares of the Company

DEFINITIONS

“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as may be amended or modified from time to time
“S\$” or “cents”	:	Singapore dollars and cents respectively
“US\$” or “US cents”	:	United States dollars and cents respectively
“%”	:	Per centum or percentage

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Act.

The term “**Treasury Shares**” shall have the meaning ascribed to it in Section 4 of the Act.

The term “**Subsidiary**” shall have the meaning ascribed to it in Section 5 of the Act. The terms “**Associate**” and “**Associated Company**” shall have the meanings ascribed to them, respectively, in the Section headed “Definitions and Interpretation” of the Listing Manual.

Words importing the singular shall where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Act or the Listing Manual or any such statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

LETTER TO SHAREHOLDERS



Elec & Eltek 依利安達

Elec & Eltek International Company Limited

(Incorporated in the Republic of Singapore)

Company Registration Number 199300005H

Directors:-

Executive Directors:

Chadwick Mok Cham Hung (Vice-Chairman)
Li Muk Kam
Philip Chan Sai Kit
Clement Sun
Claudia Heng Nguan Leng
Li Chiu Cheuk
Chan Wai Leung

Registered Office:

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

Non-Executive Directors:

Cheung Kwok Wing (Chairman)
Chan Wing Kwan
Chang Wing Yiu
Philip Wong Yu Hong
Larry Lai Chong Tuck
Raymond Leung Hai Ming

Principal Office:

8 Shenton Way
#37-03
Singapore 068811

**To: The Shareholders of
Elec & Eltek International Company Limited**

4 April 2008

Dear Sir/Madam

(A) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

(B) THE PROPOSED RENEWAL OF THE MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. INTRODUCTION

1.1 1st EGM

The Directors are convening the 1st EGM to be held at the STI Auditorium, 168 Robinson Road, Level 9, Capital Tower, Singapore 068912 on 21 April 2008 at 2:30 p.m. (or as soon as practicable immediately following the conclusion or adjournment of the AGM to be held at 2:00 p.m. on the same day and at the same place) for the purpose of seeking the Shareholders' approval for the following proposals:-

- (a) the proposed renewal of the Share Purchase Mandate; and
- (b) the proposed renewal of the mandate for Interested Person Transactions.

1.2 Circular

The purpose of this Circular is to provide the Shareholders with information relating to, and to seek the approval of Shareholders for the proposals to be tabled at the 1st EGM.

1.3 Notice of 1st EGM

The Notice of 1st EGM is set out on pages 27 to 29 of this Circular.

LETTER TO SHAREHOLDERS

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 Introduction

- 2.1.1 The Act allows companies to purchase their own shares, stocks and preference shares in the manner stated in the Act if their articles of association allow them to do so. Article 51(a) of the Articles expressly permits the Company to purchase or otherwise acquire, *inter alia*, its issued Shares.
- 2.1.2 At an extraordinary general meeting of the Company held on 12 April 2007, the Shareholders had approved the renewal of a mandate (the “**2007 Share Purchase Mandate**”) to enable the Company to purchase or otherwise acquire its issued Shares as permitted under and in accordance with the provisions of the Act. The rationale for, the authority and limitations on, and the financial effects of the 2007 Share Purchase Mandate were set out in the Company’s circular dated 27 March 2007.
- 2.1.3 The 2007 Share Purchase Mandate was expressed, *inter alia*, to remain in force until (i) the date on which the next AGM is held or required by law or the Articles to be held; or (ii) the date on which the Share Purchases are carried out to the full extent mandated; whichever is earlier unless varied or revoked by the Shareholders in general meeting.
- 2.1.4 The 2007 Share Purchase Mandate would be expiring on 21 April 2008, being the date of the forthcoming AGM. The Directors propose that approval for the renewal of the Share Purchase Mandate be sought at the forthcoming 1st EGM.

2.2 Rationale for the Share Purchase Mandate

- 2.2.1 The rationale for the Company to undertake the Share Purchases is to enable the Directors to return the EEIC Group’s surplus funds over and above its ordinary capital requirements, which are in excess of the foreseeable financial and investment needs of the EEIC Group, to Shareholders expediently and cost-efficiently.
- 2.2.2 The proposed renewal of the Share Purchase Mandate will continue to give the Directors the flexibility to purchase or acquire the Shares if and when circumstances permit. The Share Purchase Mandate will also allow the Company greater flexibility over its share capital structure and dividend policy and may lead to an enhancement of EPS and/or NTA per Share of the Company and the EEIC Group, depending on market conditions and funding arrangements at the time. As the Share Purchases will give the Directors the opportunity to purchase Shares when the Shares are under-valued, the Directors are of the opinion that the Share Purchases would help to buffer short-term share price volatility and offset the effects of share price speculation.
- 2.2.3 If and when circumstances permit, the Directors will decide whether to effect the Share Purchases via On-Market Share Purchases or Off-Market Share Purchases, after taking into account the amount of surplus cash available, the then prevailing market conditions and the most cost effective and efficient approach.
- 2.2.4 Although the Share Purchase Mandate authorises the Share Purchase up to a maximum of 10% of the total number of issued Shares of the Company during the duration referred to in Section 2.3.2 of this Circular, the Share Purchases would be made only as and when the Directors consider it to be in the best interests of the Company and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the EEIC Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a Share Purchase, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

LETTER TO SHAREHOLDERS

2.3 Authority and Limits on the Share Purchase Mandate

The authority and limitations placed on the Share Purchases by the Company under the proposed renewal of the Share Purchase Mandate are set out below:-

2.3.1 Maximum Number of Shares

The total number of Shares, which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate, is limited to that number of Shares representing not more than 10% of the total number of issued Shares as at the date of the forthcoming 1st EGM at which the renewal of the Share Purchase Mandate is being sought (the “**Approval Date**”). Following the introduction of the Companies (Amendment) Act 2005, any Shares which are held as Treasury Shares will be disregarded for the purpose of computing the 10% limit. For illustrative purposes only, on the basis of 178,887,062 issued Shares as at the Latest Practicable Date, and assuming that no further Shares are issued prior to the 1st EGM, not more than 17,888,706 Shares (representing 10% of the total number of issued Shares as at that date) may be purchased by the Company pursuant to the proposed renewal of Share Purchase Mandate during the duration referred to in Section 2.3.2 of this Circular.

2.3.2 Duration of Authority

- (a) Share Purchases may be made, at any time and from time to time, on and from the Approval Date up to:-
- (i) the date on which the next AGM is held or required by law or the Articles to be held; or
 - (ii) the date on which the Share Purchases are carried out to the full extent mandated; or
 - (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,
- whichever is the earlier.
- (b) The authority conferred on the Directors by the Share Purchase Mandate to purchase Shares may be renewed. When seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to Share Purchases made during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such Share Purchases, where relevant, and the total consideration paid for such Share Purchases.

2.3.3 Manner of Share Purchases

- (a) Share Purchases may be made by way of:-
- (i) an On-Market Share Purchase; and/or
 - (ii) an Off-Market Share Purchase.
- (b) The Directors may impose such terms and conditions, which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. However, an Off-Market Share Purchase effected in accordance with an equal access scheme must satisfy all the following conditions:-
- (i) offers for the Share Purchase shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

LETTER TO SHAREHOLDERS

- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded:-
 - (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and
 - (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.
- (c) In addition, the Listing Manual provides that, in making an Off-Market Share Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:-
 - (i) the terms and conditions of the offer;
 - (ii) the period and procedures for acceptance;
 - (iii) the reasons for the proposed Share Purchase;
 - (iv) the consequences, if any, of Share Purchases by the Company that will arise under the Take-over Code or other applicable take-over rules;
 - (v) whether the Share Purchase, if made, would have any effect on the listing of the Shares on the SGX-ST; and
 - (vi) details of any Share Purchases made by the Company in the previous 12 months (whether On-Market Share Purchases or Off-Market Share Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for Share Purchases, where relevant, and the total consideration paid for the Share Purchases.
- (d) In relation to an On-Market Share Purchase, the Company may apply to the SGX-ST for a special trading counter for the purposes of effecting the On-Market Share Purchase besides the normal ready market counter. Subject to the Shareholders' approval being obtained at the 1st EGM for the renewal of the Share Purchase Mandate, the Company will consider whether to apply to the SGX-ST for a special trading counter for the purpose of conducting On-Market Share Purchases of its Shares.

2.3.4 Maximum Purchase Price

- (a) The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors.
- (b) However, the purchase price to be paid for the Shares pursuant to the Share Purchases must not exceed:-
 - (i) in the case of an On-Market Share Purchase, 105% of the Average Closing Market Price (as defined below) of the Shares; and
 - (ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Market Price of the Shares,

LETTER TO SHAREHOLDERS

(the “**Maximum Price**”) in either case, excluding related expenses of the Share Purchase.

- (c) For the above purposes, “**Average Closing Market Price**” means the average of the closing market prices of a Share over the last 5 Market Days, on which transactions in the Shares were recorded, immediately preceding the date of making the On-Market Share Purchase or as the case may be, before the date of making an announcement by the Company of an offer pursuant to the Off-Market Share Purchase and deemed to be adjusted for any corporate action that occurs after the relevant 5 Market Days.

2.4 Status of Purchased Shares

2.4.1 Under Section 76B of the Act, any Share which is purchased shall, unless held as a Treasury Share, be deemed cancelled immediately on purchase, and all rights and privileges attached to that Share will expire on cancellation. All Shares purchased by the Company, unless held as Treasury Shares, will be automatically delisted by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase.

2.4.2 Some of the provisions on Treasury Shares under the Act, as amended by the Companies (Amendment) Act 2005, are summarised below:-

(a) Maximum Holdings

The number of Shares held as Treasury Shares shall not at any time exceed 10% of the total number of issued Shares of the Company and the Company shall be entered in the Register of Members as the member holding those Shares.

(b) Voting and Other Rights

The Company cannot exercise any right in respect of Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote in respect of Treasury Shares and the Treasury Shares shall be treated as having no voting rights.

In addition, save as provided under the Companies (Amendment) Act 2005, no dividend may be paid, and no other distribution of the Company’s assets may be made, to the Company in respect of the Treasury Shares. However, the allotment of shares as fully paid bonus shares in respect of Treasury Shares is allowed. Also, a sub-division or consolidation of any Treasury Share into Treasury Shares of a smaller amount is allowed so long as the total value of the Treasury Shares after the sub-division or consolidation is the same as before the sub-division or consolidation, as the case may be.

(c) Disposal and Cancellation

Where Shares purchased or acquired by the Company are held as Treasury Shares, the Company may at any time:-

- (i) sell the Treasury Shares (or any of them) for cash;
- (ii) transfer the Treasury Shares (or any of them) for the purposes of or pursuant to an employees’ share scheme;
- (iii) transfer the Treasury Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the Treasury Shares (or any of them); or

LETTER TO SHAREHOLDERS

- (v) sell, transfer or otherwise use the Treasury Shares for such other purpose as may be prescribed by the Minister of Finance.

2.4.3 The Shares purchased by the Company under the proposed renewal of Share Purchase Mandate will either be cancelled or kept as Treasury Shares at the discretion of the Board.

2.5 Reporting Requirements

2.5.1 Within 30 days of the passing of a Shareholders' resolution to approve the renewal of the Share Purchase Mandate, the Company shall lodge a copy of such resolution with the Registrar of Companies (the "**Registrar**") in Singapore.

2.5.2 The Company shall lodge with the Registrar a notice of Share Purchase within 30 days of a Share Purchase. Such notification shall include the date of the purchases, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Treasury Shares held, the Company's issued share capital before and after the purchases, the amount of consideration paid by the Company for the purchases, whether the shares were purchased or acquired out of the profits or the capital of the Company and such other particulars as may be required in the prescribed form.

2.6 Source Of Funds

2.6.1 The Company may only apply funds for the Share Purchase in accordance with the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash or, in the case of an On-Market Share Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

2.6.2 The Act stipulates that any purchases of Shares may be made out of the Company's capital or profits so long as the Company is solvent.

2.6.3 The Company intends to use internal sources of funds or external borrowings, or a combination of internal resources and external borrowings, to finance its Share Purchases.

2.7 Financial Effects

2.7.1 If Shares purchased by the Company are cancelled pursuant to Section 76B(5) of the Act, the purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount of its share capital where the Shares were purchased out of the capital of the Company or reduce the amount of its distributable reserves where the Shares were purchased out of the profits of the Company or reduce the amount of its share capital and distributable reserves proportionately where the Shares were purchased out of both the capital and the profits of the Company.

2.7.2 The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the EEIC Group arising from Share Purchases which may be made pursuant to the proposed renewal of Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and the sources of fund applied by the Company.

2.7.3 Based on the existing issued and paid-up capital of the Company as at the Latest Practicable Date and assuming that none of the outstanding Share Options are exercised before the 1st EGM, in the case of On-Market Share Purchases by the Company and assuming that, pursuant to the Share Purchase Mandate, the Company purchases the maximum number of 17,888,706 Shares at the Maximum Price of US\$1.83 per Share (being the price equivalent to 5% above the average of the closing market prices of the Shares for the 5 consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of 17,888,706 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately US\$32,736,332.

LETTER TO SHAREHOLDERS

2.7.4 Based on the existing issued and paid-up capital of the Company as at the Latest Practicable Date and assuming that none of the outstanding Share Options are exercised before the 1st EGM, in the case of Off-Market Share Purchases by the Company and assuming that, pursuant to the Share Purchase Mandate, the Company purchases the maximum number of 17,888,706 Shares at the Maximum Price of US\$2.09 per Share (being the price equivalent to 20% above the average of the closing market prices of the Shares for the 5 consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of 17,888,706 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately US\$37,387,396.

2.7.5 On the basis of the assumptions set out above and assuming that (i) such Share Purchase is financed by external borrowings; (ii) the Share Purchase Mandate had been effective on 1 January 2007; and (iii) the Company had purchased 17,888,706 Shares (representing 10% of its total number of issued ordinary shares at the Latest Practicable Date), the financial impact of the Share Purchase of 17,888,706 Shares made by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the EEIC Group and the Company for FY2007 is set out below:-

(a) On-Market Share Purchase

As at 31 December 2007	← EEIC Group →		← Company →	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
*Profit after tax and minority interests	34,797	33,088	14,423	12,714
*Shareholders' Funds	341,815	307,370	139,949	105,504
*NTA	341,815	307,370	139,949	105,504
Current Assets	277,120	277,120	117,491	117,491
*Current Liabilities	252,827	287,272	2,124	36,569
*Working Capital	24,293	(10,152)	115,367	80,922
*Total Liabilities	305,005	339,450	2,124	36,569
Number of Shares (excluding Treasury Shares) ('000)	179,148	161,259	179,148	161,259
<u>Financial Ratios</u>				
*EPS (US cents)	19.39	20.47	n/m	n/m
*NTA per Share (US\$)	1.91	1.91	0.78	0.65
*Gearing	0.89	1.10	0.02	0.35
*Current Ratio	1.06	0.93	55.32	3.21

Notes:-

"**" means the computations have taken into account the impact of additional external borrowings of US\$32.736 million and attributable interest expense of US\$1.709 million to be incurred.

"n/m" means the percentage is not meaningful.

LETTER TO SHAREHOLDERS

(b) Off-Market Share Purchase

As at 31 December 2007	← EEIC Group →		← Company →	
	Before Share Purchases US\$'000	After Share Purchases US\$'000	Before Share Purchases US\$'000	After Share Purchases US\$'000
*Profit after tax and minority interests	34,797	32,845	14,423	12,471
*Shareholders' Funds	341,815	302,476	139,949	100,610
*NTA	341,815	302,476	139,949	100,610
Current Assets	277,120	277,120	117,491	117,491
*Current Liabilities	252,827	292,166	2,124	41,463
*Working Capital	24,293	(15,046)	115,367	76,028
*Total Liabilities	305,005	344,344	2,124	41,463
Number of Shares (excluding Treasury Shares) ('000)	179,148	161,259	179,148	161,259
<u>Financial Ratios</u>				
*EPS (US cents)	19.39	20.32	n/m	n/m
*NTA per Share (US\$)	1.91	1.88	0.78	0.62
*Gearing	0.89	1.14	0.02	0.41
*Current Ratio	1.06	0.91	55.32	2.83

Notes:-

"*" means the computations have taken into account the impact of additional external borrowings of US\$37.387 million and attributable interest expense of US\$1.952 million to be incurred.

"n/m" means the percentage is not meaningful.

2.7.6 As illustrated above, a purchase of a maximum of 17,888,706 Shares will result in an increase in the EPS of the EEIC Group. However, there will be a reduction of the NTA of the Company and the EEIC Group resulting in a decline in NTA per Share in both On-Market Share Purchases and Off-Market Share Purchases.

2.7.7 The Directors do not propose to exercise the Share Purchase Mandate to the extent that the liquidity and capital adequacy position of the EEIC Group would be materially and adversely affected. Where the Share Purchase is financed wholly or partly out of external borrowings, the net gearing of the EEIC Group will increase. Nonetheless, based on the audited financial statements for FY2007, the EEIC Group has an operating cash flow of approximately US\$26,478,000. Internally generated funds may also be used to finance the Share Purchase. The Directors will be prudent in exercising the Share Purchase Mandate only to such extent which the Directors believe will enhance shareholders' value giving consideration to the prevailing market conditions, the financial position of the EEIC Group and other relevant factors.

LETTER TO SHAREHOLDERS

2.7.8 Shareholders should be aware that the financial effects set out above are based on the assumptions set out above and are purely for illustrative purposes. The above analysis is based on historical figures for FY2007 and is not necessarily representative of the Company's or the EEIC Group's future financial performance. Although the proposed Share Purchase Mandate would authorise the Company to buy back up to 10% of the total number of issued Shares as at the date the Share Purchase Mandate is obtained, the Company may not necessarily buy back or be able to buy back 10% of the total number of issued Shares in full.

2.8 Tax Implications Arising From Share Purchases

Shareholders who are in doubt as to their respective tax positions or tax implications of Share Purchases by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

2.9 Listing Manual

2.9.1 The Listing Manual specifies that a listed company shall notify the SGX-ST of any On-Market Share Purchases not later than 9.00 a.m. on the Market Day following the day on which the On-Market Share Purchase was made, and of any Off-Market Share Purchases not later than 9.00 a.m. on the second Market Day after the close of acceptance of the offer for the Off-Market Share Purchase. The notification of such Share Purchases to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

2.9.2 The Company will not buy any Shares during the period commencing 2 weeks before the announcement of the Company's results for each of the first, second and third quarters of its financial year, or 1 month before the announcement of the Company's annual results, as the case may be, and ending on the date of announcement of the relevant results. Further, the Company will not undertake Share Purchases after a price sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as the price sensitive information has been publicly announced.

2.9.3 The Listing Manual requires a listed company to ensure that the percentage of equity securities of any class that is listed and held in public hands does not fall below 10%. The "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries, as well as the associates of such persons. Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, there are 33,633,940 Shares in the hands of public Shareholders, representing approximately 18.80% of the total number of issued Shares excluding Treasury Shares. Assuming the Company exercises the Share Purchase Mandate in full and purchases 10% of the total number of issued Shares excluding Treasury Shares from the public, the number of Shares in the hands of the public would be reduced to approximately 15,745,234 Shares, representing approximately 9.78% of the total number of issued Shares excluding Treasury Shares. On the basis of 178,887,062 issued Shares excluding Treasury Shares as at the Latest Practicable Date, the Company will not purchase more than 16,994,271 Shares (representing 9.5% of the total number of issued Shares as at that date) in order to maintain a sufficient public float. Assuming that the Company purchases 16,994,271 Shares, the number of Shares in the hands of the public would be reduced to 16,639,669 representing approximately 10.28%^{Note 1} of the total number of issued Shares excluding Treasury Shares.

Note 1: As a percentage of the total number of issued Shares, comprising 161,892,791 Shares (assuming that the Company purchases 16,994,271 Shares under the Share Purchase Mandate and excluding Treasury Shares which have no voting rights).

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2.9.4 In undertaking any Share Purchases, the Directors will use their best efforts to ensure that, notwithstanding such Share Purchases, a sufficient float in the hands of the public will be maintained so that the Share Purchases will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.10 Take-Over Code implications arising from Share Purchases

2.10.1 The resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following any Share Purchases, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code (“**Rule 14**”). Consequently, depending on the number of Shares purchased by the Company and the Company’s total number of Shares at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make an offer under Rule 14.

2.10.2 Under the Take-over Code, “*persons acting in concert or concert parties*” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely, (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts), and (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with one another, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforesaid for the purchase of voting rights. For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

2.10.3 The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code.

2.10.4 In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or, in the event that such Directors and their concert parties hold between 30% and 50% of the Company’s voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of 6 months.

2.10.5 Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company’s voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of 6 months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

2.10.6 Shareholders will be subject to the provisions of Rule 14 if they acquire any Shares after the Company’s Share Purchase. For the purpose of the Take-over Code, an increase in the percentage of voting rights as a result of the Share Purchases will be taken into account in determining whether a Shareholder and persons acting in concert with him have increased their voting rights by more than 1% in any period of 6 months.

2.10.7 The interests of the Directors and Substantial Shareholders of the Company in the Shares are disclosed in Section 4 below.

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2.10.8 As at the Latest Practicable Date, assuming (a) the Company purchases the maximum amount of 10% of the total number of issued Shares of the Company, and (b) there is no change in the number of Shares held or deemed to be held by the Directors and Substantial Shareholders prior to and after the exercise of the Share Purchase Mandate, none of the Directors and Substantial Shareholders will become obligated to make a mandatory take-over offer under Rule 14 in the event that the Company purchases the maximum number of 17,888,706 Shares under the Share Purchase Mandate.

Shareholders are advised to consult their professional advisers and/or the SIC and/or other relevant authorities at the earliest opportunity as to whether an obligation on their part, if any, to make a mandatory take-over offer under the Take-over Code would arise by reason of any Share Purchases by the Company.

2.11 Shares purchased during the previous 12 months

The Company has purchased a total number of 748,000 Shares in the last 12 months immediately preceding the Latest Practicable Date, by way of On-Market Share Purchases. The highest and lowest prices paid per Share for such Share Purchases were US\$1.96 and US\$1.71 respectively. The total consideration paid (including stamp duties, clearing charges etc) for such Share Purchases was US\$1,355,030.

After the above purchases, the Company now holds 748,000 Treasury Shares.

3. THE PROPOSED RENEWAL OF THE MANDATE FOR INTERESTED PERSON TRANSACTIONS

3.1 Introduction

3.1.1 The Company had, at the extraordinary general meeting held on 12 April 2007, sought and obtained the approval of the Shareholders to renew a general mandate (the “**2007 IPT Mandate**”) to authorise the EEIC Group to enter into certain transactions with the Kingboard Group.

3.1.2 Kingboard is the ultimate holding company of the Company. Accordingly, transactions entered into between the EEIC Group and the Kingboard Group are considered to be Interested Person Transactions within the meaning of Chapter 9 of the Listing Manual. The rationale and benefits for, the scope, the review procedures and the classes of Interested Persons in respect of the 2007 IPT Mandate were set out in the Company’s circular dated 27 March 2007.

3.1.3 The 2007 IPT Mandate is subject to annual renewal. Accordingly, its validity period will expire on 21 April 2008, being the date of the forthcoming AGM.

3.1.4 The Board is convening the 1st EGM to seek Shareholders’ approval for the renewal of the IPT Mandate.

3.2 Chapter 9 of the Listing Manual

3.2.1 Chapter 9 of the Listing Manual (“**Chapter 9**”) governs transactions between a listed company or any of its subsidiaries or associated companies (which is known as an “**entity at risk**” each) and interested persons. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies, to enter into transactions with interested persons that may adversely affect the interests of the listed company or its shareholders.

3.2.2 For the purposes of Chapter 9, the following definitions apply:

- (a) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9.

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- (b) an “**associate**”:-
- (i) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:-
 - (1) his immediate family (i.e., spouse, child, adopted child, step-child, sibling and parent);
 - (2) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (3) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and
 - (ii) in relation to a substantial shareholder or controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.
- (c) an “**entity at risk**” means:-
- (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group or the listed group and its interested person(s) has control over the associated company.
- (d) an “**interested person**” means:-
- (i) a director, chief executive officer or controlling shareholder of a listed company; or
 - (ii) an associate of such director, chief executive officer or controlling shareholder.
- (e) an “**Interested Person Transaction**” means a transaction between an entity at risk and an Interested Person which includes the following:-
- (i) the provision or receipt of financial assistance;
 - (ii) the acquisition, disposal or leasing of assets;
 - (iii) the provision or receipt of services;
 - (iv) the issuance or subscription of securities;
 - (v) the granting of or being granted options; and
 - (vi) the establishment of joint ventures or joint investments;
- whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

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3.3 Requirements under Chapter 9

3.3.1 Under Chapter 9, where an entity at risk proposes to enter into a transaction with an interested person, either an immediate announcement and/or shareholders' approval would be required in respect of the transaction if the value of the transaction is equal to or exceeds certain financial thresholds.

3.3.2 The financial thresholds are:-

Threshold 1: 3% of the latest audited consolidated NTA of the listed company and its subsidiaries (the "Group");

Threshold 2: 5% of the latest audited consolidated NTA of the Group.

3.3.3 An immediate announcement is required where:-

- (a) the value of a transaction is equal to or exceeds Threshold 1; or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year equals to or exceeds Threshold 1. In this instance, the listed company must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.

3.3.4 Shareholders' approval (in addition to an immediate announcement) is required where:-

- (a) the value of a proposed transaction is equal to or exceeds Threshold 2; or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year equals to or exceeds Threshold 2. However, any transaction that has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders need not be included in any subsequent aggregation.

3.3.5 The requirements as set out in Sections 3.3.3 and 3.3.4 do not apply to any transaction below S\$100,000.

3.3.6 For illustration purposes, based on the EEIC Group's latest audited financial statements for FY2007, the EEIC Group's latest audited consolidated NTA as at 31 December 2007 was US\$341,815,000. Accordingly, in relation to the EEIC Group, for the purposes of Chapter 9 in the current financial year, Shareholders' approval would be required where:-

- (a) the value of the transaction equals to or exceeds US\$17,090,750 being 5% of the EEIC Group's latest audited consolidated NTA; or
- (b) the value of the transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, equals to or exceeds US\$17,090,750. Any transaction that has been approved by Shareholders, or is the subject of aggregation with another transaction that has been approved by Shareholders need not be included in any subsequent aggregation.

3.3.7 Part VIII of Chapter 9 allows a listed company to seek a general mandate from its shareholders for recurrent Interested Person Transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate granted by Shareholders is subject to annual renewal.

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3.4 Overview of the EEIC Group and the Kingboard Group

3.4.1 Overview of the EEIC Group

The Company was incorporated in Singapore on 2 January 1993 and was listed on SGX-ST on 5 September 1994. The EEIC Group is principally engaged in the fabrication and distribution of double-sided, multi-layer and high density interconnect printed circuit boards (“PCBs”), and supplies a variety of PCB products to a diverse customer base.

3.4.2 Overview of the Kingboard Group

Kingboard was incorporated in the Cayman Islands on 12 January 1993 and was listed on the HKEX on 8 October 1993. The Kingboard Group is principally engaged in the manufacture of laminates, copper foil, glass fabric, glass yarn, bleached kraft paper, PCBs, chemicals, liquid crystal displays and magnetic products. Laminates, copper foil, glass fabric, glass yarn and bleached kraft paper are key raw materials used in the manufacturing of PCBs, which is the principal activity of the EEIC Group.

3.5 Rationale and Benefits of IPT Mandate

3.5.1 Following the acquisition of effective control by the Kingboard Group of the EEIC Group on 25 November 2004, the EEIC Group would in the ordinary course of business enter into the Interested Persons Transactions set out in Section 3.7 below and with some degree of frequency.

3.5.2 The IPT Mandate will give the Company the flexibility to conduct the recurrent Interested Persons Transactions between the classes of Interested Persons as set out in Section 3.6 below and the EEIC Group in the ordinary course of business. It will enhance EEIC Group’s ability to pursue business opportunities which are time-sensitive in nature.

3.5.3 The IPT Mandate will enhance the EEIC Group’s ability to utilise the resources owned by the classes of Interested Persons set out in Section 3.6 below, thereby enabling the EEIC Group to improve its response time and services to its customers. Further, as the businesses of the EEIC Group and the Interested Persons are complementary with each other, the Interested Persons have a better understanding (as compared with unrelated third parties) of the nature of the EEIC Group’s business and vice versa, and the EEIC Group and the Interested Persons are therefore able to achieve greater synergy when they provide goods and services to each other.

3.5.4 The obtaining of the IPT Mandate and the renewal of the same on an annual basis would eliminate the need for the Company to announce and convene separate general meetings on each occasion to seek Shareholders’ prior approval for each separate recurrent Interested Persons Transactions with the classes of Interested Persons set out in Section 3.6 below. Administrative expenses, time and inconvenience associated with the convening of such meetings will be reduced substantially, without compromising the corporate objectives of the Company and/or adversely affecting the business opportunities available to the EEIC Group. Accordingly, administrative efficiency would be considerably improved, allowing more resources and time to be focused on attaining corporate objectives and business opportunities.

3.5.5 In view of Sections 3.5.2 to 3.5.4 above, the Directors are seeking Shareholders’ approval in respect of the proposed renewal of the IPT Mandate for the Company, its Subsidiaries and Associated Companies to enter into Interested Person Transactions with the classes of Interested Persons set out in Section 3.6 below, provided that such transactions are carried out on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

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3.6 Classes of Interested Persons

For the purpose of the IPT Mandate, the classes of Interested Persons are:-

- (a) Kingboard; and
- (b) Kingboard Group.

3.7 Nature and scope of Interested Person Transactions

3.7.1 The proposed renewal of the IPT Mandate will not apply to any transaction by a company in the EEIC Group with the classes of Interested Persons as specified in Section 3.6 above that is below S\$100,000 in value, as the threshold and aggregation requirements contained in Chapter 9 would not apply to such a transaction.

3.7.2 Interested Person Transactions which do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9.

3.7.3 The proposed renewal of the IPT Mandate will apply to the following categories of transactions which certain members of the EEIC Group are likely to enter into with the classes of Interested Persons set out in Section 3.6 above, in connection with the provision to, or obtaining from, the Interested Persons of products and services in the normal course of the business or which are necessary for the day-to-day operations of the EEIC Group:-

- (a) the supply of laminates, copper foil, glass fabric, glass yarn, bleached kraft paper, and chemicals used for the manufacture of PCBs and PCB related materials (“**Supply of Raw Materials**”);
- (b) the provision of value-added subcontract services relating to PCB manufacturing (“**Subcontracting Services**”);
- (c) the supply of PCBs and its affiliated products (“**Supply of PCBs**”); and
- (d) the provision of such other products and/or services including but not limited to, supply of drill bits, provision of drilling services and materials recycling services, which are incidental to or in connection with the provision or obtaining of products and/or services outlined above.

3.8 Review Procedures for Interested Person Transactions

3.8.1 To ensure that the Interested Person Transactions are carried out at arm’s length, on normal commercial terms consistent with the EEIC Group’s usual business practices and policies, and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company has implemented a set of methods or procedures for determining the transaction prices for the review and approval of Interested Person Transactions under the IPT Mandate.

(a) Supply of Raw Materials and Subcontracting Services

In considering whether to enter into a particular transaction, at least two other competitive bids from unrelated third parties will be obtained. The transaction will only be approved if the terms are better than the more competitive of the two bids obtained. In determining price competitiveness for the supply of raw materials, factors such as (but not limited to) quality and grade of materials, order size, on-time delivery, payment terms, customer requirements and specifications, duration of the contract or purchase orders of the transaction, will be taken into account. As for the supply of subcontracting services, price competitiveness would be determined based on factors such as (but not limited to) quality of services, on-time delivery and payment terms of the transaction. In the event that no quotation from unrelated third parties is available, the management (who will have no interest, whether direct or indirect, in the

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transaction) will assess that the pricing of the transaction is in accordance with the usual business practices and pricing policy of the EEIC Group to determine whether such transaction is undertaken on normal commercial terms.

(b) Supply of PCBs and Subcontracting Services

In considering whether to enter into a particular transaction, the prices and terms of at least two other recent transactions involving similar products or services with unrelated third parties will be taken into account. The price charged to the Interested Person should not be lower than the lower of the prices charged in the two recent transactions of similar product or service specifications. In determining price competitiveness for the supply of PCBs, factors such as (but not limited to) quality, quantity, order size, product specifications, duration of contract of the transaction, will also be taken into account. As for the supply of subcontracting services, price competitiveness would be determined based on factors such as (but not limited to) quality of services, on-time delivery and payment terms of the transaction. In the event that no recent transactions of similar products or services were entered into with third parties, the management (who will have no interest, direct or indirect, in the transaction) will assess if the pricing and terms of the transaction are in accordance with the EEIC Group's usual business practices and pricing policy, and are consistent with the usual margins for the same or substantially similar types of transactions entered into with unrelated third parties.

3.8.2 Further, prior approval of the Audit Committee must be obtained before any proposed single Interested Person Transaction equal to or exceeding S\$3,000,000 in value is entered into (including but not limited to those transactions described under Section 3.7.3(d) above). Any decision taken by the Audit Committee with regard to such transactions must be approved by the majority of its members.

3.8.3 In addition to the review procedures set out in Sections 3.8.1 and 3.8.2 above, the following procedures will also be implemented:-

- (a) The Company will maintain a register of Interested Person Transactions carried out pursuant to the IPT Mandate (recording the basis, including quotations and/or offers obtained, if any, where applicable to support such basis, on which they are entered into).
- (b) The annual audit plan shall incorporate a review of all Interested Person Transactions entered into pursuant to the IPT Mandate.
- (c) The Audit Committee may, as it deems fit, request for additional information pertaining to the Interested Person Transaction under review from independent sources or advisers.
- (d) Further to the above, where any Director has an interest (direct or indirect) in any Interested Person Transaction, such Director (or, his alternate, where appropriate) shall abstain from voting on the matter. Where any member of the Audit Committee has an interest in any Interested Person Transaction, that member shall abstain from participating in the review and approval process in relation to that transaction.
- (e) The Audit Committee will carry out periodic reviews (not less than twice a year) to ascertain that the established review procedures as set out above in respect of the IPT Mandate have been complied with, and whether the review procedures remain appropriate and continue to be able to ensure that the transactions will be carried out on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

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- (f) The Company will report all Interested Person Transactions to the Audit Committee. The Audit Committee will review and ratify all Interested Person Transactions on a half-yearly basis. In the event of ambiguity as to whether a transaction or transactions would fall within the IPT Mandate, the Company will consult the Audit Committee prior to entering into such transactions.

3.9 Validity period of IPT Mandate

If approved by Shareholders at the 1st EGM, the IPT Mandate will take effect from the passing of Ordinary Resolution 2 at the 1st EGM, and will (unless revoked or varied by the Company in general meeting) continue in force until the next AGM. Approval from Shareholders will be sought for the renewal of the IPT Mandate at each subsequent AGM, subject to satisfactory review by the Audit Committee of its continued application to transactions with Interested Persons.

3.10 Disclosure in Financial Statements and Annual Report

Pursuant to Chapter 9, the Company will:-

- (a) disclose the IPT Mandate in the Company's Annual Report, giving details of the aggregate value of transactions conducted pursuant to the IPT Mandate during the financial year, containing the following details:-
- (i) name of the interested person;
 - (ii) aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under IPT Mandate); and
 - (iii) aggregate value of all Interested Person Transactions conducted under IPT Mandate (excluding transactions less than S\$100,000); and
- (b) announce the aggregate value of transactions conducted pursuant to the IPT Mandate for the financial periods which it is required to report on pursuant to Rule 705 of the Listing Manual in its financial statements within the time required for the announcement of such report. The disclosure will also contain the details set out in Section 3.10(a) (i), (ii) and (iii) above.

3.11 Statement from the Audit Committee

The Audit Committee (currently comprising Messrs Larry Lai Chong Tuck, Philip Wong Yu Hong and Raymond Leung Hai Ming) having considered, inter alia, the review procedures for the Interested Person Transactions, confirms that:-

- (a) the methods and procedures set out in Section 3.8 above for determining transaction prices in respect of the Interested Person Transactions have not changed since the last Shareholders' approval of the IPT Mandate on 12 April 2007; and
- (b) the said methods or procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

3.12 Statement from the Company

If the Audit Committee is of the view that the established guidelines, method, procedures and/or review procedure in Section 3.8 become inappropriate or insufficient to ensure that the Interested Person Transactions are carried out on normal commercial terms and may be prejudicial to the Company and its minority Shareholders, the Company will obtain a fresh mandate from Shareholders based on new methods or procedures for Interested Person Transactions. In the meantime, all Interested Person Transactions are to be approved by the Audit Committee.

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3.13 Abstention from Voting

By virtue of their interests in the IPT Mandate, EEIH, Elitelink Holdings Limited, Kingboard Investments Limited (by virtue of them being the subsidiaries of Kingboard), Chadwick Mok Cham Hung, Cheung Kwok Wing, Chan Wing Kwan and Chang Wing Yiu (by virtue of them being directors of both Kingboard and EEIH), Chan Wai Leung (by virtue of him being the son and therefore an Associate of Chan Wing Kwan) will abstain, and have undertaken to ensure that their Associates will abstain, from voting on the Ordinary Resolution 2 to be proposed at the 1st EGM.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the interests of Directors and Substantial Shareholders of the Company in the Shares, based on the Company's Register of Directors' Shareholdings and Register of Substantial Shareholders respectively, are as follows:

4.1 Directors' Interests in Shares

Directors	Direct Interest		Indirect / Deemed Interest ⁽¹⁾		Total Interest			Number of Shares comprised in outstanding Share Options	Date of grant of outstanding Share Options
	Number of Shares	% ⁽²⁾	Number of Shares	% ⁽²⁾	Number of Shares	Before Share Purchase % ⁽²⁾	After Share Purchase % ⁽³⁾		
Chadwick Mok Cham Hung	74,000	0.04	–	–	74,000	0.04	0.05	973,200	24 June 2005
Li Muk Kam	1,035,876	0.58	–	–	1,035,876	0.58	0.64	768,000	24 June 2005
Philip Chan Sai Kit	156,481	0.09	–	–	156,481	0.09	0.10	912,000	24 June 2005
Clement Sun	40,000	0.02	–	–	40,000	0.02	0.02	240,000	24 June 2005
Claudia Heng Nguan Leng	322,800	0.18	–	–	322,800	0.18	0.20	192,000	24 June 2005
Li Chiu Cheuk	–	–	–	–	–	–	–	162,000	24 June 2005
Chan Wai Leung	–	–	–	–	–	–	–	–	–
Cheung Kwok Wing ⁽⁴⁾	60,000	0.03	126,782,165	70.88	126,842,165	70.91	78.79	973,200	24 June 2005
Chan Wing Kwan	–	–	–	–	–	–	–	973,200	24 June 2005
Chang Wing Yiu	–	–	–	–	–	–	–	973,200	24 June 2005
Philip Wong Yu Hong	–	–	–	–	–	–	–	60,000	29 September 2005
Larry Lai Chong Tuck	–	–	–	–	–	–	–	60,000	29 September 2005
Raymond Leung Hai Ming	–	–	–	–	–	–	–	–	–

Notes:

- (1) Deemed interests refer to interests in shares as defined pursuant to Section 7 of the Act.
- (2) As a percentage of the total number of issued Shares as at the Latest Practicable Date, comprising 178,887,062 Shares (excluding Treasury Shares which have no voting rights).
- (3) As a percentage of the total number of issued Shares, comprising 160,998,356 Shares (assuming that the Company purchases the maximum number of 17,888,706 Shares under the Share Purchase Mandate and excluding Treasury Shares which have no voting rights).
- (4) Mr. Cheung Kwok Wing is also a Substantial Shareholder by virtue of his deemed interest arises from his direct shareholding interest in Hallgain Management Limited of approximately 23%.

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4.2 Substantial Shareholders' Interests in Shares

Substantial Shareholders	Direct Interest		Indirect / Deemed interest ⁽¹⁾		Number of Shares	Total Interest Before Share Purchase	After Share Purchase
	Number of Shares	% ⁽⁸⁾	Number of Shares	% ⁽⁸⁾		% ⁽⁸⁾	% ⁽⁹⁾
Hallgain Management Limited ⁽²⁾	–	–	126,782,165	70.88	126,782,165	70.88	78.75
Kingboard ⁽³⁾	–	–	126,782,165	70.88	126,782,165	70.88	78.75
Ease Ever Investments Limited ⁽⁴⁾	–	–	90,741,550	50.73	90,741,550	50.73	56.36
EEIH	90,741,550	50.73	–	–	90,741,550	50.73	56.36
Elitelink Holdings Limited	34,321,615	19.19	–	–	34,321,615	19.19	21.32
Cheah Cheng Hye ⁽⁵⁾	–	–	16,781,800	9.38	16,781,800	9.38	10.42
To Hau Yin ⁽⁵⁾	–	–	16,781,800	9.38	16,781,800	9.38	10.42
Hang Seng Bank Trustee International Limited (“HSBTIL”) ⁽⁵⁾	–	–	16,781,800	9.38	16,781,800	9.38	10.42
Cheah Company Limited (“CCL”) ⁽⁵⁾	–	–	16,781,800	9.38	16,781,800	9.38	10.42
Cheah Capital Management Limited (“CCML”) ⁽⁵⁾	–	–	16,781,800	9.38	16,781,800	9.38	10.42
Value Partners Group Limited (“VPGL”) ⁽⁵⁾	–	–	16,781,800	9.38	16,781,800	9.38	10.42
Value Partners Limited (“VPL”) ⁽⁶⁾	–	–	16,781,800	9.38	16,781,800	9.38	10.42
Cheung Kwok Wing ⁽⁷⁾	60,000	0.03	126,782,165	70.88	126,842,165	70.91	78.79

Notes:

- (1) Deemed interests refer to interests in shares as defined pursuant to Section 7 of the Act.
- (2) Hallgain Management Limited's deemed interest arises from its direct shareholding interest in Kingboard of 31.01%.
- (3) Kingboard's deemed interest arises from its direct shareholding interest in Elitelink Holdings Limited and Kingboard Investments Limited of 100%, direct shareholding interest of 11.59% in EEIH and deemed interest of 88.41% in EEIH by virtue of its shareholding interest in Ease Ever Investments Limited and Kingboard Investments Limited.
- (4) Ease Ever Investments Limited's deemed interest arises from its direct shareholding interest in EEIH of 77.34%.
- (5) Cheah Cheng Hye and To Hau Yin are deemed interested in the shares held by the funds managed by VPL by virtue of them being the founder and beneficiary respectively of a discretionary trust, The C H Cheah Family Trust, with HSBTIL as the Trustee. HSBTIL owns 100% in CCL which in turn owns 100% in CCML which in turn owns 35.65% in VPGL which in turn owns 100% in VPL.
- (6) VPL, a fund manager, is deemed interested in the shares held directly by the funds under its management.
- (7) Mr. Cheung Kwok Wing's deemed interest arises from his direct shareholding interest in Hallgain Management Limited of approximately 23%.
- (8) As a percentage of the total number of issued Shares as at the Latest Practicable Date, comprising 178,887,062 Shares (excluding Treasury Shares which have no voting rights).
- (9) As a percentage of the total number of issued Shares, comprising 160,998,356 Shares (assuming that the Company purchases the maximum number of 17,888,706 Shares under the Share Purchase Mandate and excluding Treasury Shares which have no voting rights).

LETTER TO SHAREHOLDERS

4.3 Save as disclosed in this Circular, the Directors and the Substantial Shareholders of the Company do not have any interest, whether direct or indirect in the Shares.

5. ABSTENTION FROM VOTING

Shareholders with interest in the IPT Mandate should abstain from voting at the 1st EGM in respect of Ordinary Resolution 2 and should not accept nominations as proxies or otherwise for voting at the 1st EGM in respect of the aforesaid Resolution unless specific instructions have been given in the proxy form on how Shareholders wish their votes to be cast for the Resolution.

6. 1ST EXTRAORDINARY GENERAL MEETING

The 1st EGM, notice of which is set out on pages 27 to 29 of this Circular will be held at the STI Auditorium, 168 Robinson Road, Level 9, Capital Tower, Singapore 068912 on 21 April 2008 at 2:30 p.m. (or as soon as practicable immediately following the conclusion or adjournment of the AGM to be held at 2:00 p.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing the Ordinary Resolutions (with or without any modification) as set out in the Notice of 1st EGM.

7. DIRECTORS' RECOMMENDATION

The Directors unanimously consider that the proposed renewal of Share Purchase Mandate is in the interests of the Company and recommend that Shareholders vote in favour of the Ordinary Resolution 1 for the proposed renewal of Share Purchase Mandate as set out in the Notice of 1st EGM in this Circular.

The Company will procure the Directors, namely Chadwick Mok Cham Hung, Cheung Kwok Wing, Chan Wing Kwan and Chang Wing Yiu (by virtue of their being directors of both Kingboard and EEIH) and Chan Wai Leung (by virtue of him being the son and therefore an Associate of Chan Wing Kwan), other than the Independent Directors to abstain from making any recommendation, in respect of the IPT Mandate.

The Independent Directors are of the opinion that it is in the interests of the EEIC Group that the Company, its Subsidiaries and Associated Companies be permitted to have the flexibility to enter into the types of transactions described in Section 3.7 above in their ordinary course of business with classes of Interested Persons described in Section 3.6 above for reasons stated in this Circular. Accordingly, the Independent Directors recommend that Shareholders vote in favour of the Ordinary Resolution 2 relating to the proposed renewal of the IPT Mandate.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

Appointment of Proxies

If a Shareholder is unable to attend the 1st EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's registered office at 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624, not later than 2:30 p.m. on 19 April 2008. Completion and return of the Proxy Form by a Shareholder will not preclude him from attending and voting in person at the 1st EGM if he so wishes.

When Depositor regarded as Shareholder

A Depositor shall not be regarded as a Shareholder entitled to attend the 1st EGM and vote thereat unless his name appears on the Depository Register at least 48 hours before the 1st EGM.

LETTER TO SHAREHOLDERS

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for this Circular and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, that the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the date of this Circular and that there are no material facts the omission of which would make any statement in this Circular misleading.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours on any weekday (public holidays excepted) up to and including the date of the 1st EGM:-

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the Annual Report of the Company and its subsidiaries for FY2007; and
- (iii) the Company's Circular to Shareholders dated 27 March 2007.

Yours faithfully
For and on behalf of the Board of Directors
Elec & Eltek International Company Limited

Cheung Kwok Wing
Chairman

NOTICE OF 1ST EXTRAORDINARY GENERAL MEETING



Elec & Eltek 依利安達

Elec & Eltek International Company Limited

(Incorporated in the Republic of Singapore)

Company Registration Number 199300005H

NOTICE IS HEREBY GIVEN that the 1st Extraordinary General Meeting of Elec & Eltek International Company Limited (the “**Company**”) will be held at the STI Auditorium, 168 Robinson Road, Level 9, Capital Tower, Singapore 068912 on 21 April 2008 at 2:30 p.m. (or as soon as practicable immediately following the conclusion or adjournment of the Annual General Meeting to be held at 2:00 p.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing (with or without any modification) the following resolutions:-

ORDINARY RESOLUTIONS

Resolution 1: The Proposed Renewal of the Share Purchase Mandate

THAT:

- (a) For the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “**Act**”), the exercise by the directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:-
- (i) on-market purchases (each an “**On-Market Share Purchase**”) on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”); and/or
 - (ii) off-market purchases (each an “**Off-Market Share Purchase**”) effected in accordance with any equal access scheme(s) as may be determined or formulated by the directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act;
- and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);
- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors pursuant to the Share Purchase Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution, and expiring on the earlier of:-
- (i) the date on which the next Annual General Meeting of the Company is held; or
 - (ii) the date by which the next Annual General Meeting of the Company is required by law or the Articles of Association of the Company (the “**Articles**”) to be held; or
 - (iii) the date on which the purchase of Shares by the Company pursuant to the Share Purchase Mandate is carried out to the full extent mandated;
- (c) in this Ordinary Resolution 1:-

“**Prescribed Limit**” means 10% of the total number of issued Shares, excluding Treasury Shares, of the Company as at the date of the passing of this Ordinary Resolution 1; and

NOTICE OF 1ST EXTRAORDINARY GENERAL MEETING

“**Maximum Price**” in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:-

- (i) in the case of an On-Market Share Purchase, 105% of the Average Closing Market Price; and
- (ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Market Price,

where:-

“**Average Closing Market Price**” means the average of the closing market prices of a Share over the last 5 Market Days (“**Market Day**” being a day on which the SGX-ST is open for securities trading), on which transactions in the Shares were recorded, immediately preceding the date of making the On-Market Share Purchase or, as the case may be, the date of making an announcement by the Company for an offer pursuant to the Off-Market Share Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5 Market Days; and

- (d) the directors of the Company and/or each of them be and are hereby authorised to complete and do all such acts and things as they and/or he may consider necessary, desirable, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution 1.

Resolution 2: The Proposed Renewal of the Mandate for Interested Person Transactions

THAT:

- (a) Approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies, or any of them, to enter into any transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Circular to Shareholders dated 4 April 2008 (the “**Circular**”), with any person who falls within the class of Interested Persons described in the Circular, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for Interested Person Transactions as set out in the Circular (the “**IPT Mandate**”);
- (b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company is held or is required by law or the Articles to be held;
- (c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by SGX-ST from time to time; and
- (d) the directors of the Company be and are hereby authorised to do all such acts and things (including, without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Ordinary Resolution 2.

By Order of the Board

Claudia Heng Nguan Leng
Company Secretary

Singapore
4 April 2008

NOTICE OF 1ST EXTRAORDINARY GENERAL MEETING

Notes:-

1. Terms and expressions not defined herein shall have the same meanings ascribed to them in the Circular to Shareholders dated 4 April 2008.
2. In accordance with Section 76C of the Act, the sources of funds to be used for the Share Purchase and the financial effects that the Share Purchase would have on the Company are stated under Sections 2.6 and 2.7 respectively, from pages 11 to 14 of the Circular.
3. A member of the Company entitled to attend and vote at the 1st Extraordinary General Meeting is entitled to appoint one proxy or two proxies (or in the case of a corporation, appoint its authorised representative or proxy) to attend and vote on his behalf. Such proxy(ies) need not be a member of the Company.



Elec & Eltek 依利安達

Elec & Eltek International Company Limited

(Incorporated in the Republic of Singapore)

Company Registration Number 199300005H

1ST EXTRAORDINARY GENERAL MEETING

PROXY FORM

Registered Office: 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624

(Please read notes overleaf carefully before completing this Form)

I/We _____

NRIC/Passport No./ Company Registration No. _____

of _____
(address)

being a member(s) of Elec & Eltek International Company Limited (the “Company”) hereby appoint:-

Name	Address	NRIC/ Passport No.	Number of Shares Represented	Proportion of Shareholding (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Number of Shares Represented	Proportion of Shareholding (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the 1st Extraordinary General Meeting (“1st EGM”) of the Company to be held at the STI Auditorium, 168 Robinson Road, Level 9, Capital Tower, Singapore 068912 on 21 April 2008 at 2:30 p.m. (or as soon as practicable immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 2:00 p.m. on the same day and at the same place) and at any adjournment thereof for the purpose of considering and if thought fit, passing with or without modifications, the Resolutions as set out in the Notice convening the 1st EGM, and at such EGM (or at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the said Resolutions as hereunder indicated.

(Please indicate with an “X” in the spaces provided below whether you wish your vote(s) to be cast for or against the Resolutions 1 and 2 as set out in the Notice of 1st EGM. In the absence of specific directions, the proxy/proxies will vote or abstain from voting as he/they may think fit, as he/they will on any other matter arising at the 1st EGM).

Resolutions	To be used on a show of hands		To be used in the event of a poll	
	For*	Against*	For**	Against**
Ordinary Resolution 1 The Proposed Renewal of the Share Purchase Mandate				
Ordinary Resolution 2 The Proposed Renewal of the Mandate for Interested Person Transactions				

* Please indicate your vote “For” or “Against”

** If you wish to use all your votes “For” or “Against”, please indicate with an “X” within the box provided. Otherwise please indicate number of votes.

Dated this _____ day of _____ 2008

Total No. of Shares in	No. of Shares
CDP Register	
Register of Members	

Signature(s) of Member(s) or Common Seal



IMPORTANT (PLEASE READ NOTES BELOW BEFORE COMPLETING THIS PROXY FORM)

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number of Shares is inserted, this proxy form will be deemed to relate to all the Shares held by you.
2. A member entitled to attend and vote at the 1st EGM of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The proxy form must be under the hand of the appointer or his attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
5. Where a proxy form is signed on behalf of the appointer by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the proxy form, failing which the form may be treated as invalid.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the 1st EGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The proxy form must be deposited at the Company's registered office at 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624 not less than 48 hours before the time appointed for holding the 1st EGM.
8. The Company shall be entitled to reject this proxy form if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the proxy form. In addition, in the case of Shares entered in the Depository Register, the Company may reject a proxy form lodged if such member is not shown to have Shares entered against his/its name in the Depository Register as at 48 hours before the time appointed for holding the 1st EGM, as certified by The Central Depository (Pte) Limited to the Company.
9. The submission of a proxy form by a member of the Company does not preclude him from attending and voting in person at the 1st EGM if he so wishes.
10. Terms and expressions not defined herein shall have the same meanings ascribed to them in the Circular to Shareholders dated 4 April 2008.