

Half Year 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

These figures have not been audited.

	6 months ended 30/6/2005	Group 6 months ended 30/6/2004	% Increase/ (Decrease)	3 months ended 30/6/2005	Group 3 months ended 30/6/2004	% Increase/ (Decrease)
(S\$'000)						
Revenue	35,531	34,523	2.92	17,565	16,637	5.58
Cost of Sales	(28,185)	(26,522)	6.27	(13,630)	(12,638)	7.85
Gross Profit	7,346	8,001	(8.19)	3,935	3,999	(1.60)
Other operating income	695	247	NM	559	101	NM
Selling and distribution costs	(1,495)	(1,385)	7.94	(829)	(752)	10.24
Administrative expenses	(3,401)	(3,167)	7.39	(1,709)	(1,674)	2.09
Profit from operations	3,145	3,696	(14.91)	1,956	1,674	16.85
Finance costs	(726)	(494)	46.96	(466)	(281)	65.84
Profit before income tax	2,419	3,202	(24.45)	1,490	1,393	6.96
Share of results from associates	252	2,406	(89.53)	180	1,480	(87.84)
Net Income	2,671	5,608	(52.37)	1,670	2,873	(41.87)
Income tax expense	(163)	(393)	(58.52)	(78)	(236)	(66.95)
Profit attributable to the shareholders	2,508	5,215	(51.91)	1,592	2,637	(39.63)
Profit after income tax is arrived at after (charging)/crediting the followings:						
	6 months ended 30/6/2005	Group 6 months ended 30/6/2004	% Increase/ (Decrease)	3 months ended 30/6/2005	Group 3 months ended 30/6/2004	% Increase/ (Decrease)
(S\$'000)						
Amortisation of goodwill, net	-	(55)	(100.00)	-	(16)	(100.00)
Depreciation	(1,560)	(1,406)	10.95	(791)	(697)	13.49
Foreign exchange gain (net)	16	134	(88.06)	39	59	(33.90)
Gain / (Loss) on disposal of plant and equipment	(3)	(4)	(25.00)	-	(1)	(100.00)
Interest Expenses	(726)	(494)	46.96	(466)	(281)	65.84
Interest Income	11	5	NM	5	3	66.67
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	
	30/06/2005	31/12/2004	30/06/2005	31/12/2004
ASSETS				
Current assets:				
Cash	9,876	6,586	87	55
Trade receivables	29,905	27,859	-	-
Other receivables and prepayments	5,054	3,396	2,059	2,697
Inventories	20,180	17,145	-	-
Total current assets	65,015	54,986	2,146	2,752
Non-current assets:				
Property, plant and equipment	37,772	36,605	-	-
Investment in subsidiaries	-	-	40,776	40,776
Due from subsidiaries	-	-	17,383	17,291
Investment in associates	19,263	19,013	-	-
Goodwill on consolidation	1,888	1,888	-	-
Negative goodwill on consolidation	-	(1,628)	-	-
Patents	22	22	-	-
Other investments	8,430	7,104	-	-
Total non-current assets	67,375	63,004	58,159	58,067
Total assets	132,390	117,990	60,305	60,819
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans	34,976	22,271	-	-
Trade payables	18,402	13,942	-	-
Other payables	1,602	3,249	9,097	6,048
Income tax payable	157	217	-	-
Obligations under finance leases	1,984	2,100	-	-
Total current liabilities	57,121	41,779	9,097	6,048
Non-current liabilities:				
Obligations under finance leases	1,185	1,559	-	-
Long-term bank loans	5,632	8,631	-	-
Deferred income tax	48	48	-	-
Total non-current liabilities	6,865	10,238	-	-
Shareholders' equity	68,404	65,973	51,208	54,771
Total liabilities and equity	132,390	117,990	60,305	60,819
Net current assets / (liabilities)	7,894	13,207	(6,951)	(3,296)

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

As at 30/6/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,273	33,687	3,567	20,804

Amount repayable after one year

As at 30/6/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
5,765	1,052	6,045	4,145

Details of any collateral

The mortgage loans of the subsidiaries are secured by the leasehold properties of Europtronic (Singapore) Pte Ltd, Europtronic Electronic (Shenzhen) Co., Ltd, and Europtronic Taiwan Ind Corp.

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

	Group 6 months ended 6/30/2005	Group 6 months ended 6/30/2004	Group 3 months ended 6/30/2005	Group 3 months ended 30/06/2004
(S\$'000)				
Cash flows from operating activities:				
Profit before share of results of associates	2,419	3,202	1,490	1,393
Adjustments for:				
Depreciation expense	1,560	1,406	791	708
Amortisation of goodwill	-	(55)	-	1
Interest income	(11)	(5)	(5)	(3)
Interest expense	726	494	466	281
Loss on disposal of plant and equipment	(3)	4	(6)	1
Share option expenses	88	-	-	-
Operating profit before working capital changes	4,779	5,046	2,736	2,381
Trade receivables	(2,046)	(2,074)	895	(2,045)
Other receivables and prepayments	(940)	427	(1,215)	763
Inventories	(3,035)	(4,194)	(1,072)	(4,852)
Trade payables	4,460	4,661	710	4,752
Other payables	(1,647)	(1,030)	(952)	(139)
Cash generated from operations	1,571	2,836	1,102	860
Interest paid	(726)	(494)	(466)	(281)
Interest received	11	5	5	3
Income tax paid	(347)	(174)	(140)	(42)
Net cash from operating activities	509	2,173	501	540
Cash flows from investing activities:				
Purchase of property, plant and equipment	(2,727)	(5,329)	(1,178)	(2,404)
Deposit to purchase property, plant and equipment	(508)	2	-	2
Disposal of property, plant and equipment	-	2	-	2
Other investments	(851)	(173)	462	175
Dividend received from associate	768	768	768	768
Dividend paid	(3,423)	(1,705)	(3,423)	(1,705)
Net cash used in investing activities	(6,741)	(7,205)	(3,371)	(3,932)
Cash flows from financing activities:				
Increase in bank loans	9,706	7,344	6,237	4,082
(Decrease) in obligations under finance lease	(490)	(822)	(3)	(351)
Net cash from financing activities	9,216	5,559	6,234	2,768
Net effect of exchange rate changes in consolidating subsidiaries	475	(426)	569	(218)
Net (decrease) increase in cash and cash equivalents	3,459	101	3,933	(842)
Cash and cash equivalents at beginning of year	6,417	6,042	5,943	6,985
Cash and cash equivalents at end of period	9,876	6,143	9,876	6,143
CASH AND CASH EQUIVALENTS				
Cash and bank balances	9,875	5,887	9,875	5,887
Fixed deposits	1	-	1	-
Bank overdraft	-	256	-	256
	9,876	6,143	9,876	6,143

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	Share option reserve	Proposed dividend	Accumulated profits (losses)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group								
Balance at 1 April 2004 (Restated)	28,423	22,357	1,378	(5,424)	97	1,705	15,407	63,943
New issue of shares	90	207	-	-	-	-	-	297
Transfer due to Bonus issue	5,703	(5,703)	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	2,637	2,637
Transfer	-	-	159	-	-	-	(159)	-
Translation adjustment	-	-	-	1,698	-	-	-	1,698
Dividends paid	-	-	-	-	-	(1,705)	-	(1,705)
Balance at 30 June 2004	34,216	16,861	1,537	(3,726)	97	-	17,885	66,870
Balance at 1 April 2005	34,231	16,888	1,836	(5,868)	185	3,423	18,181	68,876
Profit for the period	-	-	-	-	-	-	1,592	1,592
Transfer	-	-	119	-	-	-	(119)	-
Translation adjustment	-	-	-	1,359	-	-	-	1,359
Dividends paid	-	-	-	-	-	(3,423)	-	(3,423)
Balance at 30 June 2005	34,231	16,888	1,955	(4,509)	185	-	19,654	68,404
Company								
Balance at 1 April 2004 (Restated)	28,423	22,357	-	-	97	1,705	714	53,296
New issue of shares	90	207	-	-	-	-	-	297
Transfer due to Bonus issue	5,703	(5,703)	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(1,705)	-	(1,705)
Profit for the period	-	-	-	-	-	-	1,303	1,303
Balance at 30 June 2004	34,216	16,861	-	-	97	-	2,017	53,191
Balance at 1 April 2005	34,231	16,888	-	-	185	3,423	(4)	54,723
Loss for the period	-	-	-	-	-	-	(92)	(92)
Dividend paid	-	-	-	-	-	(3,423)	-	(3,423)
Balance at 30 June 2005	34,231	16,888	-	-	185	-	(96)	51,208

- 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**

Changes in the company's issued share capital

	30/6/2005	30/6/2004
At beginning of period	342,304,577	284,226,150
Bonus issue	-	57,025,427
New shares issued under Employees' Share Option Scheme ('ESOS')	-	901,000
At end of period	342,304,577	342,152,577

Option granted under the Europronic Share Option Scheme outstanding as at June 30, 2005 is 1,693,600 (June 30, 2004: 2,163,000 as adjusted for bonus issue)

- 2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

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**

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended 31 December 2004 have been applied in the preparation for the financial statements for quarter ended 31 March 2005 except that the Group has adopted new and revised Financial Reporting Standards ("FRS") which became effective on 1 January 2005. These new and revised FRS include: **FRS 102 - Share-based Payment** and **FRS 103 - Business Combinations**

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**

FRS 102 - Share-based Payment

The Group's share options are equity settled, share-based compensation plans. FRS 102 requires the Group and the Company to recognize an expenses in the profit and loss statement for share options granted after 22 November 2002 and not vested by 1 January 2005, the effective date of FRS 102. The total amount of the expense will equal to the multiplication of the total number of share options that are expected to vest and the fair value of each option determined at the date of grant. The total amount of the expenses is recognized over the share options' vesting period. At each reporting date, the amount expensed should be adjusted to reflect the Group' and the Company's best estimate of the number of share options that will vest.

Under the transitional provision of FRS 102, the comparative financial information needs to be restated for all grants of share options to which the requirements of FRS 102 are applied. Accordingly, as a result of the adoption of FRS 102, the comparative financial information of the group for the quarter ended 31 March 2004 has been restated to include a charge of S\$97K for the share option expenses applicable to that 1Q2004. In addition, the revenue reserves of the Group and the Company as at 1 January 2005 were reduced by S\$97K for the share option expenses applicable for FY2004. The impact of the adoption of FRS 102 on the net profit of the Group and the Company for 1Q2005 was a charge of S\$88K.

FRS 103 - Business Combinations

FRS 103 requires the inclusion of items such as intangible assets and contingent liabilities at their fair values at the acquisition date as part of the identifiable assets and liabilities acquired upon acquisition of subsidiaries, associated companies and businesses. The adoption of FRS 103 has also resulted in the Group ceasing annual goodwill amortisation from 1 January 2005. The goodwill will be reviewed for impairment annually at the cash generating unit level (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 January 2005 in accordance with FRS 36. The cessation of goodwill amortisation has resulted in a cost saving of S\$56,000 in the first half of 2005.

In addition, the negative goodwill arising from consolidation is transferred to reserve upon adoption of FRS 103.

Apart from the above, the Company adopted various revisions in FRS, applicable from 1 January 2005. These do not have any financial impact on the Company. Therefore, apart from the changes in accounting policies arising from the adoption of new FRS mentioned above, the Company continues to adopt the same accounting policies as in FY2004.

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	
	6 months ended 30/6/05	6 months ended 30/6/04
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	0.73 cents	1.50 cents
(ii) On a fully diluted basis	0.73 cents	1.50 cents

	Group	
	3 months ended 30/6/05	3 months ended 30/6/04
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	0.46 cents	0.77 cents
(ii) On a fully diluted basis	0.46 cents	0.77 cents

- a. EPS for six month ended June 30, 2005 on existing issued share capital is computed based on the weighted average number of shares in issue during the year of 342,304,577 (30/6/2004 : 341,660,227) ordinary shares of S\$0.10 each.
- b. There is no dilution in respect of the shares option outstanding as at June 30, 2005.
- c. For six months ended 30 June 2004 , fully diluted EPS is calculated on 342,123,856 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.
- d. For three months ended 30 June 2004 , fully diluted EPS is calculated on 342,536,997 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.

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			Company		
	30/6/05	31/12/04	Change	30/6/05	31/12/04	Change
Net tangible asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	19.98 cents	19.23 cents	3.9%	14.96 cents	16.00 cents	(6.5)%

Note:

The NTA per ordinary share is based on 342,304,577 (31/12/2004 : 342,304,577) 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**

Income Statement

Second quarter

Compared to the 2Q2004, the Group's turnover increased by S\$1.0 million to S\$17.6 million in 2Q2005. The increase in the manufacturing business was partially offset by the decrease in the distribution business.

The overall gross profit margin in 2Q2005 was lower. Gross profit margin for the manufacturing business was lower due to increase in raw material and labour cost. The distribution business enjoyed better gross profit margin as a result of increased sales of passive components which generally command better margin.

The share of results from associate, Eucon Holding Limited ("Eucon"), decreased to S\$0.2 million in 2Q2005. This was due mainly to low utilization rate of its laser drilling machines and higher administrative expenses incurred for its PCB manufacturing operations in China.

In addition, the Group's effective interest in Eucon had been reduced from 39.9% to 26.9% from September 2004 as a result of (i) the sale of vendor shares, and (ii) the dilutive effect from issuance of new shares during the Initial Public Offer exercise.

In expanding the Group's business and distribution network, higher selling and distribution costs, and administrative expenses have incurred. Finance cost also increased as there is a higher utilization of banking facilities for working capital, coupled with higher interest rate, when compared to 2Q2004.

Profit before income tax decreased to S\$1.7 million in 2Q2005 due to lower gross profit and share of results from associate.

Income tax expense decreased to S\$0.1 million in 2Q2005. This was mainly due to the decrease in share of tax from Eucon.

First half year

The Group's revenue increased by S\$1.0 million to S\$35.5 million in 1H2005. The increase was contributed by both manufacturing and distribution businesses.

The overall gross profit margin in 1H2005 was lower. Gross profit margin for the manufacturing business was lower due to increase in raw material and labour cost. The distribution business enjoyed better gross profit margin as a result of more sales of passive components which generally command better margin.

The share of results from associate which was contributed by Eucon, has decreased to S\$0.3 million in 1H2005. This was due mainly to weaker demand for its laser drilling operations. In addition, growing activities for its PCB manufacturing operations in China has resulted higher administrative expenses incurred.

Profit before tax decreased to S\$2.7 million in 1H2005. The reduction in profitability was due to lower gross profit, higher selling and distribution costs, administrative expenses and finance costs.

Balance Sheet

Inventories have increased to S\$20.2 million as the Group expects higher sales in 3Q2005. This increase has also resulted in the increase in trade payables as at 30 June 2005.

Trade receivables have increased to S\$29.9 million. This was due primarily to sales generated in 1Q2005, which will be collected in 3Q2005. The Group has implemented a stringent debts collection procedure and these efforts will continue in FY 2005.

Through its wholly owned subsidiary – Eurotronic Investment Pte Ltd, the Group has participated in a public convertible bond offered by Evox Rifa Group Oyj in March 2005. The cash consideration of EUR600,000 (S\$1.3 million) was funded by internal source of funds.

Bank loans rose to S\$40.6 million as the increase included a short term loan of S\$2.1 million which was previously included in the long term bank loans. In addition, the Group utilized more trade financing facilities and short term loans for purchases of goods.

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

As announced earlier, the Group has implemented several control measures which include gradual review of its selling price, tighter cost control and continuous improvement on operating efficiency.

To comply with “The Restriction of Hazardous Substances in Electrical and Electronic Equipment (ROHS) Directive”, our two plants currently operate in a lead free environment. The aforementioned selling price review was mainly for the lead free component which required specific raw materials and more stringent environment-friendly compliances.

The Group has performed business and operation review to ensure its continued sustainability. For instance, the plants had undergone a process improvement review, including manpower allocation. Without radical change, it can improve the overall manufacturing efficiency.

The Group will also continue to adopt strategies such as strategic alliances and business diversification to increase its competitive advantage so that it can maximise the shareholders’ values in the long run. The Group believes that it is well positioned to cope with the challenging time ahead.

Taking into account all of the above, our directors expects the Group and its subsidiaries to remain profitable in FY 2005.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, 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 (2004)	Previous Full Year (2003)
Ordinary	-	-
Preference	-	-
Total:	-	-

BY ORDER OF THE BOARD

Huang Shih-An
Chairman
11/8/2005