

## EUROPTRONIC GROUP LTD

### First Quarter Financial Statement And Dividend 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

	<b>3 months ended 31/03/2004</b>	<b>Group 3 months ended 31/03/2003</b>	<b>% Increase/ (Decrease)</b>
(S\$'000)			
Revenue	17,886	10,453	71.11
Cost of Sales	(13,884)	(7,313)	89.85
Gross Profit	4,002	3,140	27.45
Other operating income	146	81	80.25
Selling and distribution costs	(633)	(476)	32.98
Administrative expenses	(1,493)	(1,161)	28.60
Profit from operations	2,022	1,584	27.65
Finance cost	(213)	(182)	17.03
Profit before income tax	1,809	1,402	29.03
Share of results from associates	926	1,032	(10.27)
Net Income	2,735	2,434	12.37
Income tax expense	(157)	(146)	7.53
Profit attributable to the shareholders	2,578	2,288	12.67

#### Notes:

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

	<b>3 months ended 31/03/2004</b>	<b>Group 3 months ended 31/03/2003</b>	<b>% Increase/ (Decrease)</b>
(S\$'000)			
Interest Income	2	2	-
Interest Expenses	(213)	(182)	17.03
Depreciation	709	694	2.16
Amortisation of goodwill, net	(39)	(17)	NM
Foreign exchange gain / (Loss)(net)	75	59	27.12
Loss on disposal of plant and equipment	3	-	NM

NM: Not meaningful

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

(S\$'000)	Group		Company	
	31/03/2004	31/12/2003	31/03/2004	31/12/2003
<b>ASSETS</b>				
Current assets:				
Cash and fixed deposits	6,985	6,042	314	32
Trade receivables	24,675	24,646	-	-
Other receivables and prepayments	3,961	3,625	91	1,345
Inventories	16,108	16,766	-	-
Total current assets	<u>51,729</u>	<u>51,079</u>	<u>405</u>	<u>1,377</u>
Non-current assets:				
Property, plant and equipment	35,385	34,336	-	-
Investment in subsidiaries	-	-	40,776	40,776
Due from subsidiaries	-	-	18,781	18,292
Investment in associates	18,537	17,664	-	-
Other investments	5,507	5,855	-	-
Goodwill on consolidation	1,971	1,998	-	-
Negative goodwill on consolidation	(1,789)	(1,845)	-	-
Total non-current assets	<u>59,611</u>	<u>58,008</u>	<u>59,557</u>	<u>59,068</u>
Total assets	<u>111,340</u>	<u>109,087</u>	<u>59,962</u>	<u>60,445</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities:				
Bank loans and overdrafts	20,147	18,921	680	680
Trade payables	12,237	12,328	-	-
Due to subsidiaries - non trade	-	-	5,549	-
Other payables	2,009	2,900	437	6,460
Due to directors (net) - non-trade	-	-	-	-
Income tax payable	190	218	-	-
Obligation under finance leases	1,312	1,800	-	-
Total current liabilities	<u>35,895</u>	<u>36,167</u>	<u>6,666</u>	<u>7,140</u>
Non-current liabilities:				
Long-term loans	8,859	6,823	-	-
Obligation under finance leases	2,574	2,557	-	-
Deferred income tax	69	69	-	-
Total non-current liabilities	<u>11,502</u>	<u>9,449</u>	<u>-</u>	<u>-</u>
Shareholders' equity	<u>63,943</u>	<u>63,471</u>	<u>53,296</u>	<u>53,305</u>
Total liabilities and shareholders' equity	<u>111,340</u>	<u>109,087</u>	<u>59,962</u>	<u>60,445</u>
Net current assets / (liabilities)	15,834	14,912	(6,261)	(5,763)

**1(b)(ii) Aggregate amount of group's borrowings and debt securities****Amount repayable in one year or less, or on demand**

As at 31/3/2004		As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
20,779	680	20,041	680

**Amount repayable after one year**

As at 31/3/2004		As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
11,433	Nil	9,380	Nil

**Details of any collateral**

- The credit facilities of the subsidiaries are secured by the followings:
  - Leasehold properties of Europtronic (Singapore) Pte Ltd, Europtronic Electronic (Shenzhen) Co., Ltd, Europtronic Taiwan Ind Corp and Europtronic (Suzhou) Co., Ltd;
  - A fixed and floating charges over all the assets of Crypson Electronics (S) Pte Ltd; and
  - Certain properties owned by the directors and personal guarantees of certain directors of Crypson Electronics (S) Pte Ltd.

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

	<b>Group 3 months ended 31/03/2004</b>	<b>Group 3 months ended 31/03/2003</b>
(S\$'000)		
<b>Cash flows from operating activities:</b>		
Profit before share of results of associates	1,809	1,402
Adjustments for:		
Depreciation expense	698	694
Amortisation of goodwill – net	(56)	(17)
Interest income	(2)	(2)
Interest expense	213	182
(Gain) Loss on disposal of plant and equipment	3	2
Operating profit before working capital changes	<u>2,665</u>	<u>2,261</u>

Trade receivables	(29)	(601)
Other receivables and prepayments	(336)	348
Inventories	658	(1,487)
Trade payables	(91)	1,964
Other payables	(891)	830
Due to directors (net) - non-trade	-	(2,764)
Cash generated from operations	<u>1,976</u>	<u>551</u>
Interest paid	(213)	(182)
Interest received	2	2
Income tax paid	(132)	(109)
Net cash from operating activities	<u>1,633</u>	<u>262</u>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(2,925)	(1,933)
Other investments	(348)	(3)
Net cash used in investing activities	<u>(3,273)</u>	<u>(1,936)</u>
<b>Cash flows from financing activities:</b>		
(Decrease) Increase in loans	3,262	1,270
Increase (Decrease) in obligations under finance lease	(471)	190
Net cash from financing activities	<u>2,791</u>	<u>1,460</u>
<b>Net effect of exchange rate changes in consolidating subsidiaries</b>	(208)	194
Net (decrease) increase in cash and cash equivalents	943	(20)
Cash and cash equivalents at beginning of year	<u>6,042</u>	<u>4,977</u>
<b>Cash and cash equivalents at end of year</b>	<u>6,985</u>	<u>4,957</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	6,729	4,956
Fixed deposits	256	1
Bank overdraft	-	-
	<u>6,985</u>	<u>4,957</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 premium	Legal reserve	Translation reserve	Proposed dividend	Accumulated profits (losses)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>							
<b>Balance at 1 January 2003</b>	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
<b>Balance at 31 March 2003</b>	<u>28,055</u>	<u>21,146</u>	<u>723</u>	<u>(2,381)</u>	<u>1,313</u>	<u>7,317</u>	<u>56,173</u>
<b>Balance at 1 January 2004</b>	28,423	22,357	1,224	(3,318)	1,705	13,080	63,471
Profit for the period	-	-	-	-	-	2,578	2,578
Transfer	-	-	154	-	-	(154)	-
Translation adjustment	-	-	-	(2,106)	-	-	(2,106)
<b>Balance at 31 March 2004</b>	<u>28,423</u>	<u>22,357</u>	<u>1,378</u>	<u>(5,424)</u>	<u>1,705</u>	<u>15,504</u>	<u>63,943</u>
<u>Company</u>							
<b>Balance at 1 January 2003</b>	28,055	21,146	-	-	813	599	50,613
Loss for the period	-	-	-	-	-	(15)	(15)
<b>Balance at 31 March 2003</b>	<u>28,055</u>	<u>21,146</u>	<u>-</u>	<u>-</u>	<u>813</u>	<u>584</u>	<u>50,598</u>
<b>Balance at 1 January 2004</b>	28,423	22,357	-	-	1,705	820	53,305
Loss for the period	-	-	-	-	-	(9)	(9)
<b>Balance at 31 March 2004</b>	<u>28,423</u>	<u>22,357</u>	<u>-</u>	<u>-</u>	<u>1,705</u>	<u>811</u>	<u>53,296</u>

**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 for 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**

There was no change in the Company's share capital as at March 31, 2004 and 2003.

**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 have not been audited or reviewed by the Company's auditors.

**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 2003.

**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**

	31/3/04	Group Figures 31/3/03
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	0.91 cents	0.82 cents
(ii) On a fully diluted basis	0.90 cents	0.82 cents

- (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 284,226,150 (31/03/2003 : 280,548,150) ordinary shares of S\$0.10 each.
- (ii) Fully diluted EPS for period ended March 31, 2004 is calculated on 284,871,731 ordinary shares assuming all the full exercise of employees' share option outstanding during the year and adjusting the number of ordinary shares in issue to reflect the effect of all potentially dilutive ordinary shares.

There is no dilution in respect of the shares option outstanding as at March 31, 2003.

**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**

	31/3/04	31/12/03	Group Change
Net tangible asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	23.13 cents	22.28cents	3.8%

Note:

- (i) The NTA per ordinary shares is based on 284,226,150 ( 31/12/2003 : 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**

The Group's efforts in positioning its sales operations to be more product and customer focused has successfully enhanced its sales effectiveness. As a result, the Group continued to register steady and consistent growth for its manufacturing and distribution businesses in the key markets. Both turnover and profitability registered double digits growth in 1Q2004.

The Group's revenue increased by S\$7.4 million or 71.1% from S\$10.5 million in 1Q2003 to S\$17.9 million in 1Q2004. This increase was due to higher revenue generated from the manufacturing business which increased by S\$1.1 million from S\$7.4 million to S\$8.5 million and distribution business which substantially increased by S\$6.3 million from S\$3.1million to S\$9.4 million respectively.

Through our continued efforts to expand our business in the PRC, the Group has managed to deliver more in-house manufactured film capacitors to the Original Electronic Manufacturer ("OEM") customers as well as the Original Design Manufacturer ("ODM") customers located in the PRC. In addition, the Group has included the revenue contribution from the newly acquired wholly owned subsidiary – Crypson Electronics (S) Pte Ltd since 4Q 2003. The Group is in a better position to tap on the current market recovery especially in the PRC, having broadened its product and customer base in both existing and new markets.

Gross profit was higher in 1Q2004 due to higher revenue recorded. The gross profit margin for the manufacturing business was maintained. The lower gross profit margin from the distribution business was due mainly to higher purchase costs which were not able to pass on to the customers.

The share of results from associate which was contributed by Eucon Holding Pte Ltd ('Eucon'), has decreased from S\$1.0 million in 1Q2003 to S\$0.9 million in 1Q2004. The lower share of results from associate is due mainly to the start up costs arose from one of its wholly owned subsidiary which only commenced its PCB manufacturing operation in January 2004.

Profit before tax increased by S\$0.3 million from S\$2.4 million in 1Q2003 to S\$2.7 million in 1Q2004 as a result of higher revenue. This was partially offsetted by lower share of results from associates, higher salaries cost and finance costs. As the Group's business expanded, the Group has to increase its staff strength. This was necessary to help the Group to stay ahead in the marketplace and expands its market share.

Profit attributable to shareholders amounted S\$2.6 million, representing a growth of 12.7% over the S\$2.3 million reported in 1Q2003.

**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**

The Group believes it has the advantage of having an established reputation and a significant market share in the region it operates within. The Group will continue to enhance its competitive edge in an aggressive way. These efforts include increasing the sale of better margined manufactured products, rationalization of its distribution channel, investing in distribution network, keeping prudent control over receivables and inventories, lowering production costs including raw materials procurement costs, modernizing production process and upgrading facilities.

Our strategy in providing product differentiation and one stop solution approach to meet customer demands has also yielded positive results for the Group, leading to improved turnover and customer relationships. The Group is optimistic that these efforts would further improve its market share in the key markets. The Group will also continue to explore and expand its penetration into the telecommunication and consumer electronics markets.

In order to meet the increasing orders from the existing customers and new customers secured in 2003, the Group will continue to expand its production capability in its Suzhou plant. We also intend to further develop relationships with our current principals by providing value added services to customers who use their products.

The returns from our subsidiaries and associated company may be affected by currency fluctuations. However, the Group expects the turnover and net profit in the first half year of 2004 to exceed those achieved in the previous corresponding periods based on the current outlook and assuming no material adverse change in economic conditions.

The associate –Eucon provides mechanical and laser drilling, as well as routing services, to PCB manufacturers in Taiwan and Shanghai, PRC. Eucon also manufactures as single and double layers PCBs for its customers. With the improving trend in the electronics industry and greater demand for PCBs, the requirement for outsourcing of drilling services remains high. Eucon will continue to focus on the expansion in the Shanghai-Jiangsu region and Taiwan. It is now serving most of the leading PCB manufacturers in these two regions. Currently, it is expanding its manufacturing facility in anticipation of growing demand for its drilling services. Eucon is expected to contribute positively to the Group's results which will be in line with the market growth.

As announced earlier, Eucon intends to seek a listing on the Singapore Exchange Securities Trading Limited ('SGX-ST') and has appointed SBI E2 Capital Pte Ltd as the issue manager. The Company will make further announcement on the details of the proposed listing when appropriate.

## **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**

Not applicable.

- 15. A breakdown of sales**

Not applicable.

- 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year (S\$'000)	Previous Full Year (S\$'000)
Ordinary	0	0
Preference	0	0
Total:	0	0

**BY ORDER OF THE BOARD**

Huang Shih-An  
Chairman  
29/04/2004