

EUROPTRONIC GROUP LTD
Quarterly Financial Statement Announcement

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1 (a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

The result announcement are prepared on voluntary basis and these figures have not been audited.

(S\$'000)	Group			Company		
	31/3/2003	31/3/2002	% Change	31/3/2003	31/3/2002	% Change
Revenue	10,453	9,111	14.73	-	-	-
Cost of Sales	(7,313)	(6,416)	13.98	-	-	-
Gross Profit	3,140	2,695	16.51	-	-	-
Other operating income	81	180	(55.00)	-	-	-
Selling and distribution costs	(476)	(425)	12.00	-	-	-
Administrative expenses	(1,161)	(1,034)	12.28	(15)	-	100
Other operating expenses	-	-	-	-	-	-
Profit from operations	1,584	1,416	11.86	(15)	-	100
Finance cost	(182)	(218)	(16.51)	-	-	-
Profit before income tax	1,402	1,198	17.03	(15)	-	100
Share of result from associates	1,032	-	100	-	-	-
Net Income	2,434	1,198	NM	(15)	-	100
Income tax expense	(146)	(150)	(2.67)	-	-	-
Profit attributable to the shareholders	2,288	1,048	NM	(15)	-	100

NM: Not meaningful

Notes

(i) Profit before share of associates is arrived at after charging/(crediting) the followings:

(S\$'000)	Group			Company		
	31/3/2003	31/3/2002	% Change	31/3/2003	31/3/2002	% Change
Interest Income	2	1	100.00	-	-	-
Depreciation	694	597	16.25	-	-	-
Foreign exchange gain / (Loss)(net)	59	70	(15.71)	-	-	-

1(b) (i) A balance sheet(for the issuer and group), together with a comparative statement as at end of the immediately preceding financial year

(S\$'000)	Group		Company	
	31/3/2003	31/12/2002	31/3/2003	31/12/2002
ASSETS				
Current assets:				
Cash and fixed deposits	4,957	4,977	27	280
Trade receivables	15,649	15,048	-	-
Other receivables and prepayments	3,229	2,160	29	23
Due from subsidiaries - non trade	-	-	15,691	2,096
Due from associate	64	-	-	-
Inventories	15,329	13,842	-	-
Total current assets	<u>39,228</u>	<u>36,027</u>	<u>15,747</u>	<u>2,399</u>
Non-current assets:				
Property, plant and equipment	32,128	32,004	-	-
Investment in subsidiary	-	-	40,776	40,776
Due from subsidiaries	-	-	-	14,557
Investment in associate	16,979	16,048	-	-
Other investments	353	350	-	-
Goodwill on consolidation	2,886	2,924	-	-
Total non-current assets	<u>52,346</u>	<u>51,326</u>	<u>40,776</u>	<u>55,333</u>
Total assets	<u>91,574</u>	<u>87,353</u>	<u>56,523</u>	<u>57,732</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Bank loans and overdrafts	8,782	7,558	-	-
Trade payables	10,967	9,003	-	-
Due to related party - non trade	-	-	5,845	-
Due to subsidiaries - non trade	-	-	-	7,037
Other payables	3,287	2,457	80	82
Due to directors (net) - non-trade	184	2,948	-	-
Income tax payable	141	205	-	-
Obligation under finance leases	661	590	-	-
Total current liabilities	<u>24,022</u>	<u>22,761</u>	<u>5,925</u>	<u>7,119</u>
Non-current liabilities:				
Long-term loans	8,041	7,995	-	-
Obligation under finance leases	1,251	1,132	-	-
Deferred income tax	80	80	-	-
Total non-current liabilities	<u>9,372</u>	<u>9,207</u>	<u>-</u>	<u>-</u>
Negative goodwill on consolidation	<u>2,007</u>	<u>2,062</u>	<u>-</u>	<u>-</u>
Shareholders' equity	<u>56,173</u>	<u>53,323</u>	<u>50,598</u>	<u>50,613</u>
Total liabilities and shareholders' equity	<u>91,574</u>	<u>87,353</u>	<u>56,523</u>	<u>57,732</u>
Net current assets / (liabilities)	15,206	13,266	9,822	(4,720)

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at (31/3/2003)		As at (31/12/2002)	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
9,443	184*	9,593	NIL

Amount repayable after one year

As at (31/3/2003)		As at (31/12/2002)	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
9,292	NIL	9,127	2,948*

* The loan from director is unsecured, interest-free and payable on or after 1 January 2003.

1(c) A cash flow statement(for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Cash Flow Statement	<u>1/1/2003</u> <u>to 31/3/2003</u> S\$'000	<u>1/1/2002</u> <u>to 31/3/2002</u> S\$'000
Cash flows from operating activities:		
Profit before share of results of associates	1,402	1,198
Adjustments for:		
Depreciation expense	694	597
Amortisation of goodwill - net	(17)	13
Interest Income	(2)	(1)
Interest Expense	182	218
Loss on disposal of plant and equipment	2	-
Operating profit before working capital changes	<u>2,261</u>	<u>2,025</u>
Trade receivables	(601)	(1,988)
Due to related parties - trade	-	(8)
Other receivables and prepayments	348	(1,104)
Due from related parties - trade	-	87
Inventories	(1,487)	(1,305)
Trade payables	1,964	1,086
Other payables	830	4,377
Due to directors (net) - non-trade	(2,764)	(1,348)
Cash generated from operations	<u>551</u>	<u>1,822</u>
Interest paid	(182)	(218)
Interest received	2	1
Income tax paid	(109)	(217)
Net cash from (used in) operating activities	<u>262</u>	<u>1,388</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,933)	(1,004)
Proceeds from property, plant and equipment	-	159
Other investments	(3)	(1)
Acquisition of subsidiary	-	-
Acquisition of associates	-	-
Net cash used in investing activities	<u>(1,936)</u>	<u>(846)</u>
Cash flow from financing activities:		
Payment of dividend to previous shareholder of a subsidiary	-	-
Proceeds from issuing shares	-	-
(Decrease) Increase in loans	1,270	1,240
Increase obligations under finance lease	190	(112)
Net cash from financing activities	<u>1,460</u>	<u>1,128</u>
Net effect of exchange rate changes in consolidating subsidiaries	194	13
Net increase (decrease) in cash and cash equivalents	(20)	1,683
Cash and cash equivalents at beginning of year	4,977	1,669
Cash and cash equivalents at end of year	<u>4,957</u>	<u>3,352</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,956	3,032
Fixed deposits	1	470
Bank overdraft	-	(150)
	<u>4,957</u>	<u>3,352</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Issued capital	Share application monies	Share premium	Legal reserve	Translation reserve	Proposed dividend	Accumulated profits (losses)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>								
Balance at January 1, 2002	17,600	2,160	-	-	-	500	281	20,541
Issued to bondholders	1,187	(2,160)	973	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	1,050	1,050
Proposed Dividend	-	-	-	-	-	-	-	-
Transfer	-	-	-	88	-	-	(88)	-
Translation adjustment	-	-	-	-	(138)	-	-	(138)
Balance at March 31, 2002	18,787	-	973	88	(138)	500	1,243	21,453
Balance at January 1, 2003	28,055	-	21,146	556	(2,943)	1,313	5,196	53,323
Profit for the period	-	-	-	-	-	-	2,288	2,288
Transfer	-	-	-	167	-	-	(167)	-
Translation adjustment	-	-	-	-	562	-	-	562
Balance at March 31, 2003	28,055	-	21,146	723	(2,381)	1,313	7,317	56,173
<u>Company</u>								
Balance at January 1, 2002	-	2,160	-	-	-	-	(32)	2,128
Issued to bondholders	1,187	(2,160)	973	-	-	-	-	-
Arising from (eliminated) on restructuring exercise	17,600	-	-	-	-	-	-	17,600
Balance at March 31, 2002	18,787	-	973	-	-	-	(32)	19,728
Balance at January 1, 2003	28,055	-	21,146	-	-	813	599	50,613
Profit/(Loss) for the period	-	-	-	-	-	-	(15)	(15)
Balance at March 31, 2003	28,055	-	21,146	-	-	813	584	50,598

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Changes in the company's issued share capital

	31/3/2003	31/3/2002
At beginning of period	280,548,150	20*
Incorporation of share issue		
Pursuant to restructuring exercise	-	176,000,000
To former bondholders	-	11,868,130
At end of period	<u>280,548,150</u>	<u>187,868,150</u>

* Subdivision of one ordinary share of \$1.00 each into 10 ordinary shares of \$0.10 each on February 18, 2002.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures are unaudited.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Same accounting policies and methods of computation are followed in the financial statements as compared with the most recent audited financial statements as at 31 December 2002.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group Figures	
	31/3/03	31/3/02
Earnings per ordinary share for the financial year based on net profit attributable to the shareholders		
(i) Based on weighted average number of ordinary shares in issue ; and	0.82cents	1.20cents
(ii) On a fully diluted basis	0.82cents	1.20cents

(i) Earnings per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the period of 280,548,150 (31/3/2002:87,671,805) ordinary shares of S\$0.10 each.

(ii) There is no dilution in respect of the warrants /shares option outstanding at the end of both financial period.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

Group			
	31/03/2003	31/12/2002	Change
Net tangible asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	19.70cents	18.70cents	5.35%

Note:

(i) The NTA per ordinary shares is based on 280,548,150 (31/12/2002:280,548,150) ordinary shares of S\$0.10 each at the end of period.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Turnover

Our turnover increased by S\$1.4 million or 14.7% from S\$9.1 million in 1Q2002 to S\$10.5million in 1Q2003. This increase was as a result of higher turnover generated from our manufacturing business by S\$2.6 million from S\$4.8million to S\$7.4million. This is partly offset by decrease in distribution business by S\$1.2 million from S\$4.3 million to S\$3.1million respectively.

The increase in turnover from our manufacturing business was as a result of higher sales in the PRC due to growth in the PRC market. This had resulted in an increase in demand by our Original Electronic Manufacturer ("OEM") customers as well as our Original Design Manufacturer ("ODM") located in the PRC.

In 2002, the Company, having recognized the potential in the PRC, decided to further expand our distribution business in this region by establishing two new subsidiaries. Therefore, a lower turnover in distribution is due mainly to a higher turnover in the PRC (including HK) is offset by a large decrease in turnover in Asia (excluding the PRC and HK) during this business progression stage.

Turnover generated from the other countries such as USA and Europe decreased mainly due to lower demand for electronic component in this region.

Gross profit

Our gross profit increased by S\$0.4 million from S\$2.7million in 1Q2002 to S\$3.1million in 1Q2003 due to higher revenue earned. Our gross profit margin marginally increased from 29.6% to 30.0% as the improved performance by our manufacturing business was largely offset by a lower turnover and gross profit margin recorded for our distribution business.

Gross profit margin for our manufacturing business improved as we continued to enjoy benefits from economies of scale in production from our two PRC plants. Contributions from our two plants have added to the higher sales volume since this is the second full year of operation for our Suzhou plant

Profit before tax ('PBT')

Profit before tax increased by S\$1.2 million from S\$1.2 million in 1Q2002 to S\$2.4million in 1Q2003 due mainly to higher sales and gross profit and share of profit from the associates. This is partially offset by higher distribution costs of S\$0.1 million as a result of higher transportation and traveling expenses and higher salaries cost incurred for our expanded marketing team in the PRC. The administrative expenses has been maintained as a result of a tighten cost control implemented since 2002.

Profit after tax ('PAT')

Profit after tax increased by S\$1.3 million from S\$1.0 million in 1Q2002 to S\$2.3 million in 1Q2003 due to lower effective tax rates for the Group in 2003.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or prospect statement was disclosed to shareholders previously.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Since the outbreak of the Severe Acute Respiratory Syndrome ("SARS"), the Group has implemented strict preventive measures at its two plants to mitigate the risk of disruption to operations. Up to the date of this report, its two plants have not encountered any disruptions in its operations. The management will continue with the preventive measures in place and monitor the situation closely. For the second quarter, the outbreak of SARS has not significantly affected the orders from customers so far.

The Group is optimistic that its strategically located plants and established customer base will enable it to further improve its market position. New customer wins resulting from the Group's successful marketing efforts are expected to contribute the Group's revenue in 2H2003, for both distribution and manufacturing businesses. With our continued marketing efforts in the PRC and South East Asia and new customers secured, our directors are cautiously optimistic of the Group's prospect for 2003

The Group's associated companies are expected to continue to contribute positively to the Group's results.

Internally, we will continue our effort in improving the quality of our product, increased product range and the expansion of our production capacity and managing the general and administrative expenses more efficiently to cope with the competitive business environment and weaker global economy environment.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to Paragraph 8.

BY ORDER OF THE BOARD

Huang Shih-An
Chairman
2 June 2003