

EUROPTRONIC GROUP LTD

(Company Registration Number 200009775K)

(Incorporated in the Republic of Singapore on 18 November 2000)

QUARTERLY UPDATE PURSUANT TO RULE 1313(2) OF THE LISTING MANUAL

*Europtronic Group Ltd (the “**Company**”) was placed on the watch-list pursuant to Rule 1311 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) with effect from 5 March 2014.*

Pursuant to Rule 1313(2) of the Listing Manual of the SGX-ST, the Board of Directors (the “**Board**”) of the Company wishes to provide the following updates:

Update on Financial Position

The Company recorded an unaudited net loss of USD4.9 million for the three quarters ended 30 September 2014 (“3QFY2014”) compared to a loss of USD4.6 million for the three quarters ended 30 September 2013 (“3QFY2013”). The widening loss was mainly due to the decrease in revenue as a result of scaling down of the Group’s distribution business and the disposal of all the obsolescence inventories below cost under the Group’s manufacturing business.

The Company has embarked on an exercise of identifying and disposing non-core assets of the Group and its loss making subsidiaries (the “Exercise”). The Company believes that the Exercise will have a positive impact on the financial position of the Group as it will improve the cash flow position and reduce the debt levels of the Group. The disposal by the Company of its loss making subsidiaries will also enable the Group to reduce its operating costs and improves its operational efficiencies.

As part of the Exercise, the Company has disposed (i) certain non-core assets of the Group such as the Group’s properties at Marine Parade Singapore in 2012 and most of the Group’s investment in Tecstar Technology CoLtd in 2014 and (ii) certain loss making subsidiaries such as its entire interest in Europtronic (Singapore) Pte Ltd in 2014.

Update on Future Direction

The scaling down of the Group’s distribution business has completed, thus freeing more resources for the Group to focus in its manufacturing business.

Negotiations with the authorities in the People’s Republic of China (“PRC”) in relation to terms of the compulsory acquisition of the land (“the Land”) on which the factory and office premises of the Group are located at No. 1618 Yundongdadao, Wujiang

Economic and Technological Development Zone, Suzhou, Jiangsu Province, PRC 215200 (the “Compulsory Acquisition”) are still on-going.

During the course of negotiating compensation for the Compulsory Acquisition, Management has been negotiating with several teams of government officials appointed by the local government. The composition of the teams was however changed frequently during the course of negotiations. The negotiation of the terms of the Compulsory Acquisition has thus taken longer than expected. After rounds of negotiation, the latest indicative compensation package is well below the market valuation and the Group’s expectation. Notwithstanding, the Group endeavours to achieve the best terms possible for the Compulsory Acquisition.

If the latest indicative compensation package is accepted by the Group, it is expected to have a material negative impact on the financial statements of the Company and the Group.

The Company will keep shareholders apprised of any material developments in respect of the Compulsory Acquisition, where appropriate.

The Company will continue its efforts to dispose its non-core assets and its loss making subsidiaries which are contributing negatively to the Group while concurrently assessing potentially profitable new businesses for the Group. The Group will also explore any fund raising opportunity to shore up its balance sheet. By strengthening the financial position of the Group, this will in turn improve the chances of the Company meeting the requirements of Rule 1314 of the Listing Manual (the “Listing Manual”) of the Singapore Exchange Securities Trading Limited (“SGX-ST”) and exiting the SGX-ST’s watch-list.

The Company would like to reassure shareholders of the Company that it has and will continue to take active steps with a view to seek an exit from the SGX-ST’s watch-list according to Rule 1314 of the Listing Manual.

By Order of the Board
Of Eurotronic Group Limited

Huang Shih An
Chairman
11 Nov 2014