

FIRST 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)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated statement of comprehensive income for quarter ended 31 March 2017. These figures have not been audited.

	Group		
	3 months ended 31/03/2017 US\$'000	3 months ended 31/03/2016 US\$'000	% Increase/ (Decrease)
Revenue	151	2,163	(93.02)
Cost of sales	(124)	(2,468)	(94.98)
Gross profit/(loss)	27	(305)	NM
Other income	65	31	NM
Other gains/(losses) - net	(351)	(303)	NM
Expenses			
- Distribution and marketing	(53)	(233)	(77.25)
- Administrative	(322)	(1,088)	(70.40)
- Finance	(86)	(412)	NM
Loss before income tax	(720)	(2,310)	NM
Income tax expense	(1,363)	(108)	NM
Net loss	(2,083)	(2,418)	NM
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences arising from consolidation			
- Gain/(Losses)	75	(459)	NM
	75	(459)	NM
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation gain on property, plant and equipment	-	521	NM
Other comprehensive income, net of tax	75	62	NM
Total comprehensive losses	(2,008)	(2,356)	NM
Loss attributable to:			
Equity holders of the Company	(2,083)	(2,416)	NM
Non-controlling interests	-	(2)	NM
	(2,083)	(2,418)	NM
Total comprehensive losses attributable to:			
Equity holders of the Company	(2,008)	(2,305)	NM
Non-controlling interests	-	(51)	NM
	(2,008)	(2,356)	NM
Loss per share for net loss attributable to equity holders of the Company (cents per share)			
- Basic and diluted	(0.22)	(0.28)	NM

1(a)(ii) Addition information to the income statement

Loss for the quarter ended 31 March is arrived at after (charging)/crediting the following:

	3 months ended 31/03/2017 US\$'000	Group 3 months ended 31/03/2016 US\$'000	% Increase/ (Decrease)
Write back of allowance for impairment of inventories	49	-	NM
Amortisation of intangible assets	-	(2)	NM
Depreciation of property, plant and equipment	(10)	(499)	(98.00)
Foreign exchange (losses)/gain, net	(351)	209	NM
Finance guarantee contracts	-	(126)	NM
Finance expenses	(86)	(412)	(79.13)
Loss on disposal of property, plant and equipment	-	(512)	NM
Interest income	<u>7</u>	<u>-</u>	NM

NM: Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Statement of Financial Position

	Group		Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	2,681	125	2,561	4
Available-for-sale financial assets	1	1	1	1
Trade and other receivables	637	743	79	119
Inventories	59	83	-	-
	3,378	952	2,641	124
Asset of disposal group classified as held-for-sale	37,631	37,631	-	-
Non-current asset classified as held-for-sale	-	-	13,307	13,307
	41,009	38,583	15,948	13,431
Non-current assets				
Investments in subsidiaries	-	-	-	-
Investment properties	2,785	2,772	-	-
Property, plant and equipment	94	100	-	-
Intangible assets	77	77	-	-
	2,956	2,949	-	-
Total assets	43,965	41,532	15,948	13,431
LIABILITIES				
Current liabilities				
Trade and other payables *	25,968	18,922	18,558	11,827
Current income tax liabilities	-	-	-	-
Financial guarantee contracts	4,612	7,206	4,612	7,206
Borrowings	1,994	2,004	-	-
	32,574	28,132	23,170	19,033
Liabilities directly associated with disposal group classified as held-for-sale	24,783	24,783	-	-
	57,357	52,915	23,170	19,033
Non-current liabilities				
Borrowings	40	43	-	-
Deferred income tax liabilities	408	406	-	-
	448	449	-	-
Total liabilities	57,805	53,364	23,170	19,033
NET LIABILITIES	(13,840)	(11,832)	(7,222)	(5,602)
EQUITY				
Capital and reserves attributable to equity holders of the company				
Share capital	46,115	46,115	46,115	46,115
Capital and statutory reserve	1,538	1,538	66	66
Currency translation reserve	(1,154)	(1,229)	3,228	3,228
Asset revaluation reserve	17,308	17,308	-	-
Share option reserve	132	132	132	132
Accumulated losses	(78,560)	(76,477)	(56,763)	(55,143)
	(14,621)	(12,613)	(7,222)	(5,602)
Non-controlling interests	781	781	-	-
Total equity	(13,840)	(11,832)	(7,222)	(5,602)

* Other payables inclusive of US\$4.0 million loan from a shareholder.

1(b)(ii) Aggregate amount of group's borrowings and debt securities

	Group			
	As at 31/03/2017		As at 31/12/2016	
	Secured	Unsecured	Secured	Unsecured
	US\$'000	US\$'000	US\$'000	US\$'000
(a) Amount repayable in one year or less, or on demand	1,994	-	2,004	-
(b) Amount repayable after one year	40	-	43	-

Details of any collateral

The credit facilities of the Group's subsidiaries were secured by the investment property of UPT Crypson Component (Shanghai) Co., Ltd and corporate guarantee provided by the Company.

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

Cash flows from operating activities:

Loss before income tax	(720)	(2,418)
Adjustments for:		
- Income tax expenses	-	108
- Amortisation of intangible assets	-	2
- Depreciation of property, plant and equipment	10	499
- Loss on disposal of property, plant and equipment	-	512
- Interest income	(7)	-
- Finance expense	19	412
- Write back of allowance for impairment for inventories	(49)	-
- Gain on disposal of assets held for sale under FRS105	-	-
- Currency exchange differences	51	(286)
Operating cash flow before working capital changes	(696)	(1,171)

Changes in working capital, net of effects from disposal of subsidiaries:

- Inventories	73	(479)
- Trade and other receivables	106	1,020
- Trade and other payables	7,637	1,404
Cash generated from operations	7,120	774

Interest received

Interest paid

Income tax paid

Net cash provided by operating activities

	(2,000)	(200)
	5,764	657

Cash flows from investing activities:

Additions to property, plant and equipment

Disposal of property, plant and equipment

Net cash (used in)/provided by investing activities

(2)	(8)
-	3,980
(2)	3,972

Cash flows from financing activities:

Repayment of advances from Directors

(Repayment of)/Proceeds from financial guarantee contracts

Proceeds from borrowings

Repayment of borrowings

Repayment of finance lease liabilities

Proceeds from disposal of assets held for sale under FRS105

Interest paid

Repayment of non trade amount due to related party transaction

Net cash used in financing activities

(554)	42
(2,649)	92
-	4,269
-	(7,808)
(3)	(149)
-	600
-	(403)
-	(153)
(3,206)	(3,510)

Net increase in cash and cash equivalents

	2,556	1,119
--	-------	-------

Cash and cash equivalents

Beginning of financial period

End of financial period

125	582
2,681	1,701

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

	Share capital	Share option reserve	Capital and statutory reserve	Currency translation reserve	Revaluation reserve	Accumulated losses	Total	Non-controlling interest	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group									
Balance at 1 January 2017	46,115	132	1,538	(1,229)	17,308	(76,477)	(12,613)	781	(11,832)
Loss for the period	-	-	-	-	-	(2,083)	(2,083)	-	(2,083)
Other comprehensive losses for the period	-	-	-	75	-	-	75	-	75
Total comprehensive income/ (losses) for the period	-	-	-	75	-	(2,083)	(2,008)	-	(2,008)
Balance at 31 March 2017	46,115	132	1,538	(1,154)	17,308	(78,560)	(14,621)	781	(13,840)
Balance at 1 January 2016	46,115	132	1,400	(740)	20,451	(67,620)	(262)	1,081	819
Loss for the period	-	-	-	-	-	(2,416)	(2,416)	(2)	(2,418)
Other comprehensive income/ (losses) for the period	-	-	-	(410)	521	-	111	(49)	62
Total comprehensive income/ (losses) for the period	-	-	-	(410)	521	(2,416)	(2,305)	(51)	(2,356)
Revaluation gain transferred to accumulated losses	-	-	-	-	(3,065)	3,065	-	-	-
Partial disposal of a subsidiary without loss of control	-	-	133	(63)	(599)	650	121	479	600
Balance at 31 March 2016	46,115	132	1,533	(1,213)	17,308	(66,321)	(2,446)	1,509	(937)
Company									
Balance at 1 January 2017	46,115	132	66	3,228	-	(55,143)	(5,602)	-	(5,602)
Loss for the period	-	-	-	-	-	(1,620)	(1,620)	-	(1,620)
Total comprehensive loss for the period	-	-	-	-	-	(1,620)	(1,620)	-	(1,620)
Balance at 31 March 2017	46,115	132	66	3,228	-	(56,763)	(7,222)	-	(7,222)
Balance at 1 January 2016	46,115	132	66	3,228	-	(53,791)	(4,250)	-	(4,250)
Loss for the period	-	-	-	-	-	(470)	(470)	-	(470)
Total comprehensive loss for the period	-	-	-	-	-	(470)	(470)	-	(470)
Balance at 31 March 2016	46,115	132	66	3,228	-	(54,261)	(4,720)	-	(4,720)

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.**

Not applicable.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	3 months ended 31/03/2017	3 months ended 31/03/2016
Number of issued shares	943,732,154	943,732,154
Number of issued shares excluding treasury shares	943,732,154	943,732,154

- 1(d)(iv) A statement showing all sales transfers, cancellation and/or use of treasury shares as at the end of the current financial year reported on.**

Not applicable.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

- 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 Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the most recent audited financial statements as at 31 December 2016.

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	
	31/03/2017	31/03/2016
Loss per ordinary share ("EPS") for the period based on net loss attributable to the shareholders		
(i) Based on weighted average number of ordinary shares in issue ; and	(0.22 cents)	(0.28 cents)
(ii) On a fully diluted basis	(0.22 cents)	(0.28 cents)

(i) EPS for quarter ended 31 March 2017 on existing issued share capital is computed based on the weighted average number of shares issued during the period, amounted to 943,732,154 (31/03/2016 : 874,353,064) ordinary shares.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group			Company		
	31/03/17	31/12/16	Increase / (Decrease)	31/03/17	31/12/16	Increase / (Decrease)
Net asset value ("NAV") per ordinary share based on the total number of issued shares excluding treasury shares as at the end of the period reported on	(1.55) cents	(1.34) cents	(15.92%)	(0.77) cents	(0.59) cents	(28.92%)

Note:

NAV per ordinary share is computed based on 943,732,154 (31/12/2016 : 943,732,154) ordinary shares as at 31 March 2017.

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**

Statement of Comprehensive Income (First Quarter ended 31 March 2017 ("1Q 2017") vs First Quarter ended 31 March 2016 ("1Q 2016"))

The Group's revenue decreased by 93.02% or US\$2.01 million from US\$2.16 million to US\$0.15 million due mainly to the reduction in revenue from the Component Manufacturing Business Unit ("CMBU") in which its major components have been classified as discontinued operations.

Despite the decrease in revenue, the Group recorded a gross profit of US\$0.03 million for 1Q 2017 from a gross loss of US\$0.31 million for 1Q 2016 due mainly to the savings from discontinuation of the loss-making entities in CMBU.

Distribution and marketing expenses decreased by 77.25% or US\$0.18 million from US\$0.23 million to US\$0.05 million attributed mainly to reduction in staff headcount and marketing costs.

Administrative expenses decreased by 70.40% or US\$0.77 million from US\$1.09 million to US\$0.32 million due mainly to effective on-going cost control.

Depreciation of property, plant and equipment decreased by 98% from US\$0.50 million to US\$0.01 million due mainly to depreciation of US\$0.49 million for 1Q 2016 incurred previously by assets held-for-sale.

Finance expenses decreased by US\$0.33 million from US\$0.41 million to US\$0.08 million due mainly to decrease in interest expenses from borrowings incurred previously by assets held-for-sale.

Overall, the Group reported a loss after tax and before minority interests of US\$2.08 million in 1Q 2017 compared to US\$2.42 million in 1Q 2016.

Statement of Financial Position

Trade and other receivables decreased by US\$0.11 million to US\$0.64 million due mainly to lower sales generated and settlements of other receivables.

Trade and other payables increased by US\$7.05 million from US\$18.92 million to US\$25.97 million due mainly to the first instalment received of US\$11.64 million from Nantong Jianghai Power Electronics Co Ltd ("Jianghai"), the buyer of the proposed sale of Europtronic Suzhou Co., Ltd ("ER Suzhou"), offset by the settlement of payables in 1Q 2017.

Financial guarantee contracts decreased by US\$2.59 million to US\$4.61 million in 1Q 2017 due mainly to the repayment of financial guarantee contracts.

The Group's net liabilities stood at US\$13.84 million as at 31 March 2017, compared to net liabilities of US\$11.83 million as at 31 December 2016.

Consolidated Statement of Cash Flow

Net cash flow provided by operating activities for Q1 2017 was US\$5.76 million, comprising mainly cash outflow from operating activities before working capital changes of US\$0.70 million and net working capital inflow of US\$7.82 million.

Net cash used in financing activities was US\$3.21 million, arising mainly from the repayments of financial guarantee contracts.

Overall, the Group recorded a net increase in cash and cash equivalent of US\$2.56 million in 1Q 2017, bringing cash and cash equivalents per the consolidated statement of cash flow of US\$2.68 million as at 31 March 2017.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable. No forecast provided.

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

Further to the definitive sale and purchase agreement signed between the Company together with the other shareholders of Europtronic Suzhou Co., Ltd ("ER Suzhou") and Nantong Jianghai Power Electronics Co Ltd ("Jianghai") on 4 July 2016, Jianghai has paid shareholders of ER Suzhou the first instalment of RMB90,000,000 or 50% of the sales consideration in January 2017 following the receipt by ER Suzhou of written approval from the relevant regulatory authority in the PRC for the proposed sale.

In accordance with the sales and purchase agreement, the remaining second and third instalments of sale considerations are conditional upon relevant approvals and other terms and conditions. The Board and management are doing its best to pursue the completion of the above transactions. But the management wish to highlight that there is always execution risk involved in cross border transactions of this complexity.

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/recommendeded, a statement to that effect.

No dividend has been recommended by the Directors for the three months ended 31 March 2017.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have a general mandate from its shareholders for IPTs.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. Confirmation by the issuer pursuant to Rule 720(1)

The Board of Directors of the Company hereby confirms that the undertakings from all its Directors and Executive Officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

15. Confirmation by the Board pursuant to Rule 705(5)

On behalf of the Board of Directors of the Company, we, Huang Shih An and Huang Chuang Shueh-Ou, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the 1Q 2017 financial statements for the financial period ended 31 March 2017 set out above to be false or misleading in any material aspect.

On behalf of the Board of Directors
of Europtronic Group Ltd

Huang Shih An
Non-Executive Chairman
15 May 2017

Huang Chuang Shueh-Ou
Vice Chairman