

EUROPTRONIC GROUP LTD

Third 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

These figures have not been audited.

	Group			Group		
	9 months	9 months	%	3 months	3 months	%
	ended	ended	Increase/ (Decrease)	ended	ended	Increase/ (Decrease)
	30/09/2004	30/09/2003	(Decrease)	30/09/2004	30/09/2003	(Decrease)
(S\$'000)						
Revenue	51,846	32,237	60.83	17,323	11,709	47.95
Cost of Sales	(38,519)	(21,277)	81.04	(11,997)	(7,478)	60.43
Gross Profit	13,327	10,960	21.60	5,326	4,231	25.88
Other operating income	1,817	185	NM	1,570	73	NM
Selling and distribution costs	(2,071)	(1,577)	31.33	(686)	(631)	8.72
Administrative expenses	(5,044)	(3,821)	32.01	(1,877)	(1,417)	32.46
Profit from operations	8,029	5,747	39.71	4,333	2,256	92.07
Finance cost	(791)	(600)	31.83	(297)	(223)	33.18
Profit before share of results from associates	7,238	5,147	40.63	4,036	2,033	98.52
Share of results from associates	2,815	2,725	3.30	409	1,060	(61.42)
Profit before income tax	10,053	7,872	27.71	4,445	3,093	43.71
Income tax expense	(674)	(116)	NM	(281)	148	NM
Profit attributable to the shareholders	9,379	7,756	20.93	4,164	3,241	28.48
Profit before income tax is arrived at after (charging)/crediting the followings:						
		Group			Group	
	9 months	9 months	%	3 months	3 months	%
	ended	ended	Increase/ (Decrease)	ended	ended	Increase/ (Decrease)
	30/09/2004	30/09/2003	(Decrease)	30/09/2004	30/09/2003	(Decrease)
(S\$'000)						
Depreciation	(2,041)	(2,061)	(0.97)	(633)	(611)	3.60
Gain/(Loss) on disposal of plant and equipment	(9)	(15)	(40.00)	(5)	(7)	(28.57)
Interest Expenses	(791)	(600)	31.83	(297)	(223)	33.18
Amortisation of goodwill, net	82	23	NM	27	13	NM
Foreign exchange gain/(loss) (net)	138	(15)	NM	4	(3)	NM
Interest Income	7	6	16.67	2	3	(33.33)
Overprovision of tax in respect of prior years	-	38	(100.00)	-	19	(100.00)
Gains on disposal of share in associates	1,508	-	NM	1,508	-	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

BALANCE SHEET as at 30 September 2004				
	Group		Company	
(S\$'000)	30/09/2004	31/12/2003	30/09/2004	31/12/2003
ASSETS				
Current assets:				
Cash	10,116	6,042	59	32
Trade receivables	27,924	24,646	-	-
Other receivables and prepayments	2,841	3,625	4,781	1,345
Inventories	19,843	16,766	-	-
Total current assets	60,724	51,079	4,840	1,377
Non-current assets:				
Property, plant and equipment	37,204	34,336	-	-
Investment in subsidiaries	-	-	40,776	40,776
Due from subsidiaries	-	-	15,579	18,292
Investment in associates	16,025	17,664	-	-
Goodwill on consolidation	1,915	1,998	-	-
Negative goodwill on consolidation	(1,680)	(1,845)	-	-
Other investments	6,017	5,855	-	-
Convertible Bonds	1,265	-	5	-
Total non-current assets	60,746	58,008	56,360	59,068
Total assets	121,470	109,087	61,200	60,445
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans	25,420	18,921	-	680
Trade payables	10,928	12,328	-	-
Other payables	2,055	2,900	3,291	6,460
Income tax payable	207	218	-	-
Obligations under finance leases	2,099	1,800	-	-
Total current liabilities	40,709	36,167	3,291	7,140
Non-current liabilities:				
Obligations under finance leases	1,862	2,557	-	-
Long-term bank loans	8,844	6,823	-	-
Deferred income tax	69	69	-	-
Total non-current liabilities	10,775	9,449	-	-
Shareholders' equity	69,986	63,471	57,909	53,305
Total liabilities and equity	121,470	109,087	61,200	60,445
Net current assets / (liabilities)	20,015	14,912	1,549	(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 30/9/2004		As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
27,519	Nil	20,041	680

Amount repayable after one year

As at 30/9/2004		As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
10,706	Nil	9,380	Nil

Details of any collateral

The credit facilities of the subsidiaries are secured by the followings:

- Leasehold properties of Europtonic (Singapore) Pte Ltd, Europtonic Electronic (Shenzhen) Co., Ltd, and Europtonic Taiwan Ind Corp;
- 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

	Group	Group	Group	Group
	9 months	9 months	3 months	3 months
	ended	ended	ended	ended
	30/09/2004	30/09/2003	30/09/2004	30/09/2003
(S\$'000)				
Cash flows from operating activities:				
Profit before share of results of associates	7,238	5,147	4,036	2,033
Adjustments for:				
Depreciation expense	2,041	2,061	635	611
Amortisation of goodwill - net	(82)	(23)	(27)	13
Interest income	(7)	(6)	(2)	(3)
Interest expense	791	600	297	223
Gain on disposal of shares in associate	(1,508)	-	(1,508)	-
Loss on disposal of plant and equipment	9	7	5	(1)
Operating profit before working capital changes	8,482	7,786	3,436	2,876
Trade receivables	(3,278)	(2,194)	(1,204)	(2,629)
Other receivables and prepayments	1,516	(1,013)	1,089	(1,138)
Inventories	(3,077)	(2,245)	1,117	324
Trade payables	(1,400)	3,552	(6,061)	1,735
Other payables	(845)	(613)	185	603
Due to directors (net) - non-trade	-	(2,948)	-	-
Cash generated from (used in) operations	1,398	2,325	(1,438)	1,771
Interest paid	(791)	(600)	(297)	(223)
Interest received	7	6	2	3
Income tax paid	(336)	(173)	(162)	(2)
Net cash from (used in) operating activities	278	1,558	(1,895)	1,549
Cash flows from investing activities:				
Purchase of property, plant and equipment	(5,662)	(3,247)	(333)	(1,015)
Disposal of property, plant and equipment	12	159	10	8
Other investments	(162)	13	11	(123)
Dividend received from associate	1,347	-	1,347	-
Disposal of shares in associate	4,261	-	4,261	-
Net cash from (used in) investing activities	(204)	(3,075)	5,296	(1,130)
Cash flows from financing activities:				
Proceeds from issuing shares	297	29,441	-	-
Increase in Convertible Bonds	(1,265)	-	(5)	-
Increase (Decrease) in loans	8,520	(3,212)	1,176	(1,387)
(Decrease) Increase in obligations under finance lease	(396)	(347)	426	2,199
Dividend paid	(1,705)	(500)	-	-
Net cash from financing activities	5,451	25,382	1,597	812
Net effect of exchange rate changes in consolidating subsidiaries	(1,451)	(255)	(1,025)	436
Net increase in cash and cash equivalents	4,074	11,858	3,973	1,667
Cash and cash equivalents at beginning of year	6,042	1,669	6,143	4,031
Cash and cash equivalents at end of period	10,116	13,527	10,116	5,698
CASH AND CASH EQUIVALENTS				
Cash and bank balances	9,859	7,755	9,859	5,697
Fixed deposits	257	5,772	257	1
	10,116	13,527	10,116	5,698

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
Group							
Balance at 1 January 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 31 March 2003	28,055	21,146	723	(2,381)	1,313	7,317	56,173
Listing expenses	-	(7)	-	-	-	-	(7)
Profit for the period	-	-	-	-	-	2,227	2,227
Transfer	-	-	76	-	-	(76)	-
Translation adjustment	-	-	-	(154)	-	-	(154)
Dividends paid	-	-	-	-	(1,313)	-	(1,313)
Balance at 30 June 2003	28,055	21,139	799	(2,535)	-	9,468	56,926
Profit for the period	-	-	-	-	-	3,241	3,241
Transfer	-	-	344	-	-	(344)	-
Translation adjustment	-	-	-	(526)	-	-	(526)
Balance at 30 September 2003	28,055	21,139	1,143	(3,061)	-	12,365	59,641
Issued of shares on acquisition of subsidiary less share issue	368	1,211	-	-	-	-	1,579
Listing expenses	-	7	-	-	-	-	7
Profit for the period	-	-	-	-	-	2,501	2,501
Proposed Dividend	-	-	-	-	1,705	(1,705)	-
Transfer	-	-	81	-	-	(81)	-
Translation adjustment	-	-	-	(257)	-	-	(257)
Balance at 31 December 2003	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)
Balance at 31 March 2004	28,423	22,357	1,378	(5,424)	1,705	15,504	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)	-	17,982	66,870
Profit for the period	-	-	-	-	-	4,164	4,164
Proposed Dividend	-	-	-	-	5,135	(5,135)	-
Transfer	-	-	276	-	-	(276)	-
Translation adjustment	-	-	-	(1,048)	-	-	(1,048)
Balance at 30 September 2004	34,216	16,861	1,813	(4,774)	5,135	16,735	69,986

Company							
Balance at 1 January 2003	28,055	21,146	-	-	1,313	99	50,613
Loss for the period	-	-	-	-	-	(15)	(15)
Balance at 31 March 2003	28,055	21,146	-	-	1,313	84	50,598
Listing expenses	-	(7)	-	-	-	-	(7)
Dividend paid	-	-	-	-	(1,313)	-	(1,313)
Profit for the period	-	-	-	-	-	1,301	1,301
Balance at 30 June 2003	28,055	21,139	-	-	-	1,385	50,579
Loss for the period	-	-	-	-	-	(14)	(14)
Balance at 30 September 2003	28,055	21,139	-	-	-	1,371	50,565
Issued of shares on acquisition of subsidiary less share issue	368	1,211	-	-	-	-	1,579
Listing expenses	-	7	-	-	-	-	7
Profit for the period	-	-	-	-	-	1,154	1,154
Proposed Dividend	-	-	-	-	1,705	(1,705)	-
Balance at 31 December 2003	28,423	22,357	-	-	1,705	820	53,305
Loss for the period	-	-	-	-	-	(9)	(9)
Balance at 31 March 2004	28,423	22,357	-	-	1,705	811	53,296
New issue of shares	90	207	-	-	-	-	297
Transfer due to Bonus issue	5,703	(5,703)	-	-	-	-	-
Listing expenses	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(1,705)	-	(1,705)
Profit for the period	-	-	-	-	-	1,303	1,303
Balance at 30 June 2004	34,216	16,861	-	-	-	2,114	53,191
Profit for the period	-	-	-	-	-	4,718	4,718
Proposed Dividend	-	-	-	-	5,135	(5,135)	-
Balance at 30 September 2004	34,216	16,861	-	-	5,135	1,697	57,909

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 were no changes in the Company's share capital since the end of both financial periods reported on.

Option granted under the Eurotronic Share Option Scheme outstanding as at September 30, 2004 is 2,163,600 (September 30,2003: 3,576,000 as adjusted for bonus issue)

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.

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Singapore Companies Act, Cap. 50. In previous years, the financial statements were prepared in accordance with Singapore Statements of Accounting Standard (SAS). The transition from SAS to FRS did not result in any significant change in accounting policies.

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	
	9 months ended 30/9/04	9 months ended 30/9/03
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	2.74 cents	2.3 cents
(ii) On a fully diluted basis	2.74 cents	2.3 cents

	Group	
	3 months ended 30/9/04	3 months ended 30/9/03
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	1.22 cents	0.96 cents
(ii) On a fully diluted basis	1.22 cents	0.96 cents

- (i) For nine months ended 30 September, 2004 Earnings per ordinary share ('EPS') on existing issued share capital is computed based on the weighted average number of shares in issue during the period of 341,824,941 (30/09/2003 : 336,657,780 as adjusted for bonus issue) ordinary shares of S\$0.10 each.
- (ii) For three months ended 30 September, 2004 Earnings per ordinary share ('EPS') on existing issued share capital is computed based on the weighted average number of shares in issue during the period of 342,152,577 (30/09/2003 : 336,657,780 as adjusted for bonus issue) ordinary shares of S\$0.10 each.
- (iii) For nine months ended 30 September, 2004 , fully diluted EPS is calculated on 342,238,570 (30/9/2003: 337,489,408 as adjusted for bonus issue) 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.
- (iv) For three months ended 30 September, 2004 , fully diluted EPS is calculated on 342,566,206 (30/9/2003: 337,489,408 as adjusted for bonus issue) 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

	30/9/04	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	20.39 cents	18.55cents	9.9%

Note: The NTA per ordinary shares is based on 342,152,577 (31/12/2003: 341,251,577 as adjusted for bonus issue) 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**

Third quarter

Compared to 3Q2003, the Group's turnover increased by S\$5.6 million to S\$17.3 million in 3Q2004. The manufacturing and distribution businesses increased by S\$4.3 million and S\$1.3 million respectively. Two of our key customers had benefitted from a recent industry consolidation in the computing and consumer electronics segments. As a result, they had increased their production level which in turn led to an increase in demand for our in-house manufactured product. The turnover in our distribution business increased at a slower rate due mainly to inventory excess in the telecommunication sector.

The overall gross profit margin in 3Q2004 was lower because higher revenue was recorded from distribution business which yielded lower margin than manufacturing business.

The share of results from associate, Eucon Holding Limited ('Eucon'), had decreased from S\$1.1 million in 3Q2003 to S\$0.3 million in 3Q2004. The lower share of results from associate was due mainly to a slowdown in demand for laser drilling services and the startup costs in PCB manufacturing activities which only commenced operation during the year. In addition, the Group's effective interest in Eucon had been reduced from 39.9% to 26.9% as a result of (i) sale of vendor shares and (ii) dilutive effect from issuance of new shares during the Initial Public Offer exercise.

Profit before income tax increased by S\$2.3 million to S\$4.4 million in 3Q2004 was partly due to gain of S\$1.5 million from disposal of shares in Eucon. This was partially offset by higher selling and distribution expenses as well as administrative expenses and lower share of results from associate.

First nine months

The Group's revenue increased by S\$19.6 million from S\$32.2 million for the first nine months of 2003 to S\$51.8 million for the period ended September 30, 2004. The turnover for the first nine months had exceeded the entire year of 2003. This increase was due to higher revenue generated from both distribution and manufacturing businesses which increased by S\$14.3 million and S\$5.3 million respectively. The Group's continuing strong sales performance for the period ended September 30, 2004, was achieved by expanding its product range and customer base.

The overall gross profit margin for the first nine months was lower because higher revenue was recorded from distribution business which yielded lower margin than manufacturing business.

For the first nine months, the share of results from associate which was contributed by Eucon, had decreased to S\$2.5 million for the period ended September 30, 2004. The lower share of results from associate was due mainly to a slowdown in demand for laser drilling services and the startup costs in PCB manufacturing activities which only commenced operation during the year. In addition, the Group's effective interest in Eucon had been reduced from 39.9% to 26.9% as a result of (i) sale of vendor shares and (ii) dilutive effect from issuance of new shares during the Initial Public Offer exercise.

Profit before income tax increased by S\$2.2 million to S\$10.1 million for the period ended September 30, 2004 was partly due to gain of S\$1.5 million from disposal of shares in Eucon. This was partially offset by higher selling and distribution expenses as well as administrative expenses and lower share of results from associate.

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

Typically, the Group will experience an increase in demand in the fourth quarter due to festive seasons. In addition, the telecommunication sector had also started to rebuild its inventory after slowing down in the third quarter.

The Group will continue to invest in enhancing its core capabilities and expanding its business network. The Group will continue to streamline its operations to increase productivity and cost effectiveness. The Group will also actively pursue business expansion through new strategic alliances.

The associate – Eucon expects its operation in fourth quarter to show an improvement over third quarter. Its laser drilling plant in Taiwan has seen a pick up in demand from October 2004 and it aims to achieve breakeven for its PCB manufacturing business by fourth quarter. For the whole year, Eucon is expected to contribute positively to the Group's results.

Taking into account of the above, the Group is on track to achieve another year of growth in 2004.

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
November 9, 2004