

**EUROPTRONIC GROUP LTD**

(Company Registration Number 200009775K)

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

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**UPDATE ON THE SALE BY EUROPTRONIC GROUP LTD OF ITS ENTIRE INTEREST IN EUROPTRONIC (SUZHOU) CO., LTD**

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The Board of Directors of Europtronic Group Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcements made on 7 July 2016, 18 July 2016 and 10 January 2017 relating to the proposed sale by the Company of its entire interest in Europtronic (Suzhou) Co., Ltd (“**Europtronic Suzhou**”) to Nantong Jianghai Power Electronics Co., Ltd (南通新江海动力电子有限公司) (“**Nantong Jianghai**”) (the “**Sale**”) and wishes to provide the following update in respect of the Sale.

On 7 July 2016, the Company announced that it had, together with the other shareholders of Europtronic Suzhou (the “**Remaining Suzhou Shareholders**” and together with the Company, the “**Europtronic Suzhou Shareholders**”), entered into a sale and purchase agreement dated 4 July 2016 (the “**Sale and Purchase Agreement**”) with Nantong Jianghai pursuant to which the Europtronic Suzhou Shareholders shall sell their entire interest, representing 100% of the registered capital of Europtronic Suzhou, to Nantong Jianghai for the cash consideration of RMB180,000,000 in aggregate (the “**Sale Price**”). The Sale Price, payable by Nantong Jianghai in three instalments, is subject to certain conditions being fulfilled.

The percentage shareholding of each Europtronic Suzhou Shareholders in Europtronic Suzhou (the “**Sale Interest**”) and the amount of the Sale Price due to each of them under each instalment is as follows:

| Name of Europtronic Suzhou Shareholder | Percentage shareholding in Europtronic Suzhou (%) | Amount of the first instalment of the Sale Price (RMB) | Amount of the second instalment of the Sale Price (RMB) | Amount of the final instalment of the Sale Price (RMB) | Total Sale Price due to each Europtronic Suzhou Shareholder (RMB) |
|----------------------------------------|---------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------|
| The Company                            | 89.05                                             | 80,145,000                                             | 40,072,500                                              | 40,072,500                                             | 160,290,000                                                       |
| 深圳市誉安达进出口有限公司                          | 3.76                                              | 3,384,000                                              | 1,692,000                                               | 1,692,000                                              | 6,768,000                                                         |
| 苏州中如旺投资管理有限公司                          | 3.89                                              | 3,501,000                                              | 1,750,500                                               | 1,750,500                                              | 7,002,000                                                         |
| Accuvest Capital I Limited             | 3.30                                              | 2,970,000                                              | 1,485,000                                               | 1,485,000                                              | 5,940,000                                                         |
| <b>Total:</b>                          | <b>100.00</b>                                     | <b>90,000,000</b>                                      | <b>45,000,000</b>                                       | <b>45,000,000</b>                                      | <b>180,000,000</b>                                                |

Under the terms of the Sale and Purchase Agreement, additional payment would be made by Nantong Jianghai to the Europtronic Suzhou Shareholders in the event that Europtronic Suzhou received damages or compensation arising from a loan dispute which Europtronic Suzhou had with an individual. As at the date of this announcement, the loan dispute is ongoing.

On 10 January 2017, the Company announced that the Europtronic Suzhou Shareholders had received the first instalment of the Sale Price amounting to RMB90,000,000 (the “**First Instalment**”) from Nantong Jianghai. Such payment was made by Nantong Jianghai on 3 January 2017 following the receipt by Europtronic Suzhou of written approval from the relevant regulatory authority in the People’s Republic of China (“**PRC**”) for the sale of Europtronic Suzhou by the Europtronic Suzhou Shareholders to Nantong Jianghai.

The sale of Europtronic Suzhou was subject to, amongst other things, the approval of the shareholders of the Company (the “**Shareholders**”) to be obtained at an extraordinary general meeting pursuant to Rule 1014 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”); such approval to be obtained by 31 August 2016 (the “**Long Stop Date**”). A circular relating to the sale by the Company of its interest in Europtronic Suzhou was submitted to the SGX-ST on 20 July 2016 for clearance to convene an extraordinary general meeting. During the clearance of the circular, the SGX-ST enquired whether the Company will be presenting an exit offer to the Shareholders and for such information to be included in the circular. It was uncertain at the time whether the Company or its controlling shareholders will be presenting an exit offer to the Shareholders. By the expiry of the Long Stop Date, the circular was still not cleared as no exit offer was forthcoming at the time. The Long Stop Date was extended to 28 February 2017 (the “**Extended Long Stop Date**”). However, before the expiry of the Extended Long Stop Date, Nantong Jianghai threatened to terminate the Sale and Purchase Agreement and demanded the return of the First Instalment from each of the Europtronic Suzhou Shareholders unless the Company transferred its interest in Europtronic Suzhou to Nantong Jianghai. As the Europtronic Suzhou Shareholders had received no other offer for Europtronic Suzhou, the termination of the Sale and Purchase Agreement would be detrimental to them. Further, the Company assessed the situation and concluded that since no exit offer was likely to be forthcoming at the time, it was unlikely that the SGX-ST will clear the circular. The Europtronic Suzhou Shareholders therefore agreed to transfer their respective interests in Europtronic Suzhou to Nantong Jianghai in the hope of preserving and completing the Sale. Transfer of the interest was completed and Nantong Jianghai was registered as the sole shareholder of Europtronic Suzhou on 10 January 2017. The Company intends to seek approval from its Shareholders after completion of the Exit Offer for the ratification of the transfer of its interest in Europtronic Suzhou to Nantong Jianghai.

As at the date of this announcement, the Europtronic Suzhou Shareholders (including the Company) have yet to receive the second instalment of the Sale Price amounting to RMB45,000,000 (the “**Second Instalment**”) and the third instalment of the Sale Price (the “**Final Instalment**”) amounting to RMB45,000,000 from Nantong Jianghai.

The Second Instalment is payable by Nantong Jianghai to the Europtronic Suzhou Shareholders within 7 business days upon the satisfaction of the following conditions:

- (a) Nantong Jianghai being registered as the shareholder of Europtronic Suzhou;
- (b) the return of the deposit of RMB20,000,000 by the Company to Nantong Jianghai; and
- (c) the settlement of related parties transactions between the Group and Europtronic Suzhou as at 31 December 2015 pursuant to which a net amount of RMB40,329,300 is payable by the Group to Europtronic Suzhou.

As at the date hereof, conditions (a) and (b) are fulfilled and the Company is in dispute with Nantong Jianghai relating to the manner in which the related parties transactions are to be settled between the Group and Europtronic Suzhou. The Company is currently seeking legal advice on the said matter and will keep Shareholders informed of any development.

The Final Instalment is payable by Nantong Jianghai to the Europtronic Suzhou Shareholders on the date falling 6 months from the date on which the Second Instalment was paid, or such earlier date as may be agreed between the said parties. The payment by Nantong Jianghai of the Final Instalment is subject to (i) the payment of the Second Instalment by Nantong Jianghai and (ii) the receipt by Europtronic Suzhou of certain accounts receivables identified in the Sale and Purchase Agreement (the “**Uncollected Receivables**”). The Uncollected Receivables, if not collected by Europtronic Suzhou in full, would be set-off against the Final Instalment (the “**Shortfall Receivables**”). If the Shortfall Receivables is of an amount higher than the Final Instalment, the Europtronic Suzhou Shareholders are required to pay the difference thereof to Europtronic Suzhou. The amount of the Shortfall Receivables will be shared amongst the Europtronic Suzhou Shareholders and be deducted from the Final Instalment due to each of them and, if applicable, be payable by each of them to Europtronic Suzhou, in proportion to their respective Sale Interest. Under the Sale and Purchase Agreement, the Uncollected Receivables amounted to RMB65,809,554 as at 31 May 2016. As at 31 March 2017, the Uncollected Receivables amounted to RMB54,242,097.

The net proceeds of the First Instalment received by the Company amounted to RMB70,756,623 (after deducting local taxes of RMB9,388,377 paid to the relevant PRC authorities). Such net proceeds have been used entirely by the Company for the Group’s operating expenses and to repay bank borrowings. The Company currently does not expect to incur any further material expenses or transaction costs in respect of, or in connection with, the Sale.

Based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2016, the Group’s net liabilities amounted to approximately US\$(11.832) million (equivalent to approximately RMB(81.641) million<sup>1</sup>) as at 31 December 2016. The net liability of the Group attributable to Shareholders was approximately US\$(12.613) million as at 31 December 2016.

Based on the latest published unaudited consolidated financial statements of the Company for the nine-month period ended 30 September 2017, the Group’s net liabilities amounted to approximately US\$(13.855) million (equivalent to RMB(91.304) million<sup>2</sup>) as at 30 September 2017. The net liability of the Group attributable to Shareholders was approximately US\$(14.636) million as at 30 September 2017.

In the consolidated financial position of the Company as at 31 December 2016 and as at 30 September 2017, the carrying value of Europtronic Suzhou was approximately US\$12.848 million. Based on the percentage interest of the Company in Europtronic Suzhou of 89.05%, the Company’s share of the carrying value of Europtronic Suzhou was approximately US\$11.441 million, excluding non-controlling interests.

The receipt of cash from the First Instalment was accounted as a receipt in advance and no adjustments were made to the carrying value of Europtronic Suzhou.

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<sup>1</sup> Based on the exchange rate of US\$1.00 to RMB6.90 as at 31 December 2016, extracted from the website [www.oanda.com/convert/fxdaily](http://www.oanda.com/convert/fxdaily) and used by the Company in its preparation of its audited financial statements for the financial year ended 31 December 2016.

<sup>2</sup> Based on the exchange rate of US\$1.00 to RMB6.59 as at 30 September 2017, extracted from the website [www.oanda.com/convert/fxdaily](http://www.oanda.com/convert/fxdaily) and used by the Company in its preparation of its unaudited financial statements for the nine-month period ended 30 September 2017.

Solely for illustration purposes only, the proforma financial effects of the sale by the Company of its interest in Europtronic Suzhou on the net liability of the Group attributable to its Shareholders are set out below:

- (a) assuming that the Company only receives the net proceeds of the First Instalment which amounted to RMB70,756,623 (after deducting local taxes of RMB9,388,377 paid to the relevant PRC authorities) (equivalent to approximately US\$10,181,102<sup>3</sup>), the net liability of the Group attributable to Shareholders would have decreased by US\$0.197 million, from US\$(14.636) million as at 30 September 2017 to US\$(14.439) million; and
- (b) assuming that the Company had received additionally the entire Second Instalment and the Final Instalment of RMB80,145,000 (equivalent to approximately US\$12,161,608<sup>4</sup>) due to it, the net liability of the Group attributable to Shareholders would have decreased by US\$12.358 million, from US\$(14.636) million as at 30 September 2017 to US\$(2.278) million.

As illustrated above, even if the Company receives the entire Sale Price of RMB160,290,000 from Nantong Jianghai, the Group would still be in an overall net liability position. It is therefore unlikely that there would be excess cash for the Company to distribute to its Shareholders even if the Company had received the entire Sale Price of RMB160,290,000 from Nantong Jianghai.

The Company also wishes to inform Shareholders that a joint announcement (the “**Joint Announcement**”) was released today by the Company and Project Goodwill Pte. Ltd. (the “**Offeror**”) relating to a formal proposal (the “**Delisting Proposal**”) presented by the Offeror to the Company to make an exit offer to Shareholders pursuant to Rules 1306 and 1309 of the Listing Manual and in connection with the delisting of the Company by the SGX-ST in accordance with Rule 1315 of the Listing Manual. Under the Delisting Proposal, the Offeror will make a conditional exit cash offer (the “**Exit Offer**”) to acquire all the issued and paid-up ordinary shares in the capital of the Company (excluding treasury shares) other than those shares already owned, controlled or agreed to be acquired by the Offeror as at the date of the Exit Offer. Shareholders are to refer to the Joint Announcement for further information relating to, among others, the terms of the Exit Offer.

By Order of the Board  
Europtronic Group Ltd

HUANG SHIH-AN  
Non-Executive Chairman  
7 November 2017

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<sup>3</sup> Based on the exchange rate of US\$1.00 to RMB6.95 as at 3 January 2017, being the date on which the First Instalment was paid by Nantong Jianghai to the Europtronic Suzhou Shareholders in USD and such amount was converted by Nantong Jianghai from RMB to USD by using the average exchange rate quoted by the People’s Bank of China.

<sup>4</sup> Based on the exchange rate of US\$1.00 to RMB6.59 as at 30 September 2017, extracted from the website [www.oanda.com/convert/fxdaily](http://www.oanda.com/convert/fxdaily) and used by the Company in its preparation of its unaudited financial statements for the nine-month period ended 30 September 2017.