

**EUROPTRONIC GROUP LTD**

(Company Registration Number 200009775K)

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

**DIFFERENCES BETWEEN THE UNAUDITED FINANCIAL RESULTS
ANNOUNCEMENT AND AUDITED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2016**

The Board of Directors (the “Board”) of Europtonic Group Ltd (the “Company”, and together with its subsidiaries, the “Group”) refers to the unaudited full year results announcement for the financial year ended 31 December 2016 (“FY2016”) released via the SGXNET on 27 February 2017 (the “Unaudited Financial Statements”). Further reference is made to the Audited Financial Statements of the Group for FY2016 (the “Audited Financial Statements”) contained in the annual report 2016.

Pursuant to Rule 704(6) of the Listing Manual of SGX-ST, the Board wishes to highlight and clarify the material differences between the Unaudited Financial Statements and the Audited Financial Statements for FY2016. The adjustments were made primarily following the finalization of the audit of the subsidiary, Europtonic (Suzhou) Co., Ltd (“ER Suzhou”). The material differences and the reasons for such material differences are set out in the explanatory notes below:

Consolidated Statement of Comprehensive Income for the year ended 31 December 2016

	Unaudited Financial Statements	FRS105 Adjustment (Note a)	Audited Financial Statements	Differences	Differences	Note
	US\$'000	US\$'000	US\$'000	US\$'000	%	
Continuing operations						
Revenue	11,595	10,981	614	-		
Cost of sales	(11,787)	(11,596)	(475)	284.0	-2.41%	b
Gross profit/(loss)	(192)	(615)	139			
Other income	524	4	520	-		
Other (losses)/gains - net	(1,476)	14	(1,744)	254.0	-17.21%	c
Expenses						
- Distribution and marketing	(3,744)	(3,245)	(1,586)	1,087.0	-29.03%	d
- Administrative	(3,454)	(1,468)	(1,753)	(233.0)	6.75%	e
- Finance	(2,690)	(1,969)	(1,483)	762.0	-28.33%	f
Loss before income tax	(11,032)	(7,279)	(5,907)			
Income tax expense	(115)	(35)	(117)	37.0	-32.17%	g
Net loss	(11,147)	(7,314)	(6,024)			
Other comprehensive income/(losses):						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Currency translation differences arising from consolidation						
- Losses during the financial year	(678)		(653)	(25.0)	3.69%	immaterial
- Reclassification	147		147	-		
	(531)		(506)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>						
Revaluation losses on property, plant and equipment	521		-	521.0	100.00%	h
Other comprehensive losses, net of tax	(10)		(506)			
Total comprehensive losses	(11,157)		(6,530)			
Loss attributable to:						
Equity holders of the Company	(10,433)		(12,572)	2,139.0	-20.50%	
Non-controlling interests	(714)		(765)	51.0	-7.14%	
	(11,147)		(13,337)			
Total comprehensive losses attributable to:						
Equity holders of the Company	(10,361)		(12,998)	2,637.0	-25.45%	
Non-controlling interests	(796)		(845)	49.0	-6.16%	
	(11,157)		(13,843)			
Loss per share attributable to equity holders of the Company (cents per share)						
- Basic and diluted	(1.11)		(0.64)	(0.5)	42.71%	

Statement of Financial Position as at 31 December 2016

	Group					Company			
	Unaudited Financial Statements	FRS105 Adjustment	Audited Financial Statements	Differences	Differences	Unaudited Financial Statements	Audited Financial Statements	Differences	Note
	US\$'000		US\$'000	US\$'000	%	US\$'000	US\$'000	US\$'000	
ASSETS									
Current assets									
Cash and cash equivalents	622	492	125	(5)	-0.80%	4	4	-	immaterial
Available-for-sale financial assets	1		1	-	0.00%	1	1	-	
Trade and other receivables	6,031	4,015	743	(1,273)	-21.11%	119	119	-	i
Inventories	3,472	3,248	83	(141)	-4.06%	-	-	-	b(ii)
Asset of disposal group classified as held-for-sale	-	-	37,631	37,631	n.m.				a
Non-current asset classified as held-for-sale	-	-	-	-		-	13,307		a
	10,126	7,755	38,583			124	13,431		
Non-current assets									
Investments in subsidiaries	-		-	-		13,307	-	13,307	a
Investment properties	2,772		2,772	-	0.00%	-	-	-	
Property, plant and equipment	29,925	29,825	100	-	0.00%	-	-	-	
Intangible assets	128	51	77	-	0.00%	-	-	-	
	32,825	29,876	2,949			13,307	-		
Total assets	42,951	37,631	41,532			13,431	13,431		
LIABILITIES									
Current liabilities									
Trade and other payables	27,178	8,999	18,922	743	2.73%	11,827	11,827	-	f(i)
Financial guarantee contracts	7,206		7,206	-	0.00%	7,206	7,206	-	
Borrowings	12,139	10,138	2,004	3	0.02%	-	-	-	immaterial
Liabilities directly associated with disposal group classified as held-for-sale	-	-	24,783	24,783	n.m.				a
	46,523	19,137	52,915			19,033	19,033		
Non-current liabilities									
Borrowings	43		43	-	0.00%	-	-	-	
Deferred income tax liabilities	6,052	5,646	406	-	0.00%	-	-	-	
	6,095	5,646	449			-	-		
Total liabilities	52,618	24,783	53,364			19,033	19,033		
NET (LIABILITIES)/ASSETS	(9,667)	12,848	(11,832)			(5,602)	(5,602)		
EQUITY									
Capital and reserves attributable to equity holders of the company									
Share capital	46,115		46,115	-	0.00%	46,115	46,115	-	
Other reserves	17,726		17,749	23	0.13%	3,426	3,426	-	
Accumulated losses	(74,338)		(76,477)	(2,139)	2.88%	(55,143)	(55,143)	-	
	(10,497)		(12,613)			(5,602)	(5,602)		
Non-controlling interests	830		781	(49)	-5.90%	-	-	-	
Total equity	(9,667)		(11,832)			(5,602)	(5,602)		

Consolidated Statement of Cash Flows for the year ended 31 December 2016

	Unaudited Financial Statements	Audited Financial Statements	Differences	Note
	US\$'000	US\$'000	US\$'000	
Cash flows from operating activities				
Net loss	(11,147)	(13,337)	2,190	
Adjustments for:				
- Income tax expenses	115	152	(37)	g
- Allowance for inventories obsolescence	137	406	(269)	d(ii)
- Allowance for impairment of doubtful receivables	2,463	3,687	(1,224)	d(i)
- Amortisation of intangible assets	12	12	-	
- Bad debts written off	143	143	-	
- Depreciation of property, plant and equipment	1,915	1,915	-	
- Loss on disposal of property, plant and equipment	540	540	-	
- Finance expenses	2,690	3,451	(761)	f
- Net loss on disposal of subsidiary	64	64	-	
- Reclassification from other comprehensive income on disposal of a subsidiary	147	147	-	
- Currency exchange differences	662	687	(25)	
	(2,259)	(2,133)		
Changes in working capital, net of effects from disposal of subsidiaries:				
- Inventories	291	163	128	
- Trade and other receivables	800	849	(49)	
- Trade and other payables	2,383	3,122	(739)	
Cash generated from operations	1,215	2,001		
Interest paid	(133)	(133)	-	
Income tax paid	(115)	(152)	37	g
Net cash provided by operating activities	967	1,716		
Cash flows from investing activities:				
Additions of property, plant and equipment	(172)	(172)	-	
Disposal of property, plant and equipment	3,824	3,824	-	
Disposal of subsidiary, net of cash disposed of	(8)	(8)	-	
Net cash provided by investing activities	3,644	3,644		
Cash flows from financing activities:				
Proceeds from borrowings	13,213	13,213	-	
Repayment of borrowings	(17,219)	(17,219)	-	
Repayment of finance lease liabilities	(296)	(293)	(3)	
Proceeds from advances from Directors	1,495	1,495	-	
Proceeds from deemed disposal of a subsidiary without loss of control	600	600	-	
Repayment of financial guarantee contracts	350	-	350	k
Repayment to related companies	(157)	(153)	(4)	
Interest paid	(2,557)	(2,968)	411	f, k
Net cash used in financing activities	(4,571)	(5,325)		
Net increase in cash and cash equivalents	40	35		j
Cash and cash equivalents				
Beginning of financial period	582	582	-	
Reclassified to disposal group	-	(492)	492	a
End of financial period	622	125		

Notes:

- a) Adjustment as the result of application of FRS105 following the finalization of the audit and the Group received the first installment of the proposed sale of the subsidiary ER Suzhou in January 2017. The entire assets and liabilities related to ER Suzhou are classified as a disposal group held-for-sale on the consolidated balance sheet, and the entire results from ER Suzhou are presented separately on the consolidated statement of comprehensive income as “Discontinued operations”.
- b) Adjustments to take up:
 - (i) reclassification from distribution and marketing expenses, offset by
 - (ii) understatement of closing inventories with corresponding adjustment on consolidated balance sheet.
- c) Adjustment on reclassification from administrative expenses.
- d) Adjustments to take up:
 - (i) understatement of allowance for impairment of receivables and
 - (ii) understatement of allowance for impairment of inventory, offset by
 - (iii) reclassification of allowance for impairment of inventory to cost of sales.
- e) Adjustments to take up:
 - (i) reclassification to other (losses)/gains, offset by
 - (ii) understatement of printing and stationery with corresponding decrease in other receivables.
- f) Adjustments to take up:
 - (i) additional provision of loan interest and
 - (ii) financial lease interest from recalculation to align with the International Financial Reporting Standards (“IFRS”).
- g) Adjustment on over-provision of foreign income tax in prior financial years with corresponding decrease in other receivables.
- h) Adjustment on reclassification to equity.
- i) Adjustments for allowance for impairment of receivables as mentioned in Note d(i) and matters as explained in Notes e(ii) and g.
- j) As a result of the change to the consolidated statement of financial position, consolidated statement of comprehensive income and audit reclassifications, corresponding changes have been made to the consolidated statement of cash flows.
- k) Adjustments for reclassification to interest paid.

By Order of the Board
Europtronic Group Ltd

HUANG SHIH-AN
Non-Executive Chairman
9 May 2017