

EXIT OFFER LETTER DATED 8 AUGUST 2018

**THIS EXIT OFFER LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
PLEASE READ IT CAREFULLY.**

If you are in any doubt in relation to any aspect of this Exit Offer Letter or as to the course of action that you should take, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Europtronic Group Ltd held through CDP (as defined herein), you need not forward this Exit Offer Letter to the purchaser or transferee, as arrangements will be made by CDP for a separate Exit Offer Letter to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of Europtronic Group Ltd represented by physical share certificate(s), you should immediately forward this Exit Offer Letter to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The views of the Independent Directors (as defined herein) and the IFA (as defined herein) on the Exit Offer (as defined herein) are set out in the Company's Letter to Shareholders (as defined herein) in **Appendix IV** to this Exit Offer Letter. You may wish to consider their views before taking any decision on the Exit Offer.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Exit Offer Letter.

EXIT OFFER

in connection with

**THE DIRECTED DELISTING OF EUROPTRONIC GROUP LTD
FROM THE OFFICIAL LIST OF THE SINGAPORE EXCHANGE SECURITIES
TRADING LIMITED**

by

PROJECT GOODWILL PTE. LTD.

(Incorporated in the Republic of Singapore on 12 October 2017)
(Company Registration Number 201729289C)

to acquire all the issued and paid-up ordinary shares in the capital of

EUROPTRONIC GROUP LTD

(Incorporated in the Republic of Singapore on 18 November 2000)
(Company Registration Number 200009775K)

at an

EXIT OFFER PRICE OF S\$0.0001 IN CASH FOR EACH OFFER SHARE (AS DEFINED HEREIN)

THE EXIT OFFER WILL CLOSE AT 5.30 P.M. ON 5 SEPTEMBER 2018

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PROJECT GOODWILL PTE. LTD.

(Incorporated in the Republic of Singapore on 12 October 2017)
(Company Registration Number 201729289C)

8 August 2018

To: The Shareholders of Europtronic Group Ltd

Dear Sir/Madam

DIRECTED DELISTING OF EUROPTRONIC GROUP LTD PURSUANT TO RULE 1315 OF THE LISTING MANUAL AND EXIT OFFER BY PROJECT GOODWILL PTE. LTD. PURSUANT TO RULES 1306 AND 1309 OF THE LISTING MANUAL – EXIT OFFER LETTER

1. INTRODUCTION

1.1 Watch-list Status and Delisting Notification

1.1 On 5 March 2014, Europtronic Group Ltd (the “**Company**”) was placed on the watch-list (the “**Watch-list**”) by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) pursuant to Rule 1311 of the listing manual of the SGX-ST (the “**Listing Manual**”). On 2 March 2016, the Company received a notification letter from the SGX-ST (the “**Delisting Notification**”) informing the Company that the SGX-ST will delist the Company from the Official List of the SGX-ST pursuant to Rule 1315 of the Listing Manual (before the rule was amended on 1 March 2016)¹ as the Company has not met the requirements under Rule 1314 of the Listing Manual for its removal from the Watch-list. Trading in the Company’s securities has been suspended from 9.00 a.m., 4 April 2016, and will remain suspended until completion of an exit offer.

1.2 Joint Announcement

On 7 November 2017 (the “**Joint Announcement Date**”), the Company and Project Goodwill Pte. Ltd. (the “**Offeror**”) jointly announced that the Offeror had presented to the directors of the Company (the “**Directors**”) a formal proposal to make an exit offer to the shareholders of the Company (the “**Shareholders**”) pursuant to Rules 1306 and 1309 of the Listing Manual (the “**Delisting Proposal**”) in connection with the delisting of the Company (the “**Delisting**”) by the SGX-ST in accordance with Rule 1315 of the Listing Manual and the Delisting Notification (such announcement, the “**Joint Announcement**”).

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 (the “**Shares**”) (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 (the “**Offer Shares**”).

¹ Prior to 1 March 2016, Rule 1315 of the Listing Manual provided that an issuer placed on the Watch-list was required to submit an application to be removed from the Watch-list within 24 months of the date on which it was placed on the Watch-list, failing which it would be delisted. Currently, an issuer placed on the Watch-list is required to meet the requirements for removal from the Watch-list within 36 months of the date on which it was placed on the same.

1.3 Exit Offer Letter

This Exit Offer Letter contains the terms of the Exit Offer made by the Offeror. **Please note that the Exit Offer will be conditional upon the Acceptance Condition (as defined in paragraph 3.3 below) in respect of the Exit Offer being satisfied. If the aforesaid condition is not fulfilled, the Exit Offer will lapse and all acceptances of the Exit Offer will be returned but the Company will still be mandatorily delisted from the SGX-ST. In such an event, Shareholders will hold shares in an unlisted public company.** Please refer to paragraph 10 below on the implications of holding on to shares in an unlisted public company.

Shareholders should note that Shareholders' approval is not required for the Delisting directed by the SGX-ST pursuant to the Delisting Notification.

The Exit Offer may only be accepted by the relevant Shareholder to whom this Exit Offer Letter is addressed.

Subject to paragraph 14 below, this Exit Offer Letter, together with the Form of Acceptance and Authorisation ("**FAA**") and/or Form of Acceptance and Transfer ("**FAT**"), as the case may be (collectively, the "**Acceptance Forms**"), set out the terms and conditions of the Exit Offer, and are despatched to you by the Offeror.

The Exit Offer Letter and the Acceptance Forms shall not be construed as, may not be used for the purpose of, and do not constitute, a notice or proposal or advertisement or an offer or invitation or solicitation in any jurisdiction or in any circumstances in which such notice or proposal or advertisement or an offer or invitation or solicitation is unlawful or unauthorised, or to any person to whom it is unlawful to make such a notice or proposal or advertisement or an offer or invitation or solicitation.

1.4 Company's Letter to Shareholders

The letter issued by the Company to the Shareholders in relation to the Exit Offer (the "**Company's Letter to Shareholders**") which forms part of this Exit Offer Letter is set out in **Appendix IV** to this Exit Offer Letter.

1.5 Terms and References

The expression "**acting in concert**" shall have the meaning ascribed to it in the Singapore Code on Take-overs and Mergers (the "**Code**"). The term "**depositor**" shall have the meaning ascribed to it in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore (the "**SFA**").

All references to a time of day or date in this Exit Offer Letter are references to Singapore time and date, unless otherwise stated. For the purposes of this Exit Offer Letter, the latest practicable date prior to the printing of this Exit Offer Letter is 25 July 2018 (the "**Latest Practicable Date**").

1.6 Caution

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Exit Offer Letter. If you are in any doubt about the Delisting, the Exit Offer or matters contained in this Exit Offer Letter or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser immediately.

Please read this Exit Offer Letter and the Acceptance Forms, including the Company's Letter to Shareholders (which sets out, *inter alia*, (i) the advice of Hong Leong Finance Limited, the independent financial adviser (the "IFA") to the Independent Directors (as defined in paragraph 5.2 below), and (ii) the recommendations of the Independent Directors on the Exit Offer) as set out in **Appendix IV** to this Exit Offer Letter, carefully and in their respective entirety. Copies of this Exit Offer Letter are also available on the website of SGX-ST at www.sgx.com.

2. LISTING MANUAL PROVISIONS PERTAINING TO THE DELISTING

Under Rule 1306 of the Listing Manual, if the SGX-ST exercises its power to remove an issuer from the Official List of the SGX-ST, the issuer or its controlling shareholder(s) must comply with the requirements of Rule 1309 of the Listing Manual. As mentioned in paragraph 1.1 above, on 2 March 2016, the Company received the Delisting Notification from the SGX-ST directing the delisting of the Company from the Official List of the SGX-ST pursuant to Rule 1315 of the Listing Manual.

Under Rule 1309 of the Listing Manual, if the Company is seeking to delist from the Official List of the SGX-ST:

- (a) a reasonable exit alternative, which should normally be in cash, should be offered to the Shareholders and holders of any other classes of listed securities to be delisted; and
- (b) the Company should normally appoint an independent financial adviser to advise on the Exit Offer.

3. TERMS OF THE EXIT OFFER

The Offeror hereby makes the offer to acquire all the Offer Shares on the terms and subject to the conditions set out in this Exit Offer Letter (including the Acceptance Forms), and on the following basis:

3.1 Consideration

Under the terms of the Exit Offer, the Offeror will make the Exit Offer at the exit offer price of S\$0.0001 in cash for each Offer Share (the "**Exit Offer Price**").

This Exit Offer Price shall be applicable to any number of Offer Shares that are tendered in acceptance of the Exit Offer.

The Exit Offer is extended to all Offer Shares. Shareholders may choose to accept the Exit Offer in respect of all or part of their holdings of Offer Shares. Each Shareholder who accepts the Exit Offer will receive S\$1.00 for every 10,000 Offer Shares tendered for acceptance of the Exit Offer.

The Offeror does not intend to revise or increase the Exit Offer Price. Accordingly, the Exit Offer Price will not be revised or increased under any circumstances save as hereinafter provided.

The Offer Shares are to be acquired:

- (a) fully-paid;

- (b) free from any mortgage, debenture, lien, charge, pledge, title retention, right to acquire, security interest, option, pre-emptive or similar right, right of first refusal and any other encumbrance or condition whatsoever (each, an “**Encumbrance**”); and
- (c) together with all rights, benefits and entitlements attached thereto as at the Joint Announcement Date and thereafter attaching thereto including all voting rights, the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by the Company on or after the Joint Announcement Date.

If any dividend, right, distribution, return of capital or any other entitlement is announced, declared, paid or made by the Company on or after the Joint Announcement Date to a Shareholder who accepts or has accepted the Exit Offer, the Offeror reserves the right to reduce the Exit Offer Price by the amount of such dividend, right, distribution, return of capital or any other entitlement.

3.2 Warranty

Acceptance of the Exit Offer by a Shareholder will be deemed to constitute an unconditional and irrevocable warranty by that Shareholder that each Offer Share in respect of which the Exit Offer is accepted is sold by him as, or on behalf of, the beneficial owner(s) thereof, fully paid and free from all Encumbrances, and together with all rights, benefits and entitlements attached thereto as at the Joint Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights and other distributions, if any, declared, paid or made by the Company on or after the Joint Announcement Date).

3.3 Acceptance Condition

Pursuant to Rule 15.1 of the Code, a voluntary offer must be conditional upon the offeror receiving acceptances in respect of voting rights which, together with voting rights acquired or agreed to be acquired before or during the offer, will result in the offeror and person acting in concert with it holding more than 50% of the voting rights. Accordingly, the Exit Offer is subject to the Offeror having received, by the close of the Exit Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Exit Offer and pursuant to the Exit Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of the total voting rights attributable to the issued share capital of the Company as at the close of the Exit Offer (the “**Acceptance Condition**”).

Accordingly, the Exit Offer will not become or be capable of being declared unconditional as to acceptances, unless at any time prior to or as at the Closing Date (as defined in paragraph 3.5 below), the Offeror has received valid acceptances in respect of such number of Offer Shares which, together with the number of Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Exit Offer and pursuant to the Exit Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of the total voting rights attributable to the issued share capital of the Company.

SHAREHOLDERS ARE TO NOTE THAT IF THE AFORESAID CONDITION IS NOT FULFILLED, THE COMPANY WILL STILL BE MANDATORILY DELISTED FROM THE OFFICIAL LIST OF THE SGX-ST. THE EXIT OFFER WILL ALSO LAPSE AND ALL ACCEPTANCES OF THE EXIT OFFER WILL BE RETURNED. IN SUCH EVENT, SHAREHOLDERS WILL HOLD SHARES IN

AN UNLISTED PUBLIC COMPANY. PLEASE REFER TO PARAGRAPH 10 BELOW ON THE IMPLICATIONS OF HOLDING SHARES IN AN UNLISTED PUBLIC COMPANY.

3.4 Irrevocable Undertakings

As at the Latest Practicable Date, none of the Offeror nor any party acting in concert with it has received any irrevocable undertaking from any party to accept or reject the Exit Offer. For avoidance of doubt, the Offeror has not received any undertaking from Huang Shih-An, Huang Chuang Shueh-Ou and/or any other persons acting or deemed to be acting in concert with the Offeror (collectively, the “**Concert Parties**”), to accept or reject the Exit Offer. The aggregate shareholdings of the Concert Parties in the Company are set out in paragraph 7 of this Exit Offer Letter.

3.5 Duration

The Exit Offer will remain open for acceptance by Shareholders for a period of 28 days after the date of despatch of the Exit Offer Letter by the Offeror to the Shareholders. Accordingly, the Exit Offer will close at 5.30 p.m. on 5 September 2018 (the “**Closing Date**”).

The Offeror does not intend to extend the Exit Offer beyond the Closing Date (irrespective of whether the Exit Offer becomes or is declared to be unconditional as to acceptances), save that such notice of the Offeror’s intention not to extend the Exit Offer beyond the Closing Date shall not be capable of being enforced in a competitive situation.

3.6 Procedures for Acceptance and Other Details of the Exit Offer

Appendix I to this Exit Offer Letter sets out the procedures for the acceptance of the Exit Offer and additional information on the settlement of the consideration for the Exit Offer.

4. FINANCIAL ASPECTS OF THE EXIT OFFER

Since the trading of the Shares on the SGX-ST was suspended on 4 April 2016, it is no longer relevant to state:

- (a) the closing price on the SGX-ST of the Shares (i) on the Latest Practicable Date; (ii) on the last full trading day on the SGX-ST immediately preceding the Joint Announcement Date; and (iii) on the last market day of each of the six (6) calendar months preceding the Joint Announcement Date; and
- (b) the highest and lowest closing prices during the period between the start of the six (6) months prior to the Joint Announcement Date and ending on the Latest Practicable Date, and the respective dates of the relevant sales.

4.1 Closing Prices

For reference, the last closing prices of the Shares on the SGX-ST (reported by Bloomberg L.P.) on (i) the last market day of each of the six (6) calendar months prior to the suspension of the trading of the Shares on 4 April 2016; (ii) 1 April 2016, being the date on which the Shares were last traded on the SGX-ST; and (iii) the Latest Practicable Date are set out below:

Date	Closing Price on the SGX-ST (S\$)
30 October 2015	0.008
30 November 2015	0.008
31 December 2015	0.008
29 January 2016	0.005
29 February 2016	0.005
31 March 2016	0.002
1 April 2016	0.002
25 July 2018 (being the Latest Practicable Date)	-

4.2 Highest and Lowest Prices

For reference, the highest and lowest closing price of the Shares on the SGX-ST (as reported by Bloomberg L.P.) during the period commencing six (6) months prior to the suspension of the trading of the Shares on 4 April 2016 are as follows:

	Closing Price (S\$)	Date(s)
Highest closing price	0.011	20 October 2015
Lowest closing price	0.002	14 March 2016, 15 March 2016, 16 March 2016, 18 March 2016, 21 March 2016, 22 March 2016, 23 March 2016, 24 March 2016, 28 March 2016, 30 March 2016, 31 March 2016 and 1 April 2016

4.3 Net Tangible Asset (“NTA”) per Share of the Company and its subsidiaries (the “Group”)

For the year ended 31 December 2016

Based on the audited financial statements of the Group for the year ended 31 December 2016:

- (a) the consolidated NTA value of the Group (including non-controlling interests) amounted to negative US\$11.909 million, representing negative US\$0.0126 per Share;
- (b) the consolidated NTA value of the Group (excluding non-controlling interests) amounted to negative US\$12.690 million, representing negative US\$0.0134 per Share;

- (c) the consolidated NTA value of the Group (including non-controlling interests and excluding amounts owing to Directors and controlling Shareholders) amounted to negative US\$0.265 million, representing negative US\$0.0003 per Share; and
- (d) the consolidated NTA value of the Group (excluding both non-controlling interests and amounts owing to Directors and controlling Shareholders) amounted to negative US\$1.046 million, representing negative US\$0.0011 per Share,

based on 943,732,154 Shares in issue as at 31 December 2016.

As announced by the Company on 7 July 2016, the Company had, together with the other shareholders of Europtronic (Suzhou) Co., Ltd (“**Europtronic Suzhou**”) (such shareholders, 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 Power Electronics Co., Ltd (南通新江海动力电子有限公司) (“**Nantong Jianghai**”) pursuant to which the Europtronic Suzhou Shareholders agreed to sell their entire interest, representing 100% of the registered capital of Europtronic Suzhou, to Nantong Jianghai for a cash consideration of RMB 180,000,000 in aggregate. Pursuant to the Sale and Purchase Agreement, the Company would (subject to certain conditions being fulfilled) receive an aggregate payment of RMB 160,290,000 (the “**Consideration Amount**”) from Nantong Jianghai in consideration for the sale of the Company’s shares in Europtronic Suzhou.² The Consideration Amount is payable in three instalments. The Europtronic Suzhou Shareholders transferred their respective interests in Europtronic Suzhou to Nantong Jianghai on 10 January 2017. The Company announced on 10 January 2017 that the Europtronic Suzhou Shareholders had received the first instalment of the Consideration Amount, of which RMB 80,145,000 was due to the Company.

Further information on the sale by the Company of its entire interest in Europtronic Suzhou is set out in the Company’s Letter to Shareholders set out in **Appendix IV** to this Exit Offer Letter.

For illustration purposes only, assuming the Company had received in full the Consideration Amount and the Dispute Amount on 31 December 2016, the consolidated NTA value of the Group would be negative US\$0.275 million, representing negative US\$0.0003 per Share as at 31 December 2016. The NTA value per Share of negative US\$0.0003 was computed as follows:

	US\$’000 ⁽¹⁾
Group net tangible liabilities ⁽²⁾	(12,690)
Receipt of second and third instalments of the Consideration Amount	11,615
Additional receipt of Dispute Amount	800
Group net liabilities	(275)
No. of Shares	943,732,154

² 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 Latest Practicable Date, the loan dispute is ongoing. The management of the Company has represented that the potential net proceeds from the claimed amount of the dispute due to the Company is up to approximately RMB 5.3 million (equivalent to approximately US\$0.8 million) (the “**Dispute Amount**”) and there are no guarantees that any compensation would be received due to the ongoing loan dispute. There is also no guarantee that the Company will receive in full the Consideration Amount from Nantong Jianghai.

NTA value per Share**(0.0003)**

Note:

- (1) Based on the exchange rate of RMB 6.90 to US\$1.00.
 (2) This figure includes the first instalment of the Consideration Amount received.

For the financial year ended 31 December 2017

Based on the latest published unaudited financial statements of the Group for financial year ended 31 December 2017:

- (a) the consolidated NTA value of the Group (including non-controlling interests) amounted to negative US\$14.561 million, representing negative US\$0.0154 per Share;
 (b) the consolidated NTA value of the Group (excluding non-controlling interests) amounted to negative US\$15.342 million, representing negative US\$0.0163 per Share;
 (c) the consolidated NTA value of the Group (including non-controlling interests and excluding amounts owing to Directors and controlling Shareholders) amounted to negative US\$4.781 million, representing negative US\$0.0051 per Share; and
 (d) the consolidated NTA value of the Group (excluding both non-controlling interests and amounts owing to Directors and controlling Shareholders) amounted to negative US\$5.562 million, representing negative US\$0.0059 per Share,

based on 943,732,154 Shares in issue as at 31 December 2017.

For illustration purposes only, assuming the Company had received in full the Consideration Amount and the Dispute Amount on 31 December 2017, the consolidated NTA value of the Group would be negative US\$2.380 million, representing negative US\$0.0025 per Share as at 31 December 2017. The NTA value per Share of negative US\$0.0025 was computed as follows:

	US\$'000 ⁽¹⁾
Group net tangible liabilities ⁽²⁾	(15,342)
Receipt of second and third instalments of the Consideration Amount	12,162
Additional receipt of Dispute Amount	800
Group net liabilities	(2,380)
No. of Shares	943,732,154
NTA value per Share	(0.0025)

Note:

- (1) Based on the exchange rate of RMB 6.59 to US\$1.00.
 (2) This figure includes the first instalment of the Consideration Amount received.

As at the Latest Practicable Date

As at the Latest Practicable Date, save as disclosed in this Exit Offer Letter and the Company Letter to Shareholders, there has been no known material change in the consolidated NTA per Share as at 31 December 2017.

4.4 Cash and Cash Equivalents of the Group

The cash and cash equivalents of the Group as at 31 December 2016 amounted to approximately US\$0.125 million.

The cash and cash equivalents of the Group as at 31 December 2017 amounted to approximately US\$0.373 million.

4.5 Benchmarking of the Exit Offer

The closing price of the Shares on 1 April 2016, being the date on which the Shares were last traded on the SGX-ST prior to the suspension of the trading of the Shares on 4 April 2016, was S\$0.002. The Exit Offer Price represents a discount of approximately 95% to the closing price of the Shares on 1 April 2016. Nonetheless, the Exit Offer Price is at a premium when compared with the NTA value (excluding both non-controlling interests and amounts owing to Directors and controlling Shareholders) of negative US\$0.0059 per Share as at 31 December 2017.

5. REGULATORY APPROVALS

5.1 Rulings from the Securities Industry Council

An application was made to the Securities Industry Council (the "SIC") by Huang Shih-An and Huang Chuang Shueh-Ou on 8 September 2017 to seek clarification regarding the extent to which the provisions of the Code applied to the Exit Offer. The SIC ruled on 26 September 2017 that:

5.1.1 the Exit Offer is exempted from compliance with the following provisions of the Code:

- (a) Rule 20.1 on keeping the Exit Offer open for 14 days after it is revised;
- (b) Rule 22 on the offer timetable;
- (c) Rule 28 on acceptances; and
- (d) Rule 29 on the right of acceptors to withdraw their acceptances,

subject to the satisfaction of the following conditions:

- (i) disclosure in the Exit Offer Letter of:
 - (1) the consolidated NTA per Share of the group comprising the Company, its subsidiaries and associated companies based on the latest published accounts prior to the date of the Exit Offer Letter; and
 - (2) particulars of all known material changes as at the latest practicable date which may affect the consolidated NTA per Share referred to in paragraph

5.1.1(i)(1) above or a statement that there are no such known material changes; and

(ii) the Exit Offer remaining open for at least 28 days after the date of the despatch of the Exit Offer Letter; and

5.1.2 certain Directors, namely, Huang Shih-An and Huang Chuang Shueh-Ou (collectively, the “**Relevant Directors**”), are exempted from the requirement to make a recommendation to the Shareholders on the Exit Offer as the Relevant Directors, being persons who are acting or deemed to be acting in concert with the Offeror, face irreconcilable conflict of interests in doing so. Nevertheless, the Relevant Directors must still assume responsibility for the accuracy of the facts stated and opinions expressed in documents or advertisements issued by, or on behalf of, the Company to the Shareholders in connection with the Exit Offer.

5.2 Independent Directors

Anthony Ang Meng Huat, Tan Sek Khee and Lin Chien, being the other Directors of the Company (collectively, the “**Independent Directors**”), will be considered independent for the purposes of providing a recommendation on the Exit Offer to the Shareholders.

6. **INFORMATION ON THE OFFEROR**

The Offeror is a special purpose vehicle incorporated in the Republic of Singapore on 12 October 2017 for the purpose of making the Exit Offer. The issued and paid-up share capital of the Offeror is S\$1.00 comprising 1 issued ordinary share. Its principal activity is that of investment holding. Huang Chuang Shueh-Ou, the Vice Chairman of the Company, is the sole shareholder and sole director of the Offeror.

As at the Latest Practicable Date, the Offeror does not hold any Shares in the Company.

Appendix II to this Exit Offer Letter sets out additional information on the Offeror.

7. **PARTIES ACTING IN CONCERT WITH THE OFFEROR**

The following persons are acting or presumed to be acting in concert with the Offeror under the Code:

- (a) Huang Chuang Shueh-Ou;
- (b) Huang Shih-An, the husband of Huang Chuang Shueh-Ou and the Non-Executive Chairman of the Company;
- (c) Huang Yun Ju, the daughter of Huang Chuang Shueh-Ou and Huang Shih-An; and
- (d) Huang Chien-Hung, the son of Huang Chuang Shueh-Ou and Huang Shih-An.

As at the Latest Practicable Date, the shareholdings of the Concert Parties in the Company are as follows:

Name	Number of Shares	Shareholding Percentage in the Company ⁽¹⁾
Huang Chuang Shueh-Ou	92,124,465	9.76%
Huang Shih-An	161,620,193	17.13%
Huang Yun Ju	10,557,704	1.12%
Huang Chien-Hung	8	Not meaningful
Total	264,302,370	28.01%

Note:

(1) Based on the issued share capital of the Company of 943,732,154 Shares as at the Latest Practicable Date.

8. THE OFFEROR'S INTENTIONS FOR THE COMPANY

The Exit Offer is made in compliance with Rules 1306 and 1309 of the Listing Manual as stated in paragraph 1.2 above and the Company will be mandatorily delisted and become an unlisted public company subsequent to the close of the Exit Offer.

Following the sale of the Eurotronic Suzhou, the principal activity of the Group is in trading and distribution of passive and active electronic components (CDBU) (the “Existing Business”). Based on the audited published financial statements of the Group for the financial year ended 31 December (“FY/31/12”) 2015 and FY31/12/2016 and the unaudited published financial statements of the Group for FY31/12/2017, the (i) revenue of the Existing Business and (ii) the contribution of the Existing Business to the total revenue of the Group was as follows:

	For FY31/12/2015	For FY31/12/2016	For FY31/12/2017
Revenue of the Existing Business (US\$'000)	3,689 ⁽¹⁾	200	383
Contribution to the total revenue of the Group (%)	85.45	32.57	95.04

Note:

(1) Based on the comparative figures for FY31/12/2015 in the consolidated statement of comprehensive income and consolidated statement of cash flow as set out in the Company's annual report for FY31/12/2016, which were re-presented to report separately the results for continuing and discontinued operations in FY31/12/2015.

Following the close of the Exit Offer, the Offeror has no current intention of (a) making material changes to the Existing Business, (b) re-deploying the fixed assets, or (c) discontinuing the employment of the employees of the Group, other than in the ordinary course of business. Nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company.

9. COMPULSORY ACQUISITION

Pursuant to Section 215(1) of the Companies Act (Cap. 50) of Singapore (the “**Companies Act**”), if the Offeror receives valid acceptances pursuant to the Exit Offer in respect of not less than 90% of the Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Exit Offer and excluding treasury shares), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Exit Offer (the “**Dissenting Shareholders**”) at the Exit Offer Price.

The Offeror confirms that it intends to exercise its right of compulsory acquisition in the event that it receives valid acceptances pursuant to the Exit Offer in respect of not less than 90% of the Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Exit Offer and excluding treasury shares).

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Exit Offer, such number of Shares which, together with the Shares held by it, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding treasury shares). Dissenting Shareholders who wish to exercise such right, if applicable, are advised to seek their own independent legal and finance advice.

10. IMPLICATIONS OF DELISTING FOR SHAREHOLDERS

Shareholders should note that if:

- (a) the Acceptance Condition is not met and all acceptances of the Exit Offer are returned; or
- (b) the Acceptance Condition is met but the Dissenting Shareholders did not accept the Exit Offer and the Offeror is not entitled to compulsorily acquire, pursuant to Section 215(1) of the Companies Act, all the Shares of the Dissenting Shareholders at the Exit Offer Price, or
- (c) the Dissenting Shareholders are not entitled, pursuant to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Exit Offer Price,

then following the Delisting, Shareholders who had their acceptances returned or who did not accept the Exit Offer will continue to hold Shares in the Company, which will then be an unlisted public company.

Shares of unlisted or delisted public companies are generally valued at a discount to the shares of comparable listed companies due to the lack of marketability. Following the Delisting, it is likely to be difficult for Shareholders who do not accept the Exit Offer to sell their Shares in the absence of a public market for the Share as there is no arrangement for such Shareholders to exit. Even if such Shareholders are able to sell their Shares, they will likely receive a lower price as compared with the Exit Offer Price or the market prices of the shares of comparable listed companies.

Shareholders should also note that any transfer or sale of unlisted or unquoted Shares represented by share certificates will be subject to a stamp duty of S\$0.20 for every S\$100.00 or part thereof of the consideration or the net asset value of the Shares transferred based on the latest available financial statements, whichever is higher.

Following the Delisting, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 of the Listing Manual and Appendices 7.1, 7.2, 7.4.1 and 7.4.2 of the Listing Manual. Nonetheless, as a company incorporated in Singapore, the Company will still need to comply with the Companies Act, the Company's constitution and the interests of Shareholders who do not accept the Exit Offer will be protected to the extent provided for by the Companies Act which includes, *inter alia*, the entitlement to be sent a copy of the financial statements at least 14 days before each annual general meeting, at which the financial statements will be presented.

When the Company is delisted from the Official List of the SGX-ST, each Shareholder who holds Shares that are deposited with The Central Depository (Pte) Limited ("**CDP**") and does not accept the Exit Offer will be entitled to one share certificate representing his unquoted Shares. The Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. (the "**Share Registrar**"), will arrange to forward the share certificates to such Shareholders (not being (i) investors who have purchased Shares using their Central Provident Fund ("**CPF**") contributions pursuant to the CPF Investment Scheme ("**CPFIS**" and such investors, "**CPFIS Investors**"); and (ii) investors who have purchased Shares using their Supplementary Retirement Scheme ("**SRS**") savings (the "**SRS Investors**")), by ordinary post and at the Shareholders' own risk, to their respective addresses as such addresses appear in the records of CDP for their physical safe-keeping.

The share certificates belonging to CPFIS Investors and the SRS Investors, as the case may be, will be forwarded to their respective agent banks included under the CPFIS and the SRS, as the case may be, for their safe-keeping, details of which are set out in **Appendix I** to this Exit Offer Letter. If a Shareholder wishes to split his share certificate into other denominations, he will be required to pay for each share certificate so required, a fee of S\$2.00 (excluding goods and services tax).

Shareholders who are in doubt about their position should seek independent legal advice.

11. CONFIRMATION OF FINANCIAL RESOURCES

United Overseas Bank Limited ("**UOB**"), as set out in its letter of confirmation of financial resources dated 7 November 2017, has confirmed that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Exit Offer on the basis of the Exit Offer Price.

12. DISCLOSURE OF HOLDINGS AND DEALINGS

12.1 Holdings and Dealings

As at the Latest Practicable Date, based on the latest information available to the Offeror, the number of Shares, other securities which carrying voting rights in the Company and convertible securities, warrants, options or derivatives in respect of any Shares or other securities which carry voting rights in the Company (the "**Company Securities**") owned, controlled or agreed to be acquired by the Offeror and the Concert Parties are as follows:

Name	Number of Shares	Shareholding Percentage in the Company ⁽¹⁾
Offeror		
Sole Director of Offeror		
Huang Chuang Shueh-Ou	92,124,465	9.76%

**Other parties acting in concert
with the Offeror**

Huang Shih-An	161,620,193	17.13%
Huang Yun Ju	10,557,704	1.12%
Huang Chien-Hung	8	Not meaningful
Total	264,302,370	28.01%

Note:

- (1) Based on the issued share capital of the Company of 943,732,154 Shares as at the Latest Practicable Date.

12.2 No Other Holdings and Dealings

As at the Latest Practicable Date and based on the latest information available to the Offeror, save as disclosed in this Exit Offer Letter:

- (a) none of the Offeror and its concert parties own, control, or have agreed to acquire any Company Securities; and
- (b) none of the Offeror and its concert parties have dealt for value in any Company Securities during the period commencing three (3) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

12.3 Security Interests, Borrowing or Lending of Company Securities

As at the Latest Practicable Date and based on the latest information available to the Offeror, none of the Offeror or its concert parties has (i) granted a security interest related to any Company Securities to another person, whether through a charge, pledge or otherwise, (ii) borrowed any Company Securities from another person (excluding borrowed Company Securities which have been on-lent or sold), or (iii) lent any Company Securities to another person.

12.4 Material Changes in Financial Position

To the knowledge of the Offeror, as at the Latest Practicable Date, save as disclosed in this Exit Offer Letter and any other information of the Company which is publicly available on the website of the SGX-ST (including, without limitation, the audited published financial statements of the Group for FY31/12/2015 and FY31/12/2016, the unaudited published financial statements of the Group for FY31/12/2017 and the announcements released by the Company on the SGXNET), there have been no material changes in the financial position or prospects of the Company since 31 December 2016, being the date of the last audited consolidated financial statements of the Group laid before the Shareholders in general meeting.

13. ACCEPTANCE AND PROCEDURES FOR ACCEPTANCE

Shareholders may choose to accept the Exit Offer in respect of all or part of their holdings of the Offer Shares.

If you hold Offer Shares that are deposited with CDP, you should receive a FAA together with this Exit Offer Letter. If you have not received the FAA, you may obtain a copy of the FAA during normal business hours from CDP, at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588, upon production of satisfactory evidence that you are a Shareholder.

If you hold Offer Shares that are represented by share certificate(s) and are not deposited with CDP, you should receive a Form of Acceptance and Transfer (the "**FAT**") together with this Exit Offer Letter. If you have not received the FAT, you may obtain a copy of the FAT from the Share Registrar, at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, upon production of satisfactory evidence that you are a Shareholder.

The Exit Offer may only be accepted by the relevant Shareholder to whom this Exit Offer Letter is addressed.

If you wish to accept the Exit Offer, you should complete, sign and return the relevant Acceptance Form in accordance with the provisions and instructions on that Acceptance Form and in this Exit Offer Letter during the period commencing from the date of despatch of this Exit Offer Letter and ending at 5.30 p.m. on the Closing Date.

If you hold share certificate(s) of the Offer Shares beneficially owned by you and wish to accept the Exit Offer in respect of such Offer Shares, you **SHOULD NOT** deposit the share certificate(s) with CDP during the period commencing on the date of this Exit Offer Letter and ending on the Closing Date (both dates inclusive) as the "Free Balance" of your securities account (not including a securities sub-account) maintained with CDP (the "**Securities Account**") may not be credited with the relevant number of Offer Shares in time for you to accept the Exit Offer.

If you decide not to accept the Exit Offer, you do not have to take any action. In the event that the Acceptance Condition in respect of the Exit Offer is satisfied, you will continue to hold unquoted Shares in the Company as an unlisted public company. If you hold Shares that are deposited with CDP, a share certificate in respect of your Shares that are deposited with CDP will be sent, by ordinary post and at your own risk, to your address as it appears in the records of CDP, after the Company has been delisted from the Official List of the SGX-ST.

Shareholders should note that the Exit Offer is conditional upon the Acceptance Condition being fulfilled. In the event that the Acceptance Condition is not fulfilled, the Exit Offer will lapse and both the Shareholders and the Offeror will cease to be bound by any prior acceptances of the Exit Offer by any Shareholder. Those Offer Shares in respect of which acceptances have been received shall be returned to the relevant Shareholders in accordance with the procedures set out in this Exit Offer Letter and the Acceptance Form(s). However, the Delisting will still proceed in view of the Delisting Notification. In such an event, Shareholders will hold shares in an unlisted public company. Please refer to paragraph 10 on the implications of Delisting for Shareholders.

The detailed procedures for acceptance and settlement of the Exit Offer are set out in **Appendix I** to this Exit Offer Letter. Information pertaining to CPFIS Investors can also be found in **Appendix I** to this Exit Offer Letter.

14. OVERSEAS SHAREHOLDERS

14.1 Overseas Shareholders

The availability of the Exit Offer to the Shareholders whose addresses are outside Singapore, as shown on the Register of Members of the Company or, as the case may be, in the records of CDP

(each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about and observe any applicable legal requirements in their own jurisdictions, and exercise caution in relation to the Exit Offer, as this Exit Offer Letter, the Acceptance Forms and any other formal documentation relating to the Exit Offer (the “**Delisting Documents**”) have not been reviewed by any regulatory authority in any overseas jurisdiction. **Where there are potential restrictions on sending the Delisting Documents to any overseas jurisdiction, the Offeror, CDP and the Company each reserves the right not to send such documents to such overseas jurisdictions.** For the avoidance of doubt, the Exit Offer is open to all the Shareholders holding Offer Shares, including those to whom the Delisting Documents have not been, or may not be, sent, provided that the Delisting Documents shall not be construed as, may not be used for the purpose of, and do not constitute a notice or proposal or advertisement or an offer or invitation or solicitation in any jurisdiction or in any circumstances in which such notice or proposal or advertisement or an offer or invitation or solicitation is unlawful or unauthorised, or to any person to whom it is unlawful to make such a notice of proposal or advertisement or an offer or invitation or solicitation.

14.2 Restricted Jurisdictions

Copies of the Delisting Documents are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Exit Offer would violate the applicable law of that jurisdiction (“**Restricted Jurisdiction**”) and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Exit Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Exit Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

14.3 Copies of the Delisting Documents

Overseas Shareholders may, nonetheless, obtain copies of the Delisting Documents during normal business hours, from the date of this Exit Offer Letter and up to the Closing Date, from the Share Registrar at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623. Alternatively, an Overseas Shareholder may write in to the Share Registrar at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 to request for the Delisting Documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder’s own risk (the last day for despatch in respect of such request shall be a date falling three (3) market days prior to the Closing Date).

14.4 Responsibility of Overseas Shareholders

It is the responsibility of any Overseas Shareholder who wishes to (a) request for the Delisting Documents, and/or (b) accept the Exit Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, CDP, the Company and/or any person acting on

its behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror, CDP, the Company and/or any person acting on its behalf may be required to pay. In (i) requesting for the Delisting Documents, and/or (ii) accepting the Exit Offer, the Overseas Shareholder represents and warrants to the Offeror, CDP and the Company that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements.

Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.

14.5 Notice

The Offeror reserves the right to (a) reject any acceptance of the Exit Offer where it believes, or has reason to believe, that such acceptance may violate the applicable laws of any jurisdiction, and (b) notify any matter, including the despatch of the Delisting Documents, and the fact that the Exit Offer has been made, to any or all of the Shareholders (including the Overseas Shareholders) by announcement to the SGX-ST and if necessary, paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.

15. **INFORMATION RELATING TO CPFIS/SRS INVESTORS**

15.1 CPFIS Investors

CPFIS Investors should receive further information on how to accept the Exit Offer from their respective banks approved by CPF to be its agent banks, being DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited and UOB (collectively, the “**CPF Agent Banks**”) shortly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice.

CPFIS Investors who wish to accept the Exit Offer are to reply to their respective CPF Agent Banks accordingly by the deadline stated in the letter from their respective CPF Agent Banks. CPFIS Investors who accept the Exit Offer will receive payment of the Exit Offer Price for their Shares in their CPFIS accounts.

15.2 SRS Investors

SRS Investors should receive further information on how to accept the Exit Offer from the DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited and UOB (collectively, the “**SRS Agent Banks**”) shortly. SRS Investors are advised to consult their respective SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, SRS Investors should seek independent professional advice.

SRS Investors who wish to accept the Exit Offer are to reply to their respective SRS Agent Banks accordingly by the deadline stated in the letter from their respective SRS Agent Banks. SRS Investors who accept the Exit Offer will receive payment of the Exit Offer Price for their Shares in their SRS accounts.

16. GENERAL

16.1 Valid Acceptances

The Offeror reserves the right to treat acceptances of the Exit Offer as valid if received by or on behalf of it at any place or places determined by it otherwise than as stated herein or in the relevant Acceptance Forms, or if made otherwise than in accordance with the provisions herein and instructions printed on the relevant Acceptance Forms.

16.2 Governing Law and Jurisdiction

The Exit Offer, this Exit Offer Letter, the Acceptance Forms, all acceptances of the Exit Offer and all contracts made pursuant thereto and actions taken or made or deemed to be taken or made thereunder shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Offeror and each accepting Shareholder agree to submit to the non-exclusive jurisdiction of the Singapore courts.

16.3 No Third-Party Rights

Unless expressly provided to the contrary in this Exit Offer Letter and the relevant Acceptance Forms, a person who is not a party to any contracts made pursuant to the Exit Offer, this Exit Offer Letter, and the relevant Acceptance Forms has no rights under the Contracts (Rights of Third Parties) Act (Cap. 53B) of Singapore to enforce any term of such contracts. Notwithstanding any term herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts. Where third parties are conferred rights under such contracts, those rights are not assignable or transferable.

16.4 Accidental Omission

Accidental omission to despatch the Delisting Documents or any notice or announcement required to be given under the terms of the Exit Offer or any failure to receive the same by any person to whom the Exit Offer is made or should be made shall not invalidate the Exit Offer in any way.

16.5 Independent Advice

The advice of the IFA to the Independent Directors and the recommendation of the Independent Directors on the Exit Offer are contained in the Company's Letter to Shareholders set out in **Appendix IV** to this Exit Offer Letter. Shareholders may wish to consider their advice before taking any action in relation to the Exit Offer.

16.6 General Information

Appendix III to this Exit Offer Letter sets out additional general information relating to the Exit Offer.

16.7 Consents

Boardroom Corporate & Advisory Services Pte. Ltd., in its capacity as the Company's share registrar and the Offeror's receiving agent, has given and has not withdrawn its written consent to the issue of this Exit Offer Letter with the inclusion of its name and all references to its name in the form and context in which they appear in this Exit Offer Letter.

The IFA to the Independent Directors, Hong Leong Finance Limited, has given and has not withdrawn its written consent to the issue of this Exit Offer Letter with the inclusion of its name and all references to its name in the form and context in which they appear in this Exit Offer Letter.

17. **DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Offeror at 60 Kaki Bukit Place, #01-10, Eunos Techpark, Singapore 415979, during normal business hours for the period for which the Exit Offer remains open for acceptance:

- (a) the letters of consent of the Share Registrar and the IFA;
- (b) the constitution of the Offeror;
- (c) the Joint Announcement;
- (d) the audited published financial statements of the Group for FY31/12/2015 and FY31/12/2016; and
- (e) the unaudited published financial statements of the Group for FY31/12/2017.

18. **RESPONSIBILITY STATEMENT**

The sole director of the Offeror (including where she may have delegated detailed supervision of this Exit Offer Letter) has taken all reasonable care to ensure that the facts stated and opinions expressed herein (other than those relating to the Company's Letter to Shareholders set out in **Appendix IV** to this Exit Offer Letter for which the directors for the Company have taken responsibility) are fair and accurate and where appropriate, no material facts have been omitted from this Exit Offer Letter, the omission of which would make any statement in this Exit Offer Letter misleading in any material respect. Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, in relation to the Company and its subsidiaries), the sole responsibility of the director of the Offeror has been to ensure, through reasonable enquiries, that such information is accurately and correctly extracted from such sources or, as the case may be, reflected or reproduced in this Exit Offer Letter. The sole director of the Offeror accepts responsibility accordingly. The sole director of the Offeror, in her capacity as director of the Offeror, does not accept any responsibility for any information relating to the Company and its subsidiaries.

The recommendation of the Independent Directors to Shareholders set out in paragraph 11 of the Company's Letter to Shareholders is the sole responsibility of the Independent Directors.

If you are in doubt as to any of the matters referred to in this Exit Offer Letter and/or the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

BY ORDER OF THE BOARD

PROJECT GOODWILL PTE. LTD.

Huang Chuang Shueh-Ou
Sole Director

8 August 2018

APPENDIX I

PROCEDURES FOR ACCEPTANCE AND OTHER DETAILS OF THE EXIT OFFER

1. PROCEDURES FOR ACCEPTANCE OF THE EXIT OFFER BY DEPOSITORS WHOSE SECURITIES ACCOUNTS ARE AND/OR WILL BE CREDITED WITH OFFER SHARES

1.1 Depositors whose Securities Accounts are credited with Offer Shares

If you have Offer Shares standing to the credit of your Securities Account, you are entitled to receive this Exit Offer Letter together with the FAA.

If you wish to accept the Exit Offer, you should complete and sign the accompanying FAA in accordance with the provisions and instructions in this Exit Offer Letter, and the provisions and instructions printed on the FAA (which provisions and instructions shall be deemed to form part of the terms of the Exit Offer) and submit the duly completed and signed FAA, **either by hand** to:

PROJECT GOODWILL PTE. LTD.
c/o The Central Depository (Pte) Limited
9 North Buona Vista Drive
#01-19/20 The Metropolis
Singapore 138588

or by post (in the enclosed pre-addressed envelope) at your own risk, to:

PROJECT GOODWILL PTE. LTD.
c/o The Central Depository (Pte) Limited
Robinson Road Post Office
P.O. Box 1984
Singapore 903934

so as in either case to arrive not later than 5:30 p.m. on the Closing Date, being 5 September 2018.

If you have sold or transferred all your Offer Shares, you need not forward this Exit Offer Letter and/or the FAA to the purchaser or the transferee (the "**Purchaser**") as arrangements will be made by CDP for a separate Exit Offer Letter and FAA to be sent to the Purchaser. Purchasers should note that CDP will, for and on behalf of the Offeror, send a copy of this Exit Offer Letter and the FAA by ordinary post at the Purchasers' own risk to their respective addresses as maintained in the records of CDP.

If you wish to accept the Exit Offer, you must insert in **Part A** of the FAA the number of Offer Shares in respect of which the Exit Offer is accepted, which should not exceed the number of Offer Shares standing to the credit of the "Free Balance" of your Securities Account as at 5:00 p.m. on the date of receipt of the FAA by CDP (the "**Date of Receipt**"), or in the case where the Date of Receipt is on the Closing Date, 5:30 p.m. on the Closing Date, provided always that such Date of Receipt must fall on or before the Closing Date.

If you are a depository agent as defined under Section 81SF of the SFA ("**Depository Agent**"), you may accept the Exit Offer via the SGX-SSH service provided by CDP as listed in Schedule 3 of the Terms and Conditions for User Services for Depository Agents (the "**Electronic**

Acceptance). Such Electronic Acceptances must be submitted **NOT LATER THAN 5.30 P.M. ON THE CLOSING DATE**. CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf. Such Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Exit Offer Letter as if the FAA had been completed and delivered to CDP.

Subject to the provisions of paragraph 1.2 (Depositors whose Securities Accounts will be credited with Offer Shares) below, if the number of Offer Shares inserted in Part A of the FAA or submitted through Electronic Acceptance exceeds the number of Offer Shares standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. on the Date of Receipt of the FAA by CDP or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. on the Closing Date (provided always that the Date of Receipt is on or before the Closing Date) or, if no such number of Offer Shares is inserted in Part A of the FAA, then **you are deemed to have accepted the Exit Offer in respect of all the Offer Shares already standing to the credit of the "Free Balance" of your securities account as at 5.00 p.m. on the date of receipt or 5.30 p.m. on the Closing Date (if the FAA or Electronic Acceptance is received by CDP on the Closing Date).**

1.2 Depositors whose Securities Accounts will be credited with Offer Shares

If you have purchased Offer Shares on the SGX-ST and such Offer Shares are in the process of being credited to the "Free Balance" of your Securities Account, you should also receive this Exit Offer Letter together with a FAA. You may accept the Exit Offer in respect of such Offer Shares only **after** the "Free Balance" of your Securities Account has been credited with such number of Offer Shares. The provisions and instructions set out in paragraph 1.1 above in this **Appendix I** shall apply in the same way to your acceptance(s) in respect of such Offer Shares. If you do not receive that FAA, you may obtain such a FAA upon production of satisfactory evidence that you have purchased the Offer Shares on the SGX-ST, from The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

If upon receipt by CDP, for and on behalf of the Offeror, of the FAA, it is established that the Offer Shares have not been, or will not be, credited to the "Free Balance" of your Securities Account (as, for example, where you sell or have sold such Offer Shares), your acceptance is liable to be rejected and none of the Offeror or CDP accepts any responsibility or liability for the consequences of such a rejection.

If you purchase Offer Shares on the SGX-ST on a date near to the Closing Date, your acceptance in respect of such Offer Shares will be rejected if the "Free Balance" of your Securities Account is not credited with such Offer Shares by 5:00 p.m. on the Date of Receipt or 5:30 p.m. on the Closing Date (if the FAA is received by CDP on the Closing Date). None of the Offeror or CDP accepts any responsibility or liability for the consequences of such a rejection.

1.3 Depositors whose Securities Accounts are and will be credited with Offer Shares

If you have Offer Shares credited to the "Free Balance" of your Securities Account, and have purchased additional Offer Shares on the SGX-ST which are in the process of being credited to the "Free Balance" of your Securities Account, you may accept the Exit Offer in respect of the Offer Shares already standing to the credit of the "Free Balance" of your Securities Account and may accept the Exit Offer in respect of the additional Offer Shares purchased which are in the process of being credited to your Securities Account only after the "Free Balance" of your Securities Account has been credited with such number of Offer Shares. The provisions and instructions set out in paragraphs 1.1 and 1.2 above in this **Appendix I** shall apply in the same

way to your acceptance(s) in respect of such Offer Shares which are credited and such additional Offer Shares which will be credited to the "Free Balance" of your Securities Account (respectively).

1.4 General

No acknowledgement will be given for any submission of a FAA made by hand or by post to CDP or deposited into drop-boxes located at CDP's premises.

For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can verify such number through (i) CDP Online if you have registered for CDP Internet Access Service or (ii) CDP Phone Service if you have a T Pin. Alternatively, you may proceed to CDP in person with your identity card or passport to verify the number of Offer Shares credited to your Securities Account.

1.5 Suspense Account

CDP will, upon receipt for and on behalf of the Offeror of the duly completed and signed FAA or Electronic Acceptance and all other relevant documents (if any), transfer the Offer Shares in respect of which you have accepted the Exit Offer from the "Free Balance" of your Securities Account to a "Suspense Account" pending the Exit Offer becoming or being declared to be unconditional in all respects in accordance with its terms and until the consideration for the Offer Shares has been despatched to you.

1.6 Return of Offer Shares

In the event that the Exit Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, the relevant number of Offer Shares in respect of which you have accepted the Exit Offer will be transferred to the "Free Balance" of your Securities Account as soon as possible but, in any event, not later than 14 days from the lapse of the Exit Offer.

1.7 Notification

If the Exit Offer becomes or is declared to be unconditional in all respects in accordance with its terms, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Exit Offer Price by way of a cheque in Singapore currency drawn on a bank operating in Singapore for the appropriate amount, or in such other manner as you may have agreed with CDP for the payment of any cash distributions.

All communications, certificates, notices, documents and remittances to be delivered or sent to you will be sent to you by ordinary post to your address as maintained in the records of CDP and at your own risk. The Offeror or CDP shall not be liable for any loss in transmission of the FAA.

1.8 No Securities Account

If you do not have any existing Securities Account in your name as at the time and date of acceptance of the Exit Offer, your acceptance as contained in the FAA or Electronic Acceptance will be rejected.

2. PROCEDURES FOR ACCEPTANCE OF THE EXIT OFFER BY SHAREHOLDERS WHO HOLD OFFER SHARES WHICH ARE NOT DEPOSITED WITH CDP

If you hold Offer Shares which are not deposited with CDP, you are entitled to receive this Exit Offer Letter together with the FAT. If you wish to accept the Exit Offer, the FAT must be completed and signed strictly in the manner set out on page 1 of the FAT (which provisions and instructions shall be deemed to form part of the terms of the Exit Offer) and in accordance with the provisions of this Exit Offer Letter and then forwarded with the relevant share certificate(s) and/or other document(s) of title and/or any other relevant document(s) required by the Offeror by hand or by post (in the enclosed pre-addressed envelope at your own risk) to:

PROJECT GOODWILL PTE. LTD.
c/o Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

as soon as possible but in any event to arrive not later than 5:30 p.m. on the Closing Date, being 5 September 2018.

If you have sold or transferred all your Shares which are not held through CDP, you should immediately hand this Exit Offer Letter and the accompanying FAT to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale, for onward transmission to the purchaser or transferee.

If your Offer Shares are represented by share certificate(s) which are not registered in your own name, you must send in, at your own risk, the relevant share certificate(s), other document(s) of title and/or any other relevant document(s) required by the Offeror together with a duly completed and signed FAT accompanied by transfer form(s), duly completed and executed by the person registered with the Company as the holder of the Offer Shares and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or a person authorised by it).

If you are recorded in the Register of Members of the Company as holding Shares but do not have the relevant share certificate(s) relating to such Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the constitution of the Company and then deliver such share certificate(s) in accordance with the procedures and instructions set out in this Exit Offer Letter and FAT.

If you wish to accept the Exit Offer, you must insert in the FAT the number of Offer Shares in respect of which the Exit Offer is accepted, which should not exceed the number of Offer Shares represented by the share certificate(s) and/or other document(s) of title accompanying the FAT.

If the number of Offer Shares in respect of which the Exit Offer is accepted, as inserted by you in the FAT, exceeds the number of Offer Shares represented by the share certificate(s) and/or other document(s) of title accompanying the FAT, or if no such number of Offer Shares is inserted in the FAT by you, then **you shall be deemed to have accepted the Exit Offer in respect of all the Offer Shares represented by the share certificate(s) and/or other document(s) of title accompanying the FAT.**

No acknowledgement of receipt of any FAT, share certificate(s), other document(s) of title, transfer form(s) and/or any other relevant document(s) required by the Offeror will be given.

The election made or deemed to be made by you in the FAT shall be deemed to be irrevocable and any instructions or FAT received by the Offeror or Boardroom Corporate & Advisory Services Pte. Ltd. after the FAT has been received shall be disregarded.

All communications, certificates, notices, documents and remittances to be delivered or sent to you will be sent to you (or your designated agent or, in the case of joint accepting Shareholders who have not designated any agent, to the one first named in the Register of Members of the Company) by ordinary post to your address as it appears in the Register of Members of the Company at your own risk (or, for the purpose of remittances only, to such different name and address as may appear in the FAT and at your own risk).

If the Exit Offer becomes or is declared to be unconditional in all respects in accordance with its terms, payment will be sent to you (or your designated agent or, in the case of joint accepting Shareholders who have not designated any agent, to the one first named in the Register of Members of the Company) by ordinary post to your address as it appears in the Register of Members of the Company at your own risk (or to such different name and address as may be specified by you in the FAT and at your own risk), by way of a cheque drawn on a bank in Singapore for the appropriate amount.

Acceptances of the Exit Offer shall be irrevocable. If the Exit Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, the FAT and other documents (including share certificate(s)) will be returned at your own risk by ordinary post as soon as possible but, in any event, not later than 14 days from the lapse of the Exit Offer.

3. OTHER RELEVANT INFORMATION IN RESPECT OF THE PROCEDURES FOR ACCEPTANCE

If you hold the share certificate(s) of some of the Offer Shares beneficially owned by you and if you have deposited the rest of the Offer Shares beneficially owned by you with CDP, you are required to complete the FAT in respect of the Offer Shares represented by share certificate(s) and the FAA in respect of the Offer Shares which are deposited with CDP, if you wish to accept the Exit Offer in respect of all such Offer Shares. Both the FAT and the FAA must be completed, signed and accompanied by the relevant documents and sent to the Offeror in accordance with the respective procedures for acceptance set out above in paragraphs 1 and 2 of this **Appendix I**.

If you hold the share certificate(s) of the Offer Shares beneficially owned by you and you wish to accept the Exit Offer in respect of such Offer Shares, you **SHOULD NOT** deposit the share certificate(s) with CDP during the period commencing on the date of this Exit Offer Letter and ending on the Closing Date (both dates inclusive) as the "Free Balance" of your Securities Account may not be credited with the relevant number of Offer Shares in time for you to accept the Exit Offer.

Delivery of the duly completed and signed FAA and/or FAT to the Offeror, CDP and/or Boardroom Corporate & Advisory Services Pte. Ltd., as the case may be, shall be conclusive evidence in favour of the Offeror, CDP and/or Boardroom Corporate & Advisory Services Pte. Ltd. of the right and title of the person(s) signing it to deal with the same and with the Offer Shares to which it relates.

Acceptances in the form of FAA and/or FAT received by the Offeror, CDP and/or Boardroom Corporate & Advisory Services Pte. Ltd., on a Saturday, Sunday or public holiday will only be processed and validated on the next business day.

If you wish to accept the Exit Offer, it is your responsibility to ensure that the FAA and/or the FAT is/are accurately completed in all respects, signed and all required documents are provided. The Offeror, CDP and Boardroom Corporate & Advisory Services Pte. Ltd. will be authorised and

entitled, at their sole and absolute discretion, to reject any acceptance that does not comply with the provisions and instructions contained in this Exit Offer Letter and in the FAA or the FAT (as the case may be), or which is otherwise incomplete, incorrect, unsigned, illegible or invalid in any respect. Any decision to reject the FAA or the FAT on the grounds that it has been invalidly, incorrectly or incompletely signed, completed or submitted will be final and binding, and none of the Offeror, CDP and/or Boardroom Corporate & Advisory Services Pte. Ltd. accepts any responsibility or liability for the consequences of such a decision.

You irrevocably agree and acknowledge that your acceptance is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God, mistakes, losses, theft and any other events whatsoever (in each case whether or not within the control of the Offeror or CDP) and if, in any such event, the Offeror and CDP do not record or receive the same by the last date and time for acceptance of the Exit Offer in respect of the Offer Shares or such data or tape containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed **NOT** to have accepted the Exit Offer in respect of the Offer Shares and you shall have no claim whatsoever against either the Offeror or CDP in respect of any purported acceptance thereof or for any compensation, loss or damages in connection therewith or in relation thereto.

4. SETTLEMENT

Subject to the Exit Offer becoming or being declared to be unconditional in all respects and to the receipt by the Offeror of valid acceptances, complete in all respects, signed and in accordance with the instructions given herein, in this Exit Offer Letter and the relevant FAA, FAT and/or the terms and conditions for Electronic Acceptance (as the case may be) and in the case of a depositor, the receipt by the Offeror of confirmation satisfactory to it that the relevant number of Offer Shares are standing to the credit of the "Free Balance" of the depositor's Securities Account at the relevant time(s), remittances in the form of cheques in Singapore currency drawn on a bank in Singapore for the appropriate amounts will be despatched to the accepting Shareholder (or, in the case of a Shareholder holding share certificate(s) which is not deposited with CDP, his designated agent, if any) at his address as maintained in the records of CDP or the Register of Members of the Company by ordinary post and at the risk of the accepting Shareholder or in such other manner as he may have agreed with CDP for the payment of any cash distributions, as soon as practicable but in any event:

- (a) in respect of acceptances of the Exit Offer which are valid and complete in all respects and are received on or before the date on which the Exit Offer becomes or is declared to be unconditional in all respects, within seven (7) business days of that date; or
- (b) in respect of acceptances of the Exit Offer which are valid and complete in all respects and are received after the Exit Offer becomes or is declared to be unconditional in all respects, but on or before the Closing Date, within seven (7) business days of the date of such receipt.

In the case of a depositor, CDP will also send a notification letter by ordinary post to you, at your address as maintained in the records of CDP, at your own risk, stating the number of Offer Shares debited from your Securities Account.

5. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

5.1 Action which CPFIS Investors and SRS Investors may take

CPFIS Investors and SRS Investors should receive further information on how to accept the Exit Offer from their respective CPF Agent Banks and SRS Agent Banks. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice.

CPFIS Investors and SRS Investors who wish to accept the Exit Offer should reply to their respective CPF Agent Banks and SRS Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks, which may be earlier than the Closing Date. Subject to the Exit Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CPFIS Investors and SRS Investors who validly accept the Exit Offer through their appropriate intermediaries will receive the payment for their Shares in their CPF investment accounts and SRS investment accounts.

5.2 Implications

The implications of holding unquoted Shares are set out in paragraph 10 of this Exit Offer Letter. In addition, the following will be applicable when the Company is delisted from the Official List of the SGXST:

(a) Safe-keeping of the share certificates

Shares that are quoted on the SGX-ST and held by CPFIS Investors and SRS Investors are deposited with CDP through their respective CPF Agent Banks and SRS Agent Banks. However, unlisted shares cannot be deposited with CDP. When the Company is delisted from the Official List of the SGX-ST, Boardroom Corporate & Advisory Services Pte. Ltd. will arrange to forward the individual share certificates, representing the Shares held by individual CPFIS Investors and SRS Investors who do not accept the Exit Offer, to their respective CPF Agent Banks and SRS Agent Banks for safe-keeping.

CPF Agent Banks and/or SRS Agent Banks may levy a service fee to administer each share counter held on behalf of each CPFIS Investor and/or SRS Investor. In addition to the existing fees, CPF Agent Banks and/or SRS Agent Banks may impose, *inter alia*, additional charges for the safe-keeping of share certificates and administrative charges for the splitting, withdrawal or depositing of such share certificates. CPFIS Investors and SRS Investors who do not accept the Exit Offer should consult their respective CPF Agent Banks and SRS Agent Banks on the additional charges that may be imposed.

(b) Buying and selling of Shares represented by share certificates

When the Company is delisted from the Official List of the SGX-ST, CPFIS Investors and SRS Investors who do not accept the Exit Offer will likely find it difficult to sell their Shares in the absence of a public market.

CPFIS Investors and SRS Investors will be allowed to sell their unquoted Shares, assuming that they are able to find a buyer for these Shares. Shareholders should note that any transfer or sale of Shares represented by share certificates will be subject to a stamp duty of S\$0.20 for every S\$100.00 or part thereof of the consideration or the net asset value of the Shares transferred based on the latest available financial statements, whichever is higher.

APPENDIX II

ADDITIONAL INFORMATION ON THE OFFEROR

1. DIRECTOR

The name, address and description of the sole director of the Offeror as at the Latest Practicable Date are as follows:

Name	Address	Description
Huang Chuang Shueh-Ou	1B Cranborne Road Singapore 439383	Sole Director

2. PRINCIPAL ACTIVITY AND SHARE CAPITAL

2.1 The Offeror is a special purpose vehicle incorporated in Singapore on 12 October 2017. Its principal activity is that of investment holding.

2.2 As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$1 comprising one issued ordinary share.

3. FINANCIAL SUMMARY

As the Offeror is an investment holding company which has not carried on any business since its incorporation, except to enter into certain arrangements in connection with the Exit Offer, no audited or unaudited financial statements of the Offeror have been prepared since the date of its incorporation as at the Latest Practicable Date.

As no audited financial statements of the Offeror have been prepared as at the Latest Practicable Date, there are no significant accounting policies to be noted.

4. MATERIAL CHANGES IN FINANCIAL POSITION

Save as a result of the financing of the Exit Offer, as at the Latest Practicable Date, there have been no known material changes in the financial position of the Offeror since the date of its incorporation.

5. REGISTERED AND PRINCIPAL OFFICE

The registered office of the Offeror is at 60 Kaki Bukit Place, #01-10, Eunos Techpark, Singapore 415979.

APPENDIX III

GENERAL INFORMATION

1. DISCLOSURE OF INTERESTS

1.1 No Agreement having any Connection with or Dependence upon Exit Offer

As at the Latest Practicable Date, save as disclosed in this Exit Offer Letter, there is no agreement, arrangement or understanding between (i) the Offeror or any person acting in concert with the Offeror; and (ii) any of the current or recent directors of the Company or any of the current or recent Shareholders, having any connection with or dependence upon the Exit Offer.

1.2 Transfer of Shares

As at the Latest Practicable Date, save as disclosed in this Exit Offer Letter, there is no agreement, arrangement or understanding between the Offeror or any person acting in concert with the Offeror whereby any Shares acquired pursuant to the Exit Offer will be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Shares to any of its related companies or for the purpose of granting security in favour of financial institutions which have extended or shall extend credit facilities to it.

1.3 No Payment or Benefit to Directors of the Company

As at the Latest Practicable Date, there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any director of the Company or any of its related companies as compensation for loss of office or otherwise in connection with the Exit Offer.

1.4 No Agreement Conditional upon Outcome of Exit Offer

As at the Latest Practicable Date, save as disclosed in this Exit Offer Letter, there is no agreement, arrangement or understanding between (i) the Offeror; and (ii) any of the directors of the Company or any other person in connection with or conditional upon the outcome of the Exit Offer or is otherwise connected with the Exit Offer.

1.5 Transfer Restrictions

The constitution of the Company does not contain any restrictions on the right to transfer the Offer Shares.

1.6 Indemnity and Other Arrangements

As at the Latest Practicable Date, save as disclosed in this Exit Offer Letter, neither the Offeror nor any person acting in concert with the Offeror has entered into any arrangement with any person of the kind referred to in Note 7 on Rule 12 of the Code, including indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to the Shares which may be an inducement to deal or refrain from dealing in the Shares.

2. GENERAL

2.1 Costs and Expenses.

All costs and expenses of or incidental to the preparation and circulation of this Exit Offer Letter (other than professional fees and other costs incurred or to be incurred by the Company relating to the Exit Offer) and stamp duty and transfer fees resulting from acceptances of the Exit Offer will be paid by the Offeror.

2.2 Consent

The Share Registrar and the IFA have each given and have not withdrawn their written consent to the issue of this Exit Offer Letter with the inclusion of their names and all references to their names in the form and context in which it appears in this Exit Offer Letter.

APPENDIX IV

COMPANY'S LETTER TO SHAREHOLDERS



EUROPTRONIC GROUP LTD

(Company Registration No. 200009775K)
(Incorporated in the Republic of Singapore)

Directors:

Huang Shih-An (*Non-Executive Chairman*)
Huang Chuang Shueh-Ou (*Vice Chairman*)
Anthony Ang Meng Huat (*Non-Executive Lead Independent Director*)
Tan Sek Khee (*Non-Executive Independent Director*)
Lin Chien (*Non-Executive Independent Director*)

Registered Office:

60 Kaki Bukit Place
Eunos Techpark #01-10
Singapore 415979

8 August 2018

To: The Shareholders of Europtronic Group Ltd

Dear Sir/Madam

DIRECTED DELISTING OF EUROPTRONIC GROUP LTD (THE "COMPANY") PURSUANT TO RULE 1315 OF THE LISTING MANUAL (THE "LISTING MANUAL") OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") AND CONDITIONAL EXIT CASH OFFER BY PROJECT GOODWILL PTE. LTD. (THE "OFFEROR") PURSUANT TO RULES 1306 AND 1309 OF THE LISTING MANUAL TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF THE COMPANY OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR (THE "OFFER SHARES") AT THE EXIT OFFER PRICE OF S\$0.0001 FOR EACH OFFER SHARE

Unless otherwise defined herein, all capitalised terms in this letter from the Company to the Shareholders (the "Company's Letter to Shareholders") shall have the same meanings as attributed to them in the Exit Offer Letter.

1. INTRODUCTION

1.1 Watch-List Status

The Company was placed on the Watch-List of the SGX-ST with effect from 5 March 2014 pursuant to Rule 1311 of the Listing Manual. The Company was required to meet the requirements of Rule 1314 of the Listing Manual within 24 months from 5 March 2014, i.e. by 5 March 2016, failing which the SGX-ST may either delist the Company or suspend trading in the Company's securities with a view to delisting the Company.

1.2 Delisting Notification

On 2 March 2016, the Company received from the SGX-ST the Delisting Notification informing the Company that the SGX-ST will delist the Company from the Official List of the SGX-ST pursuant to Rule 1315¹ of the Listing Manual as the Company had not met the requirements under Rule 1314 of the Listing Manual for its removal from the Watch-List.

In the Delisting Notification, the SGX-ST also directed, among others, that:

- (a) pursuant to Rule 1306 of the Listing Manual, the Company or its controlling shareholder(s) must comply with Rule 1309 of the Listing Manual which requires the Company or its controlling shareholder(s) to provide a reasonable exit offer to Shareholders, which should normally be in cash, and that the Company should normally appoint an independent financial adviser to advise on the exit offer; and
- (b) trading in the Company's securities will continue until 5.05 p.m. on 1 April 2016 and trading in the Company's securities will remain suspended from 9.00 a.m. on 4 April 2016 until completion of the exit offer.

1.3 Joint Announcement on 7 November 2017

Pursuant to the Joint Announcement issued by the Company and the Offeror on 7 November 2017, the Company and the Offeror jointly announced that the Offeror had presented to the Directors the Delisting Proposal to make the Exit Offer to the Shareholders pursuant to Rules 1306 and 1309 of the Listing Manual and in connection with the directed delisting of the Company by the SGX-ST pursuant to Rule 1315 of the Listing Manual and the Delisting Notification.

1.4 Exit Offer and Exit Offer Letter

Under the Delisting Proposal, the Offeror will make the Exit Offer in cash to acquire all the Offer Shares. The terms and conditions of the Exit Offer are set out in the Exit Offer Letter.

1.5 Company's Letter to Shareholders

This Company's Letter to Shareholders contains, among others, information on the Company, the extract of the advice of Hong Leong Finance Limited (the "IFA" or "HLF"), the independent financial adviser to the Independent Directors on the Exit Offer, and the recommendation of the Independent Directors to the Shareholders in relation to the Exit Offer.

Please read this Company's Letter to Shareholders including, but not limited to, the IFA Letter (as defined in paragraph 10.1 below) carefully and in its entirety, and together with the rest of the Exit Offer Letter.

¹ As the Company was placed on the Watch-List on 5 March 2014, it was subject to the previous requirements of Rule 1315 of the Listing Manual requiring an issuer which was placed on the Watch-List to meet the requirements for removal from the Watch-List within 24 months of the date on which it was placed on the Watch-List failing which the SGX-ST may either delist the issuer or suspend trading of the listed securities of the issuer with a view to removing the issuer from the Official List of the SGX-ST. This is different from the current requirements of Rule 1315 of the Listing Manual providing issuers with a period of 36 months for meeting the requirements for removal from the Watch-List.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Company's Letter to Shareholders.

1.6 No Shareholders' Approval Required

Shareholders are to note that no extraordinary general meeting will be convened by the Company for the purpose of the Delisting. In addition, Shareholders' attention is drawn to the sections headed "Compulsory Acquisition" and "Implications of Delisting for Shareholders" set out respectively in paragraphs 9 and 10 of the Exit Offer Letter.

2. INFORMATION ON THE COMPANY

The Company was incorporated in the Republic of Singapore on 18 November 2000 and was listed on the Mainboard of the SGX-ST on 5 April 2002.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are those relating to the trading and distribution of passive and active electronic components.

3. REGISTERED OFFICE OF THE COMPANY

The registered office of the Company is at 60 Kaki Bukit Place, Eunos Techpark #01-10, Singapore 415979.

4. DIRECTORS OF THE COMPANY

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Huang Shih-An	1B Cranborne Road Singapore 439383	Non-Executive Chairman
Huang Chuang Shueh-Ou	1B Cranborne Road Singapore 439383	Vice Chairman
Anthony Ang Meng Huat	10B Braddell Hill #18-08 Braddell View Singapore 579721	Non-Executive Lead Independent Director
Tan Sek Khee	628 Upper Thomson Road #02-58 Meadows @ Peirce Singapore 787131	Non-Executive Independent Director
Lin Chien	28 Coronation Drive Singapore 269582	Non-Executive Independent Director

Huang Shih-An and Huang Chuang Shueh-Ou are husband and wife.

5. SHARE CAPITAL OF THE COMPANY

5.1 Number and Class of Shares

The Company has only one class of shares, being the Shares.

As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S\$64,415,712 comprising 943,732,154 Shares. There are no Shares held by the Company as treasury shares.

The Shares are quoted and listed on the Mainboard of the SGX-ST. Trading in the Shares has been suspended since 4 April 2016.

5.2 Number of Shares issued since the end of last financial year

No new Shares have been issued by the Company since 31 December 2017, being the end of the last financial year, up to the Latest Practicable Date.

5.3 Convertible Securities

As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, warrants, options (whether pursuant to an employee share option scheme or otherwise) nor derivatives in respect of Shares or securities which carry voting rights affecting Shares in the Company.

5.4 Restriction on transfer of Shares

There are no restrictions in the Constitution of the Company (the "**Constitution**") on the transfer of any Share which is fully paid up save as provided in the Constitution.

The following provision in respect of the restriction on any transfer of Shares has been extracted from the Constitution. All terms and expressions used in the extract below shall bear the same meaning as attributed to them in the Constitution:

35. (A) *There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of any stock exchange on which the shares in the Company may be listed) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.*

(B) *The Directors may decline to register any instrument of transfer unless: -*

(a) *such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) as the Directors may from time to time require is paid to the Company in respect thereof;*

- (b) *the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and*
- (c) *the instrument of transfer is in respect of only one class of shares.*

5.5 Rights of Shareholders in respect of capital, dividends and voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution. The relevant provisions have been extracted from the Constitution and are set out in paragraphs 5.5.1, 5.5.2 and 5.5.3 of this Company's Letter to Shareholders. All terms and expressions used in the extracts set out in the said paragraphs shall bear the same meaning as attributed to them in the Constitution:

5.5.1 Rights in respect of Capital

ISSUE OF SHARES

- 4. (A) *Subject to these presents, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot (with or without conferring a right of renunciation) or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards dividend, return of capital, participation in surplus, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act Provided Always that no options shall be granted over unissued shares except in accordance with the Act.*
- (B) *Notwithstanding Article 4(A) above but subject to the Statutes and the byelaws and listing rules of the Exchange, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution to:-*
 - (i) *issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or*
 - (ii) *make or grant Instruments; and/or*

- (iii) *(notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force;*

Provided that the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed any applicable limits prescribed by the Exchange.

- (C) *The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognize a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.*
 - (D) *Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be issued subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.*
5. (A) *Subject to any direction to the contrary that may be given by the Company in General Meeting and as permitted by the rules of the Designated Stock Exchange, all new shares shall before issue be offered to such persons who as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 5(A).*
- (B) *The Company may, notwithstanding Article 5(A) above, authorize the Directors not to offer new shares to members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such members on such terms and conditions as the Company may direct.*
6. *The Company may exercise the power of paying commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful subject to disclosure of the amount or rate thereof in the manner required by the Act in the relevant prospectus, statement, circular or notice as the case may be.*

7. *Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant, subject to the conditions and restrictions mentioned in the Act.*
- 7.1 *Subject to and in accordance with the provisions of the Act, the listing rules of the Exchange and other written law, the Company may authorise the Directors in General Meeting to purchase or otherwise acquire any of its issued shares (whether ordinary or preference or otherwise), options, stocks, debentures, debenture stocks, bonds, obligations, securities and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Act. If required by the Statutes, any share which is so purchased or acquired by the Company, unless held as treasury shares in accordance with the Statutes, shall be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the company may hold or deal with such share (including treasury shares) which is so purchased or acquired by it in accordance with the Statutes.*
- 7.2 *The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. The rights in relation to treasury shares are to be suspended except for the purposes of bonus shares, share splits and consolidations. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.*
8. (A) *Preference shares may be issued subject to such limitations thereof as may be prescribed by any Designated Stock Exchange and preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.*
- (B) *The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.*

VARIATION OF RIGHTS

9. (A) *Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders who represent at least three-quarters of the total voting rights of all the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these presents*

relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total voting rights of all of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders who represent three-quarters of total voting rights of all of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.

- (B) The provisions in Article 9(A) shall mutatis mutandis apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.*
- (C) The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.*

ALTERATION OF SHARE CAPITAL

- 10. The Company may from time to time by Ordinary Resolution increase its capital by the allotment and issued of new shares.*
- 11. The Company may by Ordinary Resolution:-*
 - (a) consolidate and divide all or any of its shares;*
 - (b) cancel any shares which, at the date of the passing of the resolution, have been forfeited and diminish the number of shares so cancelled;*
 - (c) subject to the provisions of the Statutes, sub-divide its shares, or any of them, so however that the proportion of the amount paid to the amount unpaid (if any) on each sub-divided share is the same as on the original share from which it was derived; and the resolution whereby any share is sub-divided being otherwise permitted to determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred, qualified or other special rights, or be subject to any such restrictions, as the Company has then the authority to attach to unissued or new shares; and/or*
 - (d) subject to the provisions of the Statutes, convert or exchange any class of shares into or for any other class of shares.*
- 12. The Company may reduce its share capital or any reserve in any manner permitted, and with, and subject to, any incident authorized, and consent or confirmation required, by law.*

SHARE CERTIFICATES

13. (A) *Every share certificate shall be issued under the Seal and shall specify the number and class of shares to which it relates and the amount paid and the amount (if any) unpaid thereon. No certificate shall be issued representing shares of more than one class.*
- (B) *The provisions in this Article and in Articles 14 to 17 (so far as they are applicable) shall not apply to transfer of book-entry securities.*
14. (A) *The Company shall not be bound to register more than three persons as the holder of a share except in the case of executors or administrators of the estate of a deceased member.*
- (B) *In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to any one of the joint holders shall be sufficient delivery to all.*
15. *Every person whose name is entered as a member in the Register of Members shall (in the case of a transfer of shares) be entitled, within ten market days after the date of lodgement of any transfer, or (subject to the provisions of the Statutes) such longer period of time as may be approved by the stock exchange upon which the shares in the Company may be listed, to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred.*
16. (A) *Where a member transfers part only of the shares comprised in a certificate or where a member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares (in the case of transfer) and the whole of such shares (in the case of sub-division) shall be issued in lieu thereof and the member shall pay (in the case of sub-division) a maximum fee of S\$2.00 for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares in the Company may be listed. Where some only of the shares comprised in a share certificate are transferred, the new certificate for the balance of such shares shall be issued in lieu thereof without charge.*
- (B) *Any two or more certificates representing shares of any one class held by any member may at his request be cancelled and a single new certificate for such shares issued in lieu thereof without charge.*
17. *Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a written indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of any stock exchange upon which the shares in the Company may be listed or on behalf of its or their client or clients as the Directors shall require, and (in case of defacement or wearing out) on delivery up of the old certificate, and in any case on payment of such sum not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange*

upon which the shares of the Company may be listed). In the case of destruction, loss or theft, a shareholder or person entitled to, and to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

CALLS ON SHARES

18. *The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed and may be made payable by instalments.*
19. *Each member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.*
20. *If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest in whole or in part.*
21. *Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these presents be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In the case of non-payment, all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.*
22. *The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.*
23. *The Directors may if they think fit receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish pro tanto the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, whilst bearing interest, confer a right to participate in profits.*

FORFEITURE AND LIEN

24. *If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.*

25. *The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be made forfeit.*
26. *If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be made forfeit by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeit share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be made forfeit hereunder.*
27. *A share so made forfeit or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors shall think fit. The Directors may, if necessary, authorize some person to transfer a share so made forfeit or surrendered to any such other person as aforesaid.*
28. *A member whose shares have been made forfeit or surrendered shall cease to be a member in respect of such shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of such shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of such shares at that time of forfeiture or surrender or waive payment in whole or in part.*
29. *The Company shall have a first and paramount lien on every share (not being a fully paid share) and on dividends declared or payable in respect thereof. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid and for all moneys as the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article 29.*
30. *The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.*
31. *The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities and any residue shall be paid to the person entitled to the shares at the time of the sale or to*

his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale, the Directors may authorize some person to transfer the shares sold to the purchaser.

32. *A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly made forfeit or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.*

TRANSFER OF SHARES

33. *All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and each stock exchange upon which the shares in the Company may be listed. An instrument of transfer shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided that CDP shall not be required to sign, as transferee, any instrument of transfer relating to any transfer of shares to it during such period as the Directors may think fit. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.*
34. *The Registers of Members and of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, to any stock exchange upon which the shares in the Company may be listed, stating the period and purpose or purposes for which such closure is made.*
35. (A) *There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of any stock exchange on which the shares in the Company may be listed) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.*
- (B) *The Directors may decline to register any instrument of transfer unless:-*
- (a) *such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be*

listed) as the Directors may from time to time require is paid to the Company in respect thereof;

- (b) the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and*
- (c) the instrument of transfer is in respect of only one class of shares.*

36. All instruments of transfer which are registered may be retained by the Company.

37. The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:-

- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;*
- (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and*
- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.*

TRANSMISSION OF SHARES

38. In case of the death of a member, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only person(s) recognized by the Company as having any title to his interest in the shares, but nothing in this Article shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.

39. *Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, elect either to be registered himself as holder of the share or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer executed by such member.*
40. *Save as otherwise provided by or in accordance with these presents, a person becoming entitled to a share in consequence of the death or bankruptcy of a member (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in respect of the share.*
41. *There shall be paid to the Company in respect of the registration of any probate or letters of administration or certificate of death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S\$2.00 as the Directors may from time to time require or prescribe.*

CENTRAL DEPOSITORY SYSTEM

42. *A reference to a member shall be a reference to a registered holder of shares in the Company, or where such registered holder is CDP, the Depositors on behalf of whom CDP holds the shares, Provided that:-*
- (a) *a Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat if his name appears on the Depository Register maintained by CDP forty-eight (48) hours before the General Meeting as a Depositor on whose behalf CDP holds shares in the Company, the Company being entitled to deem each such Depositor, or each proxy of a Depositor who is to represent the entire balance standing to the Securities Account of the Depositor, to represent such number of shares as is actually credited to the Securities Account of the Depositor as at such time, according to the records of CDP as supplied by CDP to the Company, and where a Depositor has apportioned the balance standing to his Securities Account between two proxies, to apportion the said number of shares between the two proxies in the same proportion as previously specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the proportion of Depositor's shareholding specified in the instrument of proxy, or where the balance standing to a Depositor's Securities Account has been apportioned between two proxies the aggregate of the proportions of the Depositor's shareholding they are specified to represent, and the true balance*

standing to the Securities Account of a Depositor as at the time of the General Meeting, if the instrument is dealt with in such manner as is provided above;

- (b) the payment by the Company to CDP of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment;*
- (c) the delivery by the Company to CDP of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement; and*
- (d) the provisions in these presents relating to the transfers, transmissions or certification of shares shall not apply to the transfer of book-entry securities (as defined in the Statutes).*

EXCLUSION OF EQUITIES

- 43. Except as required by the Statutes or law, no person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these presents or by the Statutes or law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in these presents contained relating to CDP or to Depositors or in any depository agreement made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above.*

STOCK

- 44. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares.*
- 45. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previous to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.*
- 46. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by any number of stock units which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.*

5.5.2 Rights in respect of Dividend

RESERVES

122. *The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same, the Directors shall comply with the provisions of the Statutes.*

DIVIDENDS

123. *The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors. No dividends may be paid, unless otherwise provided in the Statutes, to the Company in respect of treasury shares.*
124. *If and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.*
125. *Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, and except as otherwise permitted under the Statutes:-*
- (a) *all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and*
 - (b) *all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which dividend is paid.*

For the purposes of this Article, no amount paid on a share in advance of calls shall be treated as paid on the share.

126. *No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. Any dividend unclaimed after six (6) years from the date of declaration shall be made forfeit and revert to the Company.*
127. *No dividend or other monies payable on or in respect of a share shall bear interest as against the Company.*
128. (A) *The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.*

- (B) *The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.*
129. *The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.*
130. *The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.*
131. *Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.*
132. *If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.*
133. *Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.*

CAPITALIZATION OF PROFITS AND RESERVES

134. (A) *The Directors may, with the sanction of an Ordinary Resolution of the Company (including, without limitation, an Ordinary Resolution of the Company passed pursuant to Article 4(B)):*
- (i) *issue bonus shares for which no consideration is payable to the Company to persons registered as holders of shares in the Registrar of members or (as the case may be) the Depository Register at the close of business on the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their holdings of shares; and*
 - (ii) *capitalise any sum for the time being standing to the credit of any of the Company's reserve accounts or other distributable reserve or any sum standing to the credit of the profit and loss account by appropriating such sums to the persons registered as holders of shares in the Register of members or (as the case may be) in the Depository Register as the close of business on the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.*
- (B) *The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under Article 134(A) with full power to the Directors to make such provision for the satisfaction of the right of the holders of such shares in the Register of Members or in the Depository Register as the case may be and as they think fit for any fractional entitlements which would arise including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned. The Directors may authorise any person to enter, on behalf of all the Members interested, into an agreement with the Company providing for any such capitalisation and matters incidental thereto, and any agreement made under such authority shall be effective and binding on all concerned.*
- (C) *In addition and without prejudice to the powers provided for by Article 134(A) and 134(B), the Directors shall have power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting and on such terms as the Directors shall think fit.*

WINDING UP

145. *The Directors shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.*
146. *If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the Liquidator may, with the authority of a Special Resolution, divide among the members in specie or in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members of different classes of members. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.*

5.5.3 Rights in respect of Voting

GENERAL MEETINGS

47. *An Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings.*
48. *The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.*

NOTICE OF GENERAL MEETINGS

49. *Any Extraordinary General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice in writing at the least and an Annual General Meeting or any other Extraordinary General Meeting, by fourteen days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in manner hereinafter mentioned to all members other than such as are not under the provisions of these presents entitled to receive such notices from the Company, Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:-*
- (a) *in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and*
- (b) *in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all members having a right to vote at that meeting;*

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to any stock exchange upon which the shares in the Company may be listed, Provided Always that in the case of any Extraordinary General Meeting at which it is proposed to pass a Special Resolution, at least twenty-one days' notice in writing of such Extraordinary General Meeting shall be given to any stock exchange upon which the shares in the Company may be listed.

50. (A) *Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company.*
- (B) *In the case of an Annual General Meeting, the notice shall also specify the meeting as such.*
- (C) *In the case of any General Meeting at which business other than routine business ("special business") is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.*
51. *Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:-*
- (a) *declaring dividends;*
- (b) *receiving and adopting the accounts, the reports of the Directors and Auditors and other documents required to be attached or annexed to the accounts;*
- (c) *appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;*
- (d) *re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);*
- (e) *fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and*
- (f) *fixing the remuneration of the Directors proposed to be passed under Article 77.*
52. *Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.*

PROCEEDINGS AT GENERAL MEETINGS

53. *The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall*

choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.

54. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two members present in person or by proxy.
55. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint.
56. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.
57. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
58. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.
59. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:-
 - (a) the chairman of the meeting; or
 - (b) not less than five members having the right to vote at the meeting; or
 - (c) any member present having the right to vote at the meeting, representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
 - (d) any member holding shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid on all the shares of the Company conferring that right (excluding treasury share),

Provided always that no poll shall be demanded on the choice of the chairman of the meeting or on a question of adjournment. A demand for a poll may be withdrawn only with the approval of the meeting.

60. *Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.*
61. *In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.*
62. *A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the chairman of the meeting may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.*

VOTES OF MEMBERS

63. *Subject to any special rights or restrictions as to voting attached by or in accordance with these presents to any class of shares, on a show of hands every member who is present in person or by proxy shall have one vote, the chairman of the meeting to determine which proxy shall be entitled to vote where a member is represented by two proxies, and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. A member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a member, or attend, vote or act at any meeting of the Company.*
64. *In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or, as the case may be, the order in which the names appear in the Depository Register in respect of the joint holding.*
65. *Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by membership in relation to meetings of the Company.*

66. *No member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum payable by him to the Company in respect of such shares remains unpaid.*
67. *No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.*
68. *On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.*
69. (A) *A member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting, Provided that if a member shall nominate two proxies then the member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.*
- (B) *A proxy need not be a member of the Company.*
70. (A) *An instrument appointing a proxy for any member shall be in writing in any usual or common form or in any other form which the Directors may approve and:-*
- (a) *in the case of an individual member, shall be signed by the member or his attorney duly authorised in writing; and*
- (b) *in the case of a member which is a corporation shall be either given under its common seal or signed on its behalf by an attorney duly authorised in writing or a duly authorized officer of the corporation.*
- (B) *The signatures on an instrument of proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of a member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument of proxy may be treated as invalid.*
71. *An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.*

72. *An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll and to speak at the meeting.*
73. *A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.*

CORPORATIONS ACTING BY REPRESENTATIVES

74. *Any corporation which is a member of the Company may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of these presents be deemed to be present in person at any such meeting if a person so authorized is present thereat.*

6. **SALE BY THE COMPANY OF ITS ENTIRE INTEREST IN EUROPTRONIC (SUZHOU) CO., LTD (“EUROPTRONIC SUZHOU”)**

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 Power Electronics Co., Ltd (南通新江海动力电子有限公司) (“**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 (the “**Sale**”) 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
Shenzhen YuAnDa Import & Export Co., Ltd. (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
Suzhou ZhongRuWang Investment Management Co., Ltd. (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
Total:	100.00	90,000,000	45,000,000	45,000,000	180,000,000

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 Mr Chen WeiFeng. Mr Chen's company was the service provider to collect and dispose industrial waste from Europtronic Suzhou. To secure the right to collect and dispose industrial waste, prepayment was made by Mr Chen's company to Europtronic Suzhou. As business volume reduces, the amount of the prepayment could not be offset by the value of the industrial waste which his company had collected. Following discussions between the parties, the excess payment was treated as an interest-bearing loan extended by Mr Chen to Europtronic Suzhou and to be offset against the rental due to Europtronic Suzhou for the lease of premises by Europtronic Suzhou to Mr Chen. The lease of premises to Mr Chen eventually did not materialise as Europtronic Suzhou was to be sold to Nantong Jianghai. As a result thereto, a claim was made by Mr Chen against Europtronic Suzhou for the amount of the loan and the interest payable thereto. Such amount was settled by Europtronic Suzhou. Subsequent to such settlement and upon further checks by Europtronic Suzhou, it was discovered that the interest rate charged by Mr Chen on the loan was higher or inappropriate thereby resulting in overpayment of interest by Europtronic Suzhou. Europtronic Suzhou had therefore made a claim against Mr Chen for the excess interest paid. As at the Latest Practicable Date, the loan dispute is ongoing. The management of the Company (the "**Management**") has represented that the potential net proceeds from the claimed amount of the dispute due to the Company is up to approximately RMB5.3 million² (equivalent to approximately US\$0.8 million³) and there are no guarantees that any compensation would be received due to the ongoing loan dispute.

² The potential net proceeds due to the Company of up to RMB5.3 million was computed based on the amount of the claim of RMB8.5 million after deducting anticipated legal expenses of RMB2.6 million and based on the Company's equity interest in Europtronic Suzhou of 89.05%.

³ Based on the exchange rate of US\$1.00 to RMB6.59 as at 31 December 2017, extracted from the website www.oanda.com/convert/fxdaily and used by the Company in its preparation of its unaudited financial statements for the financial year ended 31 December 2017.

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 Management has represented that there are no guarantees that the full portion of the Second Instalment (as defined hereinafter) due to the Company would be received due to the ongoing dispute with Nantong Jianghai. Please refer to the last paragraph of page 59 and paragraph 15 of this Company’s Letter to Shareholders for information relating to the ongoing dispute with Nantong Jianghai.

The sale of Europtronic Suzhou was subject to, amongst other things, the approval of the Shareholders to be obtained at an extraordinary general meeting pursuant to Rule 1014 of the Listing Manual; 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 Latest Practicable Date, 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 (the “**Initial Deposit**”); and
- (c) the settlement of certain accounts receivables and accounts payables identified by Nantong Jianghai and deemed to be “related party transactions” as reflected in the Sale and Purchase Agreement.

Such transactions arose in the ordinary course of business of Europtronic Suzhou and comprise the following:

- (i) inter-company transactions entered within the Group between Europtronic Suzhou, the Company and its subsidiaries;
- (ii) loans advanced by Huang Chuang Shueh-Ou, a director of Europtronic Suzhou at the time, which were used by Europtronic Suzhou as its working capital. As at 31 December 2015, a sum of RMB10,015,500 was payable by Europtronic Suzhou to Huang Chuang Shueh-Ou and such amount increased to RMB14,254,100 as at 31 December 2016;
- (iii) loans extended by Tan Chee Kong, the General Manager of Europtronic Suzhou at the time and son-in-law of Huang Shih-An and Huang Chuang Shueh-Ou, to Europtronic Suzhou which were used by Europtronic Suzhou as its working capital. As at 31 December 2016, a sum of RMB150,000 was payable by Europtronic Suzhou to Tan Chee Kong; and
- (iv) transactions entered by Europtronic Suzhou with companies whose legal representative were either directors or senior management of Europtronic Suzhou who were PRC citizens. These legal representatives were appointed by Europtronic Suzhou as its nominee under circumstances where it was not permissible under Chinese laws for such companies to be controlled by non-PRC citizens. The interest of such nominees in these companies were held on trust for Europtronic Suzhou. All these companies are now dormant.

As at 31 December 2015, the net amount of accounts receivables due to Europtronic Suzhou from these deemed “related party transactions” was RMB40,329,300. This was subsequently reduced to RMB1.165 million as at 31 December 2016 and RMB0.814 million as at 31 December 2017. The major bulk of the accounts receivables due to Europtronic Suzhou were settled by on-going inter-company transactions between 31 December 2015 and 31 December 2017. The loans owing by Europtronic Suzhou to Huang Chuang Shueh-Ou and Tan Chee Kong were settled by agreement between Europtronic Suzhou and Huang Chuang Shueh-Ou and Tan Chee Kong to assign the accounts receivables owing to Europtronic Suzhou by the companies whose legal representatives were nominees of Europtronic Suzhou referred to in sub-paragraph (iv) above.

As at the Latest Practicable Date, conditions (a) and (b) are fulfilled and the Company is in dispute with Nantong Jianghai relating to the manner in which the related party transactions referred to in paragraph (c) above are to be settled. During the process of settling such related party transactions, the Company was informed of Nantong Jianghai’s disagreement on details of certain related party transactions. This was notwithstanding that the related party transactions were identified in the Sale and Purchase Agreement and part of it had been settled by the Group. Nantong Jianghai had also requested for the Company’s permission to

conduct due diligence on such related party transactions. The Company has rejected such request. The Company views such request to be unreasonable as due diligence had previously been conducted by Nantong Jianghai who was satisfied with the findings of the due diligence. The Company, together with two other shareholders of Europtronic Suzhou, namely, Shenzhen YuAnDa Import & Export Co., Ltd. (深圳市誉安达进出口有限公司) and Accuvest Capital I Limited, had, on 8 February 2018, commenced arbitration proceeding against Nantong Jianghai by filing an application for arbitration with the China International Economic and Trade Arbitration Commission in relation to the payment of the Second Instalment and the Third Instalment by Nantong Jianghai to the Europtronic Suzhou Shareholders. As at the Latest Practicable Date, the said arbitration proceeding is on-going.

The Initial Deposit of RMB20,000,000 was paid by Nantong Jianghai to the Company in equal proportion on 29 January 2016 and 1 March 2016. Prior to the execution of the Sale and Purchase Agreement on 4 July 2016, the Company together with Europtronic Suzhou had, on 25 January 2016, entered into a memorandum of understanding (the “**MOU**”) with Nantong Jianghai. Under the terms of the MOU, Nantong Jianghai shall pay the Initial Deposit to the Company as deposit and as a basis for the Company to allow Nantong Jianghai to conduct due diligence on Europtronic Suzhou. Subsequently, at the request of Nantong Jianghai, the Company agreed under the Sale and Purchase Agreement that the Initial Deposit was to be returned to Nantong Jianghai following its receipt of the First Instalment and as a condition to the payment by Nantong Jianghai of the Second Instalment. As this was the only offer received by the Company for Europtronic Suzhou, the Management, having assessed the then situation, decided to preserve the transaction by agreeing to Nantong Jianghai’s request for the return of the Initial Deposit to be a condition for the payment of the Second Instalment.

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 were accounts receivables due to Europtronic Suzhou from unrelated third party customers for goods and services provided by Europtronic Suzhou. These transactions were entered in the ordinary course of business and are not amounts due from any related parties, Directors or controlling shareholders of the Company. The Uncollected Receivables listed in the Sale and Purchase Agreement were identified by the Company and Nantong Jianghai based on the books of Europtronic Suzhou for its financial year ended 31 December 2015. New receivables of Europtronic Suzhou after 31 December 2015, even if they were not collected, would not have fallen within the Uncollected Receivables. The Uncollected Receivables, if not collected by Europtronic Suzhou in full by the due date of the payment by Nantong Jianghai of the Final Instalment, would be set-off against the Final Instalment (the “**Shortfall Receivables**”). Accordingly, all Uncollected Receivables collected before the due date of the payment by Nantong Jianghai of the Final Instalment will be taken into account in arriving at the amount of the Shortfall Receivables on the due date of the payment by Nantong Jianghai of the Final Instalment. 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. If any Uncollected Receivables is collected after the due date of the payment by Nantong Jianghai of the Final Instalment, no compensation will be paid to the Europtronic Suzhou Shareholders notwithstanding that such Uncollected Receivables when collected by Europtronic Suzhou will result in a decrease in the amount of the Shortfall Receivables. Under the Sale and Purchase Agreement, the Uncollected Receivables amounted to

RMB65,749,126.78 as at 31 May 2016. As at 31 March 2017, the Uncollected Receivables amounted to RMB56,390,178.20. The Management has represented that full collection of the Uncollected Receivables is improbable and there is a possibility that the Shortfall Receivables would be more than RMB45,000,000 at the point of payment of the Final Instalment. In this case, the Europtronic Suzhou Shareholders are required to pay the difference thereof to Europtronic Suzhou.

The Uncollected Receivables were debts which Europtronic Suzhou had attempted repeatedly, without success, to collect from its customers. Following the execution of the Sale and Purchase Agreement, Europtronic Suzhou was operating independently with limited influence from both the Company and Nantong Jianghai. This was to avoid any conflict of interest and possible transfer of assets or liabilities from Europtronic Suzhou to the Company or Nantong Jianghai. As the Company was not able to approach the customers directly, the Company continued, through its limited influence in Europtronic Suzhou, to collect the Uncollected Receivables. Following the transfer of Europtronic Suzhou to Nantong Jianghai, the Company no longer had any influence or control over Europtronic Suzhou and it is also known in the industry that Europtronic Suzhou was no longer a subsidiary of the Company. Under such circumstances, the Management was of the opinion that the full collection of the Uncollected Receivables was improbable and that the Shortfall Receivables would likely be more than RMB45,000,000 at the point of payment of the Final Instalment.

The Management was also unable to obtain the co-operation of Nantong Jianghai in determining the amount of the Uncollected Receivables and its latest information was as at 31 March 2017 when the Company was informed that the Uncollected Receivables amounted to RMB56,390,178.20 as at 31 March 2017. The Company believes that the exact amount of the Uncollected Receivables will eventually be determined during the current on-going arbitration proceedings against Nantong Jianghai and the Management's opinion remains that, due to the circumstances stated in the preceding paragraph, the full collection of the Uncollected Receivables was improbable and that the Shortfall Receivables would likely be more than RMB45,000,000 at the point of payment of the Final Instalment.

Based on the Uncollected Receivables of RMB56,390,178 as at 31 March 2017, the ageing profile of the Uncollected Receivables was as follows:

As at 31 March 2017	Uncollected Receivables	
	Amount (RMB)	%
Within 1 year (from 1 April 2016 to 31 March 2017)	-	-
Between 1 to 2 years (from 1 April 2015 to 31 March 2016)	54,845,990	97.26
Between 2 to 3 years (from 1 April 2014 to 31 March 2015)	378,877	0.67
Between 3 to 4 years (from 1 April 2013 to 31 March 2014)	434,855	0.77
Between 4 to 5 years (from 1 April 2012 to 31 March 2013)	52,093	0.09
More than 5 years (before 31 March 2012)	678,363	1.20
Total:	56,390,178	100.00

The net proceeds of the First Instalment received by the Company amounted to RMB70,756,623 (equivalent to approximately US\$10.181 million⁴) (after deducting local taxes of RMB9,388,377 paid to the relevant PRC authorities).

The net proceeds from the First Instalment of approximately US\$10.181 million was utilised by the Company in the following manner:

- (i) US\$3.958 million was used by the Company for the Group's operating expenses;
- (ii) US\$1.7 million was used by the Company to repay one of the loans owing to Huang Chuang Shueh-Ou, a Director and controlling shareholder of the Company. Mrs Huang had provided this loan to the Company by taking a loan in her personal name from a bank and mortgaging her personal property as security for the loan taken. Such loan was taken by Mrs Huang so that the Company can fulfil its obligation on a demand by the bank for repayment of bank borrowings. As at 31 December 2017, a sum of US\$9.8 million remains outstanding and payable by the Company to Mrs Huang for loans extended by her to the Group; and
- (iii) the balance US\$4.523 million was used 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 Group 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) million⁵) 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 including liabilities owing by the Company to its Director and controlling shareholder, Huang Chuang Shueh-Ou, of US\$11.6 million as at 31 December 2016, arising from loans extended by Huang Chuang Shueh-Ou to the Company on various occasions to support the operational needs of the Group.

Based on the latest published unaudited consolidated financial statements of the Group for the financial year ended 31 December 2017, the Group's net liabilities amounted to approximately US\$(14.482) million (equivalent to RMB(95.436) million⁶) as at 31 December 2017. The net liability of the Group attributable to Shareholders was approximately US\$(15.263) million as at 31 December 2017 including liabilities owing by the Company to its Director and controlling shareholder, Huang Chuang Shueh-Ou, of US\$9.8 million as at 31 December 2017, arising from loans extended by Huang Chuang Shueh-Ou to the Company on various occasions to support the operational needs of the Group.

⁴ 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 Europtonic 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.

⁵ 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 and used by the Group in its preparation of its audited financial statements for the financial year ended 31 December 2016.

⁶ Based on the exchange rate of US\$1.00 to RMB6.59 as at 31 December 2017, extracted from the website www.oanda.com/convert/fxdaily and used by the Group in its preparation of its unaudited financial statements for the financial year ended 31 December 2017.

The net liability of the Group attributable to Shareholders had increased from US\$(12.613) million as at 31 December 2016 to US\$(15.263) million as at 31 December 2017. Such increase, after taking into account the settlement of payables amounted to US\$6 million, was primarily due to (i) the disposal of investment properties at below their carrying value in a forced sale and (ii) the increase in trade and other payments whereby the First Instalment of US\$11.6 million was accounted as a receipt in advance and classified under non-trade payables.

As at 31 December 2017, the Group's current liabilities primarily comprised trade and other payables of US\$24.5 million and financial guarantee contracts of US\$4.4 million, whilst the Group had nil non-current liabilities. Trade and other payables primarily comprised receipt in advance of US\$11.8 million, of which US\$11.6 million was related to the receipt of First Instalment due to the Company (classified under non-trade payables), advances from a Director (Huang Chuang Shueh-Ou) of US\$9.8 million, non-trade payables to non-related parties of US\$1.5 million, trade payable of US\$0.8 million and accrued operating expenses of US\$0.6 million.

In the consolidated financial position of the Group as at 31 December 2016 and as at 31 December 2017, the carrying value of Europtronic Suzhou, based on 100% equity interest, was approximately US\$12.848 million. Such carrying value of Europtronic Suzhou was derived solely based on the book value of Europtronic Suzhou as at 31 December 2016 and 31 December 2017. The Sale Price of RMB180,000,000, relating to the sale by the Europtronic Suzhou Shareholders of their entire interest in Europtronic Suzhou to Nantong Jianghai, does not have any bearing on the said carrying value of Europtronic Suzhou. Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016, the Company's share of the carrying value of Europtronic Suzhou, after deducting the non-controlling interests of Europtronic Suzhou of approximately US\$0.781 million against the carrying value of Europtronic Suzhou of approximately US\$12.848 million (based on 100% equity interest), was US\$12.067 million. Based on the latest published unaudited consolidated financial statements of the Group for the financial year ended 31 December 2017, the Company's share of the carrying value of Europtronic Suzhou remained unchanged at US\$12.067 million.

The receipt of cash from the First Instalment due to the Company was accounted as a receipt in advance (classified under non-trade payables) and no adjustments were made to the carrying value of Europtronic Suzhou. The Management has represented that the receipt in advance amounts to US\$11.6 million.

The sale of Europtronic Suzhou was accounted by the Company in the Group's balance sheet for its financial year ended 31 December 2017 as "Asset of disposal group classified as held-for-sale". This is in light that the Company has not received the full amount of the Sale Price due to it and it remains uncertain as to amount that the Company will receive from such sale due to the on-going dispute with Nantong Jianghai. Information relating to the on-going dispute with Nantong Jianghai are found in the last paragraph of page 59 and paragraph 15 of this Company's Letter to Shareholders. Solely for illustration purposes only and that the sale of Europtronic Suzhou was accounted by the Company as "Asset of disposal group classified as held-for-sale", the proforma financial effects of the sale by the Company of its entire 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\$10,181,1027),

⁷ 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.

the net liability of the Group attributable to Shareholders would have increased by US\$0.429 million, from US\$(15.263) million as at 31 December 2017 to US\$(15.692) million. The amount of US\$0.429 million was derived by deducting the carrying value of Europtronic Suzhou of approximately US\$12.848 million against the gross proceeds of the First Instalment of approximately US\$11.638 million and the non-controlling interest of Europtronic Suzhou of approximately US\$0.781 million;

- (b) assuming that the Company had received additionally the entire Second Instalment and the Final Instalment of RMB80,145,000 (equivalent to approximately US\$12,161,608⁶) due to it, the net liability of the Group attributable to Shareholders would have decreased by US\$11.733 million, from US\$(15.263) million as at 31 December 2017 to US\$(3.5304) million; and
- (c) assuming that the Company had received additionally the entire Second Instalment and the Final Instalment of RMB80,145,000 (equivalent to approximately US\$12,161,608⁶) and received the maximum compensation from the loan dispute of RMB5.3 million (equivalent to approximately US\$0.8 million⁶), the net liability of the Group attributable to Shareholders would have decreased by US\$12.533 million, from US\$(15.263) million as at 31 December 2017 to US\$(2.73004) million.

Assuming that the Company recognises the sale of Europtronic Suzhou in the Group's balance sheet for its financial year ended 31 December 2017, solely for illustration purposes only, the proforma financial effects of the sale by the Company of its entire interest in Europtronic Suzhou on the net liability of the Group attributable to its Shareholders and the estimated loss or gain on disposal 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\$10,181,102⁷), such disposal will result in the following:
 - (i) it will give rise to an estimated loss on disposal of approximately US\$0.429 million thereby resulting in a loss attributable to Shareholders of US\$3.56 million; and
 - (ii) the net liability of the Group attributable to Shareholders would have increased by US\$0.429 million, from US\$(15.263) million to US\$(15.692) million. The amount of US\$0.429 million was derived by deducting the carrying value of Europtronic Suzhou of approximately US\$12.848 million against the gross proceeds of the First Instalment of approximately US\$11.638 million and the non-controlling interest of Europtronic Suzhou of approximately US\$0.781 million;
- (b) assuming that the Company had received additionally the entire Second Instalment and the Final Instalment of RMB80,145,000 (equivalent to approximately US\$12,161,608⁶) due to it, such disposal will result in the following:

- (i) it will give rise to an estimated gain on disposal of approximately US\$11.733 million thereby resulting in a profit attributable to Shareholders of US\$8.60 million; and
 - (ii) the net liability of the Group attributable to Shareholders would have decreased by US\$11.733 million, from US\$(15.263) million to US\$(3.530) million; and
- (c) assuming that the Company had received additionally the entire Second Instalment and the Final Instalment of RMB80,145,000 (equivalent to approximately US\$12,161,608⁶) and received the maximum compensation from the loan dispute of RMB5.3 million (equivalent to approximately US\$0.8 million⁶), such disposal will result in the following:
- (i) it will give rise to an estimated gain on disposal of approximately US\$12.533 million thereby resulting in a profit attributable to Shareholders of US\$9.40 million; and
 - (ii) the net liability of the Group attributable to Shareholders would have decreased by US\$12.533 million, from US\$(15.263) million to US\$(2.730) million.

In all of the above illustrations, no adjustment was made to the Company's share of the carrying value of Europronic Suzhou of approximately US\$12.067 million as the Sale Price for the sale by the Europronic Suzhou Shareholders of their entire interest in Europronic Suzhou to Nantong Jianghai was not based on the carrying value of Europronic Suzhou.

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.

7. MARKET QUOTATIONS

7.1 Closing Prices

The trading of the Shares on the SGX-ST was suspended on 4 April 2016.

For reference, the last closing prices of the Shares on the SGX-ST (reported by Bloomberg L.P.) on (i) the last market day of each of the six (6) calendar months prior to the suspension of the trading of the Shares on 4 April 2016; (ii) 1 April 2016, being the date on which the Shares were last traded on the SGX-ST (the "Last Trading Day"); and (iii) the Latest Practicable Date are set out below:

Date	Closing Price on the SGX-ST (S\$)
30 October 2015	0.008
30 November 2015	0.008
31 December 2015	0.008
29 January 2016	0.005
29 February 2016	0.005

Date	Closing Price on the SGX-ST (S\$)
31 March 2016	0.002
1 April 2016 (being the Last Trading Day)	0.002
25 July 2018 (being the Latest Practicable Date)	-

7.2 Highest and Lowest Closing Price

For reference, the highest and lowest closing price of the Shares on the SGX-ST (as reported by Bloomberg L.P.) during the period commencing six (6) months prior to the suspension of the trading of the Shares on 4 April 2016 are as follows:

Highest closing price : S\$0.011 on 20 October 2015

Lowest closing price : S\$0.002 on 14 to 16 March 2016, 18 March 2016, 21 to 24 March 2016, 28 March 2016, 30 and 31 March 2016 and 1 April 2016

8. THE OFFEROR'S INTENTIONS FOR THE COMPANY

The Directors note that the Offeror has stated its intention in relation to the operations and businesses of the Group as well as the employees of the Group in paragraph 8 of the Exit Offer Letter, as reproduced below, and all terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter:

"The Exit Offer is made in compliance with Rules 1306 and 1309 of the Listing Manual as stated in paragraph 1.2 above and the Company will be mandatorily delisted and become an unlisted public company subsequent to the close of the Exit Offer.

Following the sale of the Eurotronic Suzhou, the principal activity of the Group is in trading and distribution of passive and active electronic components (CDBU) (the "Existing Business"). Based on the audited published financial statements of the Group for the financial year ended 31 December ("FY31/12") 2015 and FY31/12/2016 and the unaudited published financial statements of the Group for FY31/12/2017, the (i) revenue of the Existing Business and (ii) the contribution of the Existing Business to the total revenue of the Group was as follows:

	For FY31/12/2015	For FY31/12/2016	For FY31/12/2017
Revenue of the Existing Business (US\$'000)	3,689 ⁽¹⁾	200	383
Contribution to the total revenue of the Group (%)	85.45	32.57	95.04

Note:

(1) *Based on the comparative figures for FY31/12/2015 in the consolidated statement of comprehensive income and consolidated statement of cash flow as set out in the Company's annual report for FY31/12/2016, which were re-presented to report separately the results for continuing and discontinued operations in FY31/12/2015.*

Following the close of the Exit Offer, the Offeror has no current intention of (a) making material changes to the Existing Business, (b) re-deploying the fixed assets, or (c) discontinuing the employment of the employees of the Group, other than in the ordinary course of business.

Nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company.”

9. EXEMPTION RELATING TO DIRECTORS’ RECOMMENDATION

An application was made to the SIC by Huang Shih-An and Huang Chuang Shueh-Ou on 8 September 2017 for them to be exempted from the requirement to make a recommendation to the Shareholders on the Exit Offer as they, being persons who are acting or deemed to be acting in concert with the Offeror, face irreconcilable conflicts of interests in doing so.

The SIC ruled on 26 September 2017 that Huang Shih-An and Huang Chuang Shueh-Ou are exempted, for the reason stated above, from the requirement to make a recommendation to the Shareholders on the Exit Offer as they face irreconcilable conflicts of interest in doing so.

As Huang Shih-An and Huang Chuang Shueh-Ou have been exempted by the SIC from the requirement to make a recommendation to the Shareholders on the Exit Offer, the Independent Directors, namely Anthony Ang Meng Huat, Tan Sek Khee and Lin Chien, have provided their recommendation to the Exit Offer set out in paragraph 11 of this Company’s Letter to Shareholders.

Notwithstanding the above exemption, each of Huang Shih-An and Huang Chuang Shueh-Ou must, nonetheless, still assume responsibility for the accuracy of the facts stated and opinions expressed in documents or advertisements issued by, or on behalf of, the Company in connection with the Exit Offer.

10. ADVICE OF INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

10.1 IFA

Hong Leong Finance Limited has been appointed as the independent financial adviser (i.e. the IFA) to the Independent Directors in relation to the Exit Offer. The letter from the IFA setting out its advice to the Independent Directors is set out in **Annex A** to this Company’s Letter to Shareholders (the “**IFA Letter**”). Shareholders are advised to read and consider carefully, in its entirety, the advice of the IFA contained in the IFA Letter to the Independent Directors.

10.2 IFA’s Advice

Information relating to the advice of the IFA to the Independent Directors and the key factors it has taken into consideration have been extracted from paragraph 8 of the IFA Letter and reproduced below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the IFA Letter unless otherwise stated. Shareholders are advised to read the following extract in conjunction with, and in the context of the full text of the IFA Letter.

“8. OUR RECOMMENDATION

In arriving at our opinion in relation to the Exit Offer, we have reviewed and evaluated all the factors, which we deem to have relevance to our assessment. This section should be read in conjunction with, and in the context of, the full text of this IFA Letter.

In arriving at our conclusion, we have taken into account the following key factors, which are described in more details in section 7 of this IFA Letter:

- (a) historical financial performance and financial position of the Group;*
- (b) NAV and NTA of the Group;*
- (c) market quotation and trading activities of the Shares prior to the Suspension;*
- (d) comparison with recent SGX-ST directed delisting offers;*
- (e) dividend track record of the Company and alternative investments; and*
- (f) other relevant considerations.*

We wish to highlight the following factors:

- (i) **Uncertainty over the settlement of the Europtronic Suzhou Sale:** As at the Latest Practicable Date, the Company has not received the Second Instalment and Final Instalment due to them from the Europtronic Suzhou Sale. The Company has a dispute with Nantong Jianghai on one of the conditions to be fulfilled by the Company in order for the Second Instalment to be paid by Nantong Jianghai to the Europtronic Suzhou Shareholders and the Company is taking legal advice from its solicitors in the PRC. In addition, the additional payment to 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 (Mr Chen WeiFeng) is an ongoing dispute. Based on the available information on Europtronic Suzhou and management representations, there is uncertainty over the settlement of the Europtronic Suzhou Sale. As at the Latest Practicable Date, the arbitration proceeding is on-going.*
- (ii) **Certainty of Delisting:** The Company was placed on the Watch-list on 5 March 2014 pursuant to Rule 1311 of the Listing Manual. On 2 March 2016, the Company received the Delisting Notification informing the Company that the SGX-ST will delist the Company from the Official List of the SGX-ST pursuant to Rule 1315 of the Listing Manual as the Company has not met the requirements under Rule 1314 of the Listing Manual for its removal from the Watch-list. **The Shares are to be delisted regardless of whether the Shareholders accept or reject the Exit Offer.***
- (iii) **Suspension in trading of Shares:** Trading in the Company's securities has been suspended from 9.00 am, 4 April 2016, and will remain suspended until completion of an exit offer. Given the Suspension, there is no public market for the disposal of Shares.*
- (iv) **Negative NAV and NTA:** Based on the Group's unaudited statement of financial position as at 31 December 2017, the Book NAV attributable to Shareholders is negative US\$15.3 million or negative US\$0.016 per Share and the Book NTA attributable to Shareholders is negative US\$15.3 million or negative US\$0.016 per Share. **Solely for illustration purposes**, on a hypothetical basis, assuming the Full Receipt of the Europtronic Sale, with the hypothetical revaluation adjustment of the carrying value of Europtronic Suzhou of US\$12.4 million, the Group's Revalued NAV attributable to*

Shareholders becomes negative US\$2.9 million or negative US\$0.003 per Share and the Group's Revalued NTA attributable to Shareholders becomes negative US\$2.9 million or negative US\$0.003 per Share (the NAV attributable to Shareholders remains negative). In this regard, the Exit Offer Price represents a significant premium to the negative NAV, negative NTA, negative Revalued NAV and negative Revalued NTA per Share.

- (v) **No alternative offer and no revision of Exit Offer Price:** The Directors have confirmed that, as at the Latest Practicable Date, no alternative offer from any third party has been received. Further, we note from section 3.1 of the Exit Offer Letter that the Offeror does not intend to revise or increase the Exit Offer Price except that the Offeror reserves the right to reduce the Exit Offer Price by the amount of such dividend, right, distribution, return of capital or any other entitlement announced, declared, paid or made by the Company on or after the Joint Announcement Date to a Shareholder who accepts or has accepted the Exit Offer. **The Exit Offer presents the only offer to the Shareholders to monetise their Shares held and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if they do not accept the Exit Offer.**
- (vi) **Implications of Delisting for Shareholders:** Subsequent to the Delisting, Shareholders who did not accept the Exit Offer will continue to hold shares in an unlisted company (assuming compulsory acquisition is not applicable). Shares of unlisted or delisted companies are generally valued at a discount to the shares of comparable listed companies due to the lack of marketability. Following the Delisting, it is likely to be difficult for Shareholders who do not accept the Exit Offer to sell their Shares in the absence of a public market for the Shares, as there is no arrangement for such Shareholders to exit. Following the Delisting, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 of the Listing Manual and Appendices 7.1, 7.2, 7.4.1 and 7.4.2 of the Listing Manual.

Having considered the above factors, as well as the considerations set out in this IFA Letter in its entirety, we are of the opinion that, on balance, the financial terms of the Exit Offer are fair and reasonable, and not prejudicial to the interests of the Shareholders. Accordingly, we would like to advise the Independent Directors to recommend Shareholders to **ACCEPT** the Exit Offer.

Our opinion herein is based upon market, economic, industry, monetary, regulatory and other applicable conditions prevailing on, and the information provided to us, as of the Latest Practicable Date.

This IFA Letter is issued in compliance with Rule 1309 and is also addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the Exit Offer. Any recommendations made by the Independent Directors in respect thereof shall remain their sole responsibility. Whilst a copy of this IFA Letter may be reproduced in the Exit Offer Letter, neither the Company, the Directors nor any other person may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose not relating to the Exit Offer at any time and in any manner without our prior written consent in each specific case.

This IFA Letter is governed by and to be construed in accordance with the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Shareholders are to refer to paragraph 6 of this Company's Letter to Shareholders for information relating to the uncertainty over the settlement of the sale by the Company of its entire interest in Europtronic Suzhou or as referred by the IFA as the Europtronic Suzhou Sale.

11. INDEPENDENT DIRECTORS' RECOMMENDATION

The Independent Directors have reviewed the terms of the Exit Offer and have carefully considered the advice of the IFA in the IFA Letter as set out in 5 bbYI '5 to this Company's Letter to Shareholders. H Y ðXYdYbXYbhi 8 jfYWcf g' Wt bW f' k jH ' H Y UXj JW' cZ H Y = 5 ' Jb' fYgdYWH cZ H Y 9I jhCZZf" 5 WwfXjbl `nž H Y ðXYdYbXYbhi 8 jfYWcf g' fYWta a YbX' H UH G UfY c'XYfg 5 7 7 9DH' H Y 9I jhCZZf 'Jb' fYgdYWH cZ H Y CZZf' G UfYg'ck bYX'VmH Ya "

Shareholders who wish to retain all or part of their investment in the Shares are advised to take into consideration the general economic outlook and the implications of holding shares in an unlisted company as set out in paragraph 10 of the Exit Offer Letter.

The Independent Directors further caution the Shareholders that they should not rely on their recommendation or the advice of the IFA in the IFA Letter as the sole bases for deciding whether or not to accept the Exit Offer. Shareholders are advised to read the Exit Offer Letter carefully and in its entirety, including, but not limited to, this Company's Letter to Shareholders and the IFA Letter.

In making their recommendation, the Independent Directors have not had regard to the general or specific investment objectives, financial situation, tax status or position, risk profiles or unique needs and constraints of any individual Shareholder. As different Shareholder would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

12. FINANCIAL INFORMATION

12.1 Consolidated Statement of Comprehensive Income

A summary of the audited consolidated statements of comprehensive income of the Group for the last three financial years ended 31 December 2014 ("FY2014"), 31 December 2015 ("FY2015") and 31 December 2016 ("FY2016") and the unaudited consolidated statements of comprehensive income of the Group for the three (3) month period ended 31 March 2017 ("3M2017"), the six (6) month period ended 30 June 2017 ("6M2017"), the nine (9) month period ended 30 September 2017 ("9M2017") and for the financial year ended 31 December 2017 ("FY2017") is set out below. This summary is extracted from, and should be read together with, the annual reports and the audited financial statements of the Group for FY2014, FY2015 and FY2016 as well as the unaudited financial statements of the Group for 3M2017, 6M2017, 9M2017 and FY2017, and the respective accompanying notes, copies of which are available for inspection at the Company's registered office at 60 Kaki Bukit Place, Eunos Techpark #01-10, Singapore 415979 during normal business hours for the period during which the Exit Offer remains open for acceptance.

The audited consolidated financial statements of the Group for FY2016 and the unaudited consolidated financial statements of the Group for 3M2017, 6M2017, 9M2017 and FY2017 are set out respectively in Annex B, Annex C, Annex D, Annex E and Annex F to this Company's Letter to Shareholders.

The financial figures contained in this Company's Letter to Shareholders relating to the unaudited consolidated financial statements of the Group for 3M2017, 6M2017, 9M2017 and FY2017 have not been audited, reviewed or verified by the Company's auditor.

	← Audited →			← Unaudited →			
	FY2014 US\$'000	FY2015 US\$'000	FY2016 US\$'000	3M2017 US\$'000	6M2017 US\$'000	9M2017 US\$'000	FY2017 US\$'000
Continuing operations							
Revenue	25,066	4,317	614	151	234	347	403
Cost of sales	(26,805)	(4,022)	(475)	(124)	(207)	(304)	(367)
Gross profit/(loss)	(1,739)	295	139	27	27	43	36

	← Audited →			← Unaudited →			
	FY2014 US\$'000	FY2015 US\$'000	FY2016 US\$'000	3M2017 US\$'000	6M2017 US\$'000	9M2017 US\$'000	FY2017 US\$'000
Other income	211	208	520	65	83	119	121
Other gains/(losses)	417	35	(1,744)	(351)	(115)	130	107
Expenses							
- Distribution and marketing	(980)	(846)	(1,586)	(53)	(97)	(133)	(180)
- Administrative	(4,896)	(2,153)	(1,753)	(322)	(776)	(1,070)	(1,453)
- Finance	(1,337)	(972)	(1,483)	(86)	(175)	(243)	(401)
Loss before income tax	(8,324)	(3,433)	(5,907)	(720)	(1,053)	(1,154)	(1,770)
Income tax expense	(33)	-	(117)	(1,363)	(1,363)	(1,363)	(1,363)
Loss from continuing operations	(8,357)	(3,433)	(6,024)	(2,083)	(2,416)	(2,517)	(3,133)
Discontinued operations							
Loss from discontinued operations	-	(2,320)	(7,313)	-	-	-	-
Total loss	(8,357)	(5,753)	(13,337)	(2,083)	(2,416)	(2,517)	(3,133)
Other comprehensive income/losses:							
Items that may be reclassified subsequently to profit or loss:							
Available-for-sale financial assets							
- Reclassification	(878)	-	-	-	-	-	-
Currency translation differences arising from consolidation							
- Gain/(Losses)	(320)	(980)	(653)	75	138	85	271
- Reclassification	(413)	-	147	-	(12)	(1)	(1)
	(1,611)	(980)	(506)	75	126	84	270
Item that will not be reclassified subsequently to profit or loss:							
Movement in asset revaluation reserve	-	-	-	-	407	410	-
Revaluation losses on property, plant and equipment	(16,010)	(45)	-	-	-	-	-
Other comprehensive income/(losses), net of tax	(17,621)	(1,025)	(506)	75	533	494	270

	← Audited →			← Unaudited →			
	FY2014 US\$'000	FY2015 US\$'000	FY2016 US\$'000	3M2017 US\$'000	6M2017 US\$'000	9M2017 US\$'000	FY2017 US\$'000
Total comprehensive losses	(25,978)	(6,778)	(13,843)	(2,008)	(1,883)	(2,023)	(2,863)
Loss attributable to:							
Equity holders of the Company	(8,357)	(5,612)	(12,572)	(2,083)	(2,416)	(2,517)	(3,133)
Non-controlling interests	-	(141)	(765)	-	-	-	-
	(8,357)	(5,753)	(13,337)	(2,083)	(2,416)	(2,517)	(3,133)
Loss attributable to equity holders of the Company relates to:							
Loss from continuing operations	(8,357)	(2,613)	(4,425)	(2,083)	(2,416)	(2,517)	(3,133)
Loss from discontinued operations	-	(2,999)	(8,147)	-	-	-	-
	(8,357)	(5,612)	(12,572)	(2,083)	(2,416)	(2,517)	(3,133)
Total comprehensive losses attributable to:							
Equity holders of the Company	(25,978)	(6,582)	(12,998)	(2,008)	(1,883)	(2,023)	(2,863)
Non-controlling interests	-	(196)	(845)	-	-	-	-
	(25,978)	(6,778)	(13,843)	(2,008)	(1,883)	(2,023)	(2,863)
Loss per share from continuing and discontinued operations attributable to equity holders of the Company (cents per Share)							
Basic and diluted losses per Share							
From continuing operations	(1.06)	(0.30)	(0.47)	(0.22)	(0.26)	(0.27)	(0.33)
From discontinued operations	-	(0.34)	(0.86)	-	-	-	-

The Group's revenue has significantly declined between FY2014 to FY2017. The Group recorded revenue of US\$0.6 million and US\$0.4 million in FY2016 and FY2017 respectively. The significant decline in revenue from FY2015 onwards is primarily due to the signing of the definitive Sale and Purchase Agreement on 4 July 2016 to sell 89.05% interest in Eurotronic Suzhou to Nantong Jianghai. Eurotronic Suzhou is the key contributor to the Group's revenue. As a result of the sale by the Company of its entire interest in Eurotronic Suzhou, the entire financial results from Eurotronic Suzhou are presented separately on the consolidated statement of comprehensive income as "discontinued operations" from FY2015 onwards. The other factor which contributed to the decline in the Group's revenue for FY2015, FY2016 and FY2017 was due to the constraints of working capital to fully meet

the customer demands on the other businesses of the Group, i.e. the Component Manufacturing Business Unit (the “CMBU”) and the Component Distribution Business Unit (the “CDBU”). The entire assets and liabilities of Europtronic Suzhou had also been classified as “disposal group classified as held for sale” and carried at US\$12.848 million on the consolidated balance sheet of the Group for FY2016 and FY2017. Revenue in FY2016 and FY2017 is generated from the remaining business of CMBU and CDBU.

The Group had incurred losses from continuing operations for FY2014 (without restatement), FY2015 (as restated), FY2016 and FY2017 respectively. The Group recorded a gross loss of US\$1.7 million in FY2014 and small gross profits for FY2015, FY2016 and FY2017 respectively. However, the gross profits earned for these periods were insufficient to cover the operating costs of the Group.

Other gains increased by US\$1.85 million from loss of US\$1.74 million in FY2016 to a gain of US\$0.11 million in FY2017, due mainly to loss on disposal of office premises in Taiwan and loss on foreign exchange difference in FY2016.

Distribution and marketing expenses from continuing operations increased by 87.5% or US\$0.74 million from US\$0.85 million in FY2015 to US\$1.59 million in FY2016, due mainly to allowance for impairment of receivables of US\$1.0 million. In FY2017, the distribution and marketing expenses decreased by 88.65% or US\$1.41 million from US\$1.59 million in FY2016 to US\$0.18 million in FY2017, due mainly to reduction in staff headcount and marketing costs.

The administrative expenses from continuing operations for FY2014, FY2015, FY2016 and FY2017 were US\$4.896 million, US\$2.153 million, US\$1.753 million and US\$1.453 million respectively. Administrative expenses decreased by 56% or US\$2.743 million from US\$4.896 million in FY2014 to US\$2.153 million in FY2015 and further decreased by 18.5% or US\$0.40 million to US\$1.753 million in FY2016 and 17.11% or US\$0.30 million to US\$1.453 million in FY2017. The decrease in the administrative expenses was mainly due to a reduction in staff headcounts resulting from a continuous cost cutting exercise undertaken by the Group.

The Group has incurred losses from discontinued operations in FY2015 and FY2016 respectively. The losses from discontinued operations increased by 215.3% or US\$4.99 million from US\$2.32 million in FY2015 to US\$7.31 million in FY2016, due mainly to the financial results of Europtronic Suzhou and the additional allowance for impairment of receivables of US\$2.69 million. In FY2016, the loss from discontinued operations included a provision made for doubtful debts of US\$2.69 million. No material provision was made by the Company for FY2015. Based on Europtronic Suzhou’s management accounts, it recorded a gross profit of US\$0.6 million and a net loss of US\$2.4 million in FY2015; while it recorded a gross loss of US\$0.3 million and a net loss of US\$7.3 million in FY2016, inclusive of allowance for impairment of receivables of US\$2.4 million.

The income tax expenses for 3M2017, 6M2017, 9M2017 and FY2017 of US\$1.363 million arose due to local taxes paid to relevant PRC authorities in respect of the sale by the Company of its entire interest in Europtronic Suzhou.

The Group had incurred net losses for FY2014, FY2015, FY2016 and FY2017. The net loss in FY2017 of US\$3.1 million is relatively lower with the sale of loss-making Europtronic Suzhou and due to cost management measures and the smaller size of business operations.

12.2 Statement of Financial Position

A summary of the audited consolidated balance sheet of the Group as at 31 December 2016 and the unaudited consolidated balance sheet of the Group as at 31 December 2017 is set out below. This summary is extracted from, and should be read together with, the annual report and the audited financial statements of the Group for FY2016, the unaudited financial statements of the Group for FY2017, and the respective accompanying notes, copies of which are available for inspection at the Company's registered office at 60 Kaki Bukit Place, Eunos Techpark #01-10, Singapore 415979 during normal business hours for the period during which the Exit Offer remains open for acceptance.

The audited consolidated financial statements of the Group for FY2016 and the unaudited consolidated financial statements of the Group for FY2017 are set out respectively in Annex B and Annex F to this Company's Letter to Shareholders.

The financial figures contained in this Company's Letter to Shareholders relating to the unaudited consolidation financial statements of the Group for FY2017 have not been audited, reviewed or verified by the Company's auditor.

	Audited as at 31 December 2016	Unaudited as at 31 December 2017
	US\$'000	US\$'000
ASSETS		
Current assets		
Cash and cash equivalents	125	373
Available-for-sale financial assets	1	1
Trade and other receivables	743	1,116
Inventories	83	14
	<hr/>	<hr/>
	952	1,504
Asset of disposal group classified as held-for-sale	37,631	37,631
	<hr/>	<hr/>
	38,583	39,135
Non-current assets		
Investment property ⁽¹⁾	2,772	-
Property, plant and equipment	100	34
Intangible assets	77	79
	<hr/>	<hr/>
	2,949	113
Total assets	<hr/> 41,532 <hr/>	<hr/> 39,248 <hr/>
LIABILITIES		
Current liabilities		
Trade and other payables	18,922	24,496
Financial guarantee contracts	7,206	4,451
Borrowings	2,004	-
	<hr/>	<hr/>
	28,132	28,947

	Audited as at 31 December 2016 US\$'000	Unaudited as at 31 December 2017 US\$'000
Liabilities directly associated with disposal group classified as held-for-sale	24,783	24,783
	52,915	53,730
Non-current liabilities		
Borrowings	43	-
Deferred income tax liabilities	406	-
	449	-
Total liabilities	53,364	53,730
NET LIABILITIES	(11,832)	(14,482)
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	46,115	46,115
Other reserves	17,749	16,992
Accumulated losses	(76,477)	(78,370)
	(12,613)	(15,263)
Non-controlling interests	781	781
Total equity	(11,832)	(14,482)

Note:

- (1) The disposal of investment property was a result of forced sale by the bank when the Group fails to fulfill its obligations on its repayment of bank borrowings.

12.3 Financial support from a Director of the Company

The financial statements of the Group for FY2016 was prepared on a going concern basis as Management was confident of obtaining funds for operational needs through various initiatives, including the continuing financial support from bankers and other lenders. The Management has represented that Huang Chuang Shueh-Ou has provided the most financial support to the Group as at 31 December 2016. This was based on the FY2016 financial statements whereby the Company received financial support from the bankers, amounting to US\$2.0 million, and from Huang Chuang Shueh-Ou, amounting to US\$11.6 million.

It was disclosed in Note 21 of the FY2016 financial statements that non-trade advances from the Directors of the Company amount to US\$11.6 million as at 31 December 2016, of which “the non-trade advances from the directors of the Company are unsecured, interest free and repayable on demand except for an amount of US\$4,000,000 which bear interest at 3% per annum (2015: 3% per annum) with effect from 1 June 2014”. The Management has represented that the US\$11.6 million are advances from Huang Chuang Shueh-Ou.

The Management has represented that Huang Chuang Shueh-Ou was the sole party to provide financial support to the Group as at 31 December 2017. Non-trade advances from a Director of the Company (Huang Chuang Shueh-Ou) amount to US\$9.8 million as at 31 December 2017, of which non-trade advances from the Director (Huang Chuang Shueh-Ou) are unsecured, interest free and repayable on demand except for an amount of

US\$4,000,000 which bear interest at 3% per annum. This was based on the FY2017 financial statements whereby the Company received financial support solely from Huang Chuang Shueh-Ou amounting to US\$9.8 million.

12.4 NTA per Share

Based on the latest published unaudited financial statements of the Group for FY2017 announced on 29 March 2018:

- (a) the consolidated NTA value of the Group (including non-controlling interests) amounted to negative US\$14.561 million, representing negative US\$0.0154 per Share; and
- (b) the consolidated NTA value of the Group (excluding non-controlling interests) amounted to negative US\$15.342 million, representative negative US\$0.0163 per Share,

based on 943,732,154 Shares in issue as at 31 December 2017.

As at the Latest Practicable Date, the Directors are not aware of any fact or circumstance that would result in any material change to the consolidated NTA per Share of the Group as at 31 December 2017.

12.5 Significant Accounting Policies and Changes

A summary of the significant accounting policies of the Group is set out in Note 2 to the audited financial statements of the Group for FY2016, which are set out in Annex B to this Company's Letter to Shareholders.

As at the Latest Practicable Date, there is no change in the accounting policy of the Group which will cause the figures as disclosed in this Company's Letter to Shareholders not to be comparable to a material extent.

12.6 Material Changes in Financial Position

Save as disclosed in publicly available information on the Company (including but not limited to announcements released by the Company in respect of its financial results such as the audited financial statements of the Group for FY2016 dated 5 May 2017 and the unaudited financial statements of the Group for FY2017 as announced on 29 March 2018), as at the Latest Practicable Date, there have been no known material changes in the financial position of the Company since 31 December 2016, being the date to which the Company's last published audited financial statements were made up.

13. DISCLOSURE OF INTERESTS

13.1 Interests of Directors and Substantial Shareholders in the Company

The table below sets out the interests of Directors and Substantial Shareholders (as defined below) in the Company as at the Latest Practicable Date, based on information in the Register of Directors' Shareholdings and the Register of Substantial Shareholders, respectively.

"Substantial Shareholder" means a person who holds directly or indirectly not less than five per cent. (5%) of the total number of issued Shares.

Name	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
<u>Directors</u>				
Huang Shih-An ⁽²⁾	161,620,193	17.13	92,124,465	9.76
Huang Chuang Shueh-Ou ⁽²⁾	92,124,465	9.76	161,620,193	17.13
Anthony Ang Meng Huat	3,000,000	0.32	-	-
Tan Sek Khee	-	-	-	-
Lin Chien	-	-	-	-
<u>Substantial Shareholders</u>				
Huang Shih-An ⁽²⁾	161,620,193	17.13	92,124,465	9.76
Huang Chuang Shueh-Ou ⁽²⁾	92,124,465	9.76	161,620,193	17.13
Chua Hwee Song	94,000,000	9.96	-	-

Notes:

- (1) Based on 943,732,154 Shares in issue as at the Latest Practicable Date and rounded to two decimal places.
- (2) Mr Huang Shih-An is deemed to have an interest in the Shares held by his spouse, Mrs Huang Chuang Shueh-Ou, and *vice versa*.

13.2 Directors' Intentions in relation to the Exit Offer

As at the Latest Practicable Date and as disclosed in paragraph 13.1 above, Huang Shih-An, Huang Chuang Shueh-Ou and Anthony Ang Meng Huat holds respectively 161,620,193 Shares, 92,124,465 Shares and 3,000,000 Shares.

Each of Huang Shih-An, Huang Chuang Shueh-Ou and Anthony Ang Meng Huat has confirmed that each of them will be accepting the Exit Offer in respect of all the Shares currently held by each of them in the Company.

13.3 Disclosures of Interests of the Company and the Directors

(a) *Interest of the Company in securities of the Offeror*

As at the Latest Practicable Date, the Company does not have any direct or deemed interest in the equity share capital of the Offeror, or convertible securities, warrants, options and derivatives in respect of the equity share capital of the Offeror.

(b) *Dealings in securities of the Offeror by the Company*

The Company did not deal for value in the equity share capital of the Offeror, or convertible securities, warrants, options and derivatives in respect of the equity share capital of the Offeror during the period commencing 12 October 2017, being the date of incorporation of the Offeror, and ending on the Latest Practicable Date.

(c) *Interests of the Directors in securities of the Offeror*

As at the Latest Practicable Date, the Offeror is wholly-owned by Huang Chuang Shueh-Ou, who is also the sole director of the Offeror. Huang Shih-An, being the

spouse of Huang Chuang Shueh-Ou, is deemed interested in the interest of Huang Chuang Shueh-Ou in the Offeror.

Save for Huang Chuang Shueh-Ou and Huang Shih-An, as at the Latest Practicable Date, none of the Directors has any direct or deemed interest in the equity share capital of the Offeror, or convertible securities, warrants, options and derivatives in respect of the equity share capital of the Offeror.

(d) *Dealings in securities of the Offeror by the Directors*

None of the Directors has dealt for value in the equity share capital of the Offeror, or convertible securities, warrants, options and derivatives in respect of the equity share capital of the Offeror during the period commencing 12 October 2017, being the date of incorporation of the Offeror, and ending on the Latest Practicable Date.

(e) *Interests of the Directors in securities of the Company*

Save as disclosed in paragraph 13.1 of this Company's Letter to Shareholders, none of the Directors has any direct or deemed interest in the Shares or securities which carry voting rights in the Company, or convertible securities, warrants, options or derivatives in respect of securities which carry voting rights in the capital of the Company.

(f) *Dealings in securities of the Company by the Directors*

None of the Directors has dealt for value in the Shares or securities which carry voting rights in the Company, or convertible securities, warrants, options or derivatives in respect of securities which carry voting rights in the capital of the Company during the period commencing six (6) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

13.4 Service Contracts with Directors

There (i) are no service contracts between any Director or proposed director with the Company or any of its subsidiaries with more than 12 months to run, which the employing company cannot, within the next 12 months, terminate without payment of compensation; and (ii) were no service contracts entered into or amended between any of the Directors or proposed director and the Company or any of its subsidiaries during the period commencing six (6) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

13.5 Arrangements Affecting Directors

- (a) There are no payments or other benefits which will be made or given to any Director or any director of any corporation which is, by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Exit Offer.
- (b) As at the Latest Practicable Date, there are no agreements or arrangements made between any Director and any other person in connection with or which are conditional upon the outcome of the Exit Offer.

- (c) Save for Huang Chuang Shueh-Ou and Huang Shih-An whose interests in the Offeror are disclosed in paragraph 13.3(c) above, as at the Latest Practicable Date, none of the Directors has any material personal interest, whether direct or indirect, in any material contracts entered into by the Offeror.

13.6 Disclosure of Interests of the IFA

- (a) None of the entities under the HLF Group nor any of the funds whose investments are managed by the entities under the HLF Group on a discretionary basis, owns or controls any Shares or securities which carry voting rights in the Company, or convertible securities, warrants, options or derivatives in respect of securities which carry voting rights in the capital of the Company as at the Latest Practicable Date.
- (b) None of the entities under the HLF Group nor any of the funds whose investments are managed by the entities under the HLF Group on a discretionary basis has dealt for value in the Shares or securities which carry voting rights in the Company, or convertible securities, warrants, options or derivatives in respect of securities which carry voting rights in the capital of the Company during the period commencing six (6) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

The term “**HLF Group**” refers to HLF and its subsidiaries. Hong Leong Investments Holdings Pte. Ltd. is currently the largest shareholder of HLF holding an aggregate interest (including deemed interest) of 46.18% of the issued share capital of HLF as at the Latest Practicable Date.

14. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Pursuant to a loan agreement dated 1 June 2014 entered into between the Company and Huang Chuang Shueh-Ou, Huang Chuang Shueh-Ou had extended a loan for the sum of US\$4 million to the Company at an interest rate of 3% per annum. For FY2016 and FY2017, the interest payable by the Company to Huang Chuang Shueh-Ou amounted to US\$120,000 for each of the said financial years. Such interest remains outstanding and due to Huang Chuang Shueh-Ou as at the Latest Practicable Date.

Save as disclosed above, neither the Company nor any of its subsidiaries has entered into material contracts (not being contracts entered into in the ordinary course of business of the Group) with persons who are Interested Persons (as defined below), during the period commencing three (3) years prior to the Joint Announcement Date and ending on the Latest Practicable Date.

An “Interested Person”, as defined in the Note on Rule 24.6 of the Take-over Code read with the Note on Rule 23.12 of the Take-over Code, is:

- (a) a director, chief executive officer, or substantial shareholder of the company;
- (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company;

- (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer, or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
- (d) any company in which a director, the chief executive officer, or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
- (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

15. MATERIAL LITIGATION

It was disclosed in paragraph 6 of this Company's Letter to Shareholders that the Sale Price for the sale by the Europtronic Suzhou Shareholders of their collective interest in Europtronic Suzhou is payable by Nantong Jianghai in three instalments subject to certain conditions being fulfilled and that the Company is in dispute with Nantong Jianghai on one of the conditions to be fulfilled by the Company in order for the Second Instalment to be paid by Nantong Jianghai to the Europtronic Suzhou Shareholders. In this regard, the Company, together with two other shareholders of Europtronic Suzhou, namely, Shenzhen YuAnDa Import & Export Co., Ltd. (深圳市誉安达进出口有限公司) and Accuvest Capital I Limited, had, on 8 February 2018, commenced arbitration proceeding against Nantong Jianghai by filing an application for arbitration with the China International Economic and Trade Arbitration Commission. As at the Latest Practicable Date, the said arbitration proceeding is on-going. The Management has represented that there are no guarantees that the full portion of the Second Instalment due to the Company would be received due to the on-going dispute with Nantong Jianghai.

Save as disclosed above and for the loan dispute between Europtronic Suzhou and Mr Chen WeiFeng as disclosed in paragraph 6 of this Company's Letter to Shareholders, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any material litigation as plaintiff or defendant which might materially and adversely affect the financial position of the Company or the Group taken as a whole and the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any litigation, claim or proceedings which might materially and/or adversely affect the financial position of the Company and the Group taken as a whole.

16. CONSENTS

16.1 Independent Financial Adviser

The IFA has given and has not withdrawn its written consent to the issuance of this Company's Letter to Shareholders with the inclusion of the IFA Letter set out in **Annex A** to this Company's Letter to Shareholders and the inclusion of its name and all references to itself and the IFA Letter in the form and context in which they appear in this Company's Letter to Shareholders.

16.2 Auditors

The Company's independent auditors, PricewaterhouseCoopers LLP ("**PwC**"), has given and has not withdrawn its written consent to the reproduction in this Company's Letter to Shareholders of its auditor's report dated 5 May 2017 in relation to the audited financial statements of the Group for FY2016 set out in **Annex B** to this Company's Letter to Shareholders and the references to itself in the form and context in which they are included in this Company's Letter to Shareholders.

The Company had, on 9 May 2018, received a notice of resignation dated 2 May 2018 (the "**Notice of Resignation**") from PwC notifying the Company of their resignation as auditor of the Company with effect from the date of the Notice of Resignation and withdrawing their consent to act in the capacity as the auditor of the Company, subject to consent being obtained from the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**").

PwC had also stated in its Notice of Resignation that:

- (a) it had applied for consent to ACRA to resign as auditors of the Company and its Singapore-incorporated subsidiaries; and
- (b) the reason for their resignation was because the Company has ceased a substantial part of its operation in 2017 and is planning for delisting from the SGX-ST.

The Company accepts the aforesaid reason provided by PwC for its resignation as the auditor of the Company and wishes to express its appreciation for the past services rendered by PwC.

17. COSTS AND EXPENSES

All costs and expenses of and incidental to the preparation and circulation of this Company's Letter to Shareholders will be paid by the Company, and all costs and expenses of, and incidental to the preparation and circulation of the Exit Offer Letter and the Acceptance Form(s), stamp duty (if any) and transfer fees resulted from acceptances of the Exit Offer will be paid by the Offeror.

18. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Company's Letter to Shareholders and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Company's Letter to Shareholders constitutes full and true disclosure of all material facts about the Delisting, the Company and its subsidiaries (excluding those relating to the Offeror and its related corporations, the Delisting Proposal, the Exit Offer, the Exit Offer Letter, the recommendation of the Independent Directors and Annex A to this Company's Letter to Shareholders), and the Directors are not aware of any facts the omission of which would make any statement in this Company's Letter to Shareholders misleading.

Where information in this Company's Letter to Shareholders has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Company's Letter to Shareholders in its proper form and context.

19. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the Company's registered office at 60 Kaki Bukit Place, Eunos Techpark #01-10, Singapore 415979, during normal business hours for the period for which the Exit Offer remains open for acceptance:

- (a) the Constitution of the Company;
- (b) the Delisting Proposal;
- (c) the Joint Announcement;
- (d) the Annual Reports of the Company for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016;
- (e) the unaudited consolidated financial statements of the Group for the first quarter and three (3) month period ended 31 March 2017 set out in **Annex C** to this Company's Letter to Shareholders;
- (f) the unaudited consolidated financial statements of the Group for the second quarter and six (6) month period ended 30 June 2017 set out in **Annex D** to this Company's Letter to Shareholders;
- (g) the unaudited consolidated financial statements of the Group for the third quarter and nine (9) month period ended 30 September 2017 set out in **Annex E** to this Company's Letter to Shareholders;
- (h) the unaudited consolidated financial statements of the Group for the fourth quarter and the financial year ended 31 December 2017 set out in **Annex F** to this Company's Letter to Shareholders;
- (i) the letter of consent of the IFA referred to in paragraph 16.1 of this Company's Letter to Shareholders;
- (j) the letter of consent of PwC referred to in paragraph 16.2 of this Company's Letter to Shareholders; and
- (k) the IFA Letter set out in **Annex A** to this Company's Letter to Shareholders.

20. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Exit Offer Letter and its Appendices.

Yours faithfully,
for and on behalf of the Board of Directors of
Europtronic Group Ltd

Anthony Ang Meng Huat
Non-Executive Lead Independent Director

Annex A

IFA LETTER

LETTER FROM HONG LEONG FINANCE LIMITED TO THE INDEPENDENT DIRECTORS OF EUROPTRONIC GROUP LTD

Hong Leong Finance Limited
(Incorporated in the Republic of Singapore)
(Company Registration No. 196100003D)

8 August 2018

To: The Independent Directors
Europtronic Group Ltd
60 Kaki Bukit Place
Eunos Techpark #01-10
Singapore 415979

Dear Sirs,

THE DIRECTED DELISTING OF EUROPTRONIC GROUP LTD (THE “COMPANY”) PURSUANT TO RULE 1315 OF THE LISTING MANUAL AND EXIT OFFER BY PROJECT GOODWILL PTE. LTD. (THE “OFFEROR”) PURSUANT TO RULES 1306 AND 1309 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

For the purpose of this letter, capitalised terms not otherwise defined herein unless the context otherwise requires shall have the same meaning as given to them in the exit offer letter dated 8 August 2018 issued by the Offeror (the “Exit Offer Letter”).

1. INTRODUCTION

On 5 March 2014, Europtronic Group Ltd (“**Europtronic**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) was placed on the watch-list (the “**Watch-list**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) pursuant to Rule 1311 of the Listing Manual of the SGX-ST (the “**Listing Manual**”).

On 2 March 2016 (the “**Delisting Notification Date**”), the Company received a notification letter from the SGX-ST (the “**Delisting Notification**”) informing the Company that the SGX-ST will delist the Company from the Official List of the SGX-ST pursuant to Rule 1315 of the Listing Manual as the Company has not met the requirements under Rule 1314 of the Listing Manual for its removal from the Watch-list. In the Delisting Notification, the SGX-ST requested that the Company inform the SGX-ST of its exit offer proposal no later than one month from the Delisting Notification Date. Trading in the Company’s securities has been suspended (the “**Suspension**”) from 9.00 am, 4 April 2016 (the “**Suspension Date**”), and will remain suspended until completion of an exit offer.

On 7 November 2017 (the “**Joint Announcement Date**”), the Company and the Offeror jointly announced that the Offeror had presented to the directors of the Company (the “**Directors**”) a formal proposal to make an exit offer to the shareholders of the Company (the “**Shareholders**”) pursuant to Rules 1306 and 1309 of the Listing Manual (the “**Delisting Proposal**”) in connection with the directed delisting of the Company (the “**Delisting**”) by the SGX-ST in accordance with Rule 1315 of the Listing Manual and the Delisting Notification (the “**Joint Announcement**”). 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 (the “**Shares**”) (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 (the “**Offer Shares**”), in accordance to the terms set out in the Exit Offer Letter.

As at 25 July 2018, being the latest practicable date prior to the printing of the Exit Offer Letter (the “**Latest Practicable Date**”), the issued and paid-up share capital of the Company is S\$64.4 million comprising 943,732,154 Shares. As at the Latest Practicable Date, the Offeror does not hold any Shares.

Pursuant to Rule 1309(2) of the Listing Manual, the Company has appointed Hong Leong Finance Limited (“**HLF**”) as the independent financial adviser (the “**IFA**”) to advise the Directors who are considered independent in respect of the Exit Offer, for the purpose of making a recommendation on the Exit Offer to the Shareholders.

We note from the Exit Offer Letter that as at the Latest Practicable Date, the Directors who are deemed to be independent for the purpose of the Exit Offer are Anthony Ang Meng Huat, Tan Sek Khee and Lin Chien (collectively, the “**Independent Directors**”). We note that Huang Shih-An and Huang Chuang Shueh-Ou (collectively, the “**Relevant Directors**”), are exempted from the requirement to make a recommendation to the Shareholders on the Exit Offer as the Relevant Directors, being persons who are acting or deemed to be acting in concert with the Offeror, face irreconcilable conflict of interests in doing so. Nevertheless, the Relevant Directors must still assume responsibility for the accuracy of the facts stated and opinions expressed in documents or advertisements issued by, or on behalf of, the Company to the Shareholders in connection with the Exit Offer.

This letter (the “**IFA Letter**”) to be included in the Exit Offer Letter sets out, *inter alia*, our views and evaluation of the financial terms of the Exit Offer and our recommendations thereon. This letter has been prepared in compliance with Rule 1309 and is also for the use of the Independent Directors in connection with their consideration of the Exit Offer and their recommendations to the Shareholders arising thereof.

2. TERMS OF REFERENCE

HLF has been appointed to advise the Independent Directors on the Exit Offer pursuant to Rule 1309(2) of the Listing Manual. Accordingly, our advice is confined as to whether the financial terms of the Exit Offer are fair and reasonable and not prejudicial to the interests of the Shareholders.

HLF is neither a party to the negotiations or discussions in relation to the Exit Offer, nor were we involved in the deliberations leading up to the decision on the part of the Directors to put forth the Exit Offer to Shareholders, and we do not, by this Letter, advise on the merits of the Exit Offer other than to form an opinion as to whether the financial terms of the Exit Offer are fair and reasonable and not prejudicial to the interests of the Shareholders.

Our terms of reference do not require us to evaluate or comment on the strategic merits, long term or otherwise, and/or on the commercial merits and risks (if any) of the Exit Offer or on the future prospects or value of the Group, and we do not express an opinion on any of the aforesaid. Such evaluations or comments remain the sole responsibility of the Directors and the management of the Company (the “**Management**”), but we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter.

We were not requested or authorized to solicit, and we have not solicited, any indications of interest from any third parties with respect to the Offer Shares. In this regard, we have not addressed the relative merits of the Exit Offer as compared to any alternative

proposals or transactions available or which may be available to the Company, and such comparison and consideration remain the responsibility of the Directors. In addition, we do not express any views or opinion on the legality of the Exit Offer or all other matters pertaining to the Exit Offer or the Exit Offer Letter, *inter alia*, the mechanism or processes of acceptance, its eligibility or validity or other alternatives (if any) or the sufficiency of information.

We are not required to and have not made an independent evaluation or appraisal of the assets and liabilities of the Group (including without limitation, property, plant and equipment) and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held by the Group. Notwithstanding the above, nothing has come to our attention to cause us to require any independent valuation of the Group's assets.

For the purpose of rendering our advice and opinion, we have relied on publicly available information collated by us, information set out in the Exit Offer Letter, Company Letter to Shareholders and information (including representations, opinions, facts and statements) provided to us by the Directors, Management, employees and/or advisers of the Company. We have relied upon and assumed the accuracy, truth, completeness and adequacy of, without having independently verified, such information, whether written or verbal, provided to us by the aforesaid parties and accordingly cannot and do not warrant, and do not accept any responsibility for, the accuracy, truth, completeness or adequacy of such information.

We have relied upon the assurances of the Directors and the Management who have confirmed to us that to the best of their respective knowledge, information and belief, having made due and careful enquiries, all material information available to them in connection with the Exit Offer, the Exit Offer Letter, the Company's Letter to Shareholders, the Company and the Group has been disclosed to HLF, that such information constitute full and true disclosure of all material information, is true, complete and accurate in all material respects and there is no other information or fact, the omission of which would cause any of the information disclosed to or relied by us or the facts of or in relation to the Exit Offer Letter to be inaccurate, untrue, incomplete, unfair or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for the accuracy, truth, completeness and adequacy of the information provided to us, including the unaudited financial statements for FY2017 for the Group. Accordingly, we cannot and do not represent or warrant (expressly or impliedly), and do not accept any responsibility for the accuracy, truth, completeness or adequacy of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors and Management to us or in the Exit Offer Letter and the Company's Letter to Shareholders have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information upon which we have relied, we have not independently verified such information but nevertheless have made such reasonable enquiry and exercised our judgment on the reasonableness of such information as we have deemed necessary and have found no reason to doubt the accuracy or reliability of the information.

Saved as disclosed, we would like to highlight that all information relating to the Exit Offer, the Company and the Group that we have relied upon in arriving at our recommendation or advice has been obtained from publicly available information and/or from the Directors, Management, employees and/or advisers of the Company. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company and the Group at any time or as at 25 July 2018, being the Latest Practicable Date.

In evaluating the financial terms of the Exit Offer, we do not express any view on the future growth prospects, value and earnings potential of the Company or the Group in

connection with our opinion herein. Any such evaluation or review remains the responsibility of the Directors and the Management, but we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter.

Our opinion herein is based upon market, economic, industry, monetary, regulatory and other applicable conditions prevailing on, and the information provided to us as of, the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of, and this Letter does not take into account, any subsequent development after the Latest Practicable Date that may affect our opinion herein. Shareholders should also take note of any announcements relevant to the Exit Offer which may be released by or on behalf of the Company and other relevant sources after the Latest Practicable Date.

The Company has been separately advised by its advisers in the preparation of the Exit Offer Letter (other than this IFA Letter). We have had no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Exit Offer Letter (other than this IFA Letter). Accordingly, we take no responsibility for, and express no views, express or implied, on the contents of the Exit Offer Letter (except for this IFA Letter).

We have not regarded the general or specific investment objectives, financial situation, tax position, risk profile or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment portfolios and objectives, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his or her investment portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax advisor or other professional advisers immediately.

As stated above, this IFA Letter is issued in compliance with Rule 1309 and is also for the use and benefit of the Independent Directors and the recommendations made by them to the Shareholders are the responsibility of the Independent Directors.

Our opinion in relation to the Exit Offer should be considered in the context of the entirety of this IFA Letter and the Exit Offer Letter.

3. THE EXIT OFFER

Under the terms of the Exit Offer, the Offeror is making an offer to acquire all the Offer Shares. Terms of the Exit Offer are set out in section 3 of the Exit Offer Letter (including the Acceptance Forms). We recommend that Shareholders read the terms and conditions contained therein carefully.

A summary of the key information of the Exit Offer is set out below for your reference.

3.1 Exit Offer Price

The consideration for the Exit Offer will be:

For each Offer Share: S\$0.0001 in cash

The Exit Offer is extended to all Offer Shares and the Exit Offer Price is applicable to any number of Offer Shares tendered in acceptance of the Exit Offer. Shareholders may choose to accept the Exit Offer in respect of all or part of their holdings of Offer Shares. Each Shareholder who accepts the Exit Offer will receive S\$1.00 for every 10,000 Offer Shares tendered for acceptance of the Exit Offer.

The Offeror does not intend to revise or increase the Exit Offer Price except that the Offeror reserves the right to reduce the Exit Offer Price by the amount of such dividend, right, distribution, return of capital or any other entitlement announced, declared, paid or made by the Company on or after the Joint Announcement Date to a Shareholder who accepts or has accepted the Exit Offer.

3.2 Acceptance condition

The Exit Offer is subject to the Offeror having received, by the close of the Exit Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Exit Offer and pursuant to the Exit Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of the total voting rights attributable to the issued share capital of the Company as at the close of the Exit Offer (the “**Acceptance Condition**”).

Accordingly, the Exit Offer will not become or be capable of being declared unconditional as to acceptances, unless at any time prior to or as at the Closing Date (as defined in section 3.7 below), the Offeror has received valid acceptances in respect of such number of Offer Shares which, together with the number of Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Exit Offer and pursuant to the Exit Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of the total voting rights attributable to the issued share capital of the Company.

3.3 No encumbrances

The Offer Shares are to be acquired (a) fully paid, (b) free from any mortgage, debenture, lien, charge, pledge, title retention, right to acquire, security interest, option, pre-emptive or similar right, right of first refusal and any other encumbrance or condition whatsoever (each, an “**Encumbrance**”), and (c) together with all rights, benefits and entitlements attached thereto as at the Joint Announcement Date and thereafter attaching thereto including all voting rights, the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by the Company on or after the Joint Announcement Date. If any dividend, right, distribution, return of capital or any other entitlement is announced, declared, paid or made by the Company on or after the Joint Announcement Date to a Shareholder who accepts or has accepted the Exit Offer, the Offeror reserves the right to reduce the Exit Offer Price by the amount of such dividend, right, distribution, return of capital or any other entitlement.

3.4 Regulatory approvals

An application was made to the Securities Industry Council (the “**SIC**”) by Huang Shih-An and Huang Chuang Shueh-Ou on 8 September 2017 to seek clarification regarding the extent to which the provisions of the Code applied to the Exit Offer. The SIC ruled on 26 September 2017 that:

the Exit Offer is exempted from compliance with the following provisions of the Code:

- (a) Rule 20.1 on keeping the Exit Offer open for 14 days after it is revised;
- (b) Rule 22 on the offer timetable;
- (c) Rule 28 on acceptances; and
- (d) Rule 29 on the right of acceptors to withdraw their acceptances,

subject to the satisfaction of the following conditions:

- (i) disclosure in the Exit Offer Letter of
 - (1) the consolidated net tangible assets (the “NTA”) per Share of the group comprising the Company, its subsidiaries and associated companies based on the latest published accounts prior to the date of the Exit Offer Letter; and
 - (2) particulars of all known material changes as at the Latest Practicable Date which may affect the consolidated NTA per Share referred to in section 3.4(i)(1) above or a statement that there are no such known material changes; and
- (ii) the Exit Offer remaining open for at least 28 days after the date of despatch of this Exit Offer Letter.

The SIC also ruled on 26 September 2017 that the Relevant Directors are exempted from the requirement to make a recommendation to the Shareholders on the Exit Offer as the Relevant Directors, being persons who are acting or deemed to be acting in concert with the Offeror, face irreconcilable conflict of interests in doing so. Nevertheless, the Relevant Directors must still assume responsibility for the accuracy of facts stated and opinions expressed in documents or advertisements issued by, or on behalf of, the Company to the Shareholders in connection with the Exit Offer.

3.5 The Offeror’s intentions for the Company and the Group

The Offeror has stated its intention in relation to the operations and businesses of the Group as well as the employees of the Group in section 8 of the Exit Offer Letter, as reproduced in italics below, and all terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter:

“The Exit Offer is made in compliance with Rules 1306 and 1309 of the Listing Manual as stated in paragraph 1.2 above and the Company will be mandatorily delisted and become an unlisted public company subsequent to the close of the Exit Offer.

Following the sale of the Europtronic Suzhou, the principal activity of the Group is in trading and distribution of passive and active electronic components (CDBU) (the “Existing Business”). Based on the audited published financial statements of the Group for the financial year ended 31 December (“FY31/12”) 2015, FY31/12/2016 and unaudited published financial statements of the Group for FY31/12/2017, the (i) revenue of the Existing Business and (ii) the contribution of the Existing Business to the total revenue of the Group was as follows:

	<i>For FY31/12/2015</i>	<i>For FY31/12/2016</i>	<i>For FY31/12/2017</i>
<i>Revenue of the Existing Business (US\$’000)</i>	<i>3,689⁽¹⁾</i>	<i>200</i>	<i>383</i>
<i>Contribution to the total revenue of the Group (%)</i>	<i>85.45</i>	<i>32.57</i>	<i>95.04</i>

Note:

- (1) *Based on the comparative figures for FY31/12/2015 in the consolidated statement of comprehensive income and consolidated statement of cash flow as set out in the Company’s annual report for FY31/12/2016, which were re-presented to report separately the results for continuing and discontinued operations in FY31/12/2015.*

Following the close of the Exit Offer, the Offeror has no current intention of (a) making material changes to the existing business, (b) re-deploying the fixed assets, or (c) discontinuing the employment of the employees of the Group, other than in the ordinary course of business. Nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company.”

3.6 Warranty

Acceptance of the Exit Offer by a Shareholder will be deemed to constitute an unconditional and irrevocable warranty by that Shareholder that each Offer Share in respect of which the Exit Offer is accepted is sold by him as, or on behalf of, the beneficial owner(s) thereof, fully paid and free from all Encumbrances, and together with all rights, benefits and entitlements attached thereto as at the Joint Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights and other distributions, if any, declared, paid or made by the Company on or after the Joint Announcement Date).

3.7 Duration

The Exit Offer will remain open for acceptance by Shareholders for a period of 28 days after the date of despatch of the Exit Offer Letter by the Offeror to the Shareholders. Accordingly, the Exit Offer will close at 5.30 p.m. on 5 September 2018 (the “**Closing Date**”).

The Offeror does not intend to extend the Exit Offer beyond the Closing Date (irrespective of whether the Exit Offer becomes or is declared to be unconditional as to acceptances), save that such notice of the Offeror’s intention not to extend the Exit Offer beyond the Closing Date shall not be capable of being enforced in a competitive situation.

4. IRREVOCABLE UNDERTAKINGS

Information on the irrevocable undertakings is set out in section 3.4 of the Exit Offer Letter, as reproduced in italics below, and all terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter:

*“As at the Latest Practicable Date, none of the Offeror nor any party acting in concert with it has received any irrevocable undertaking from any party to accept or reject the Exit Offer. For avoidance of doubt, the Offeror has not received any undertaking from Huang Shih-An, Huang Chuang Shueh-Ou and/or any other persons acting or deemed to be acting in concert with the Offeror (collectively, the “**Concert Parties**”), to accept or reject the Exit Offer. The aggregate shareholdings of the Concert Parties in the Company are set out in paragraph 7 of this Exit Offer Letter.”*

Notwithstanding the above, Huang Shih An and Huang Chuang Sheuh-Ou have confirmed that they will be accepting the Exit Offer. The detailed breakdown of their shareholders is illustrated in paragraph 7.7.4 of this IFA Letter.

5. INFORMATION ON THE OFFEROR

Information on the Offeror is set out in section 6 of the Exit Offer Letter, as reproduced in italics below, and all terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter:

“The Offeror is a special purpose vehicle incorporated in the Republic of Singapore on 12 October 2017 for the purpose of making the Exit Offer. The issued and paid-up share capital of the Offeror is S\$1.00 comprising 1 issued ordinary share. Its principal activity is that of investment holding. Huang Chuang Shueh-Ou, the Vice Chairman of the Company, is the sole shareholder and sole director of the Offeror.

As at the Latest Practicable Date, the Offeror does not hold any Shares in the Company.

Appendix II to this Exit Offer Letter sets out additional information on the Offeror.”

6. INFORMATION ON THE COMPANY

Information on the Company is set out in section 2 of the Company Letter to Shareholders (which is attached as Appendix IV of the Exit Offer Letter), as reproduced in italics below, and all terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Company Letter to Shareholders:

“The Company was incorporated in the Republic of Singapore on 18 November 2000 and was listed on the Mainboard of the SGX-ST on 5 April 2002.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are those relating to the trading and distribution of passive and active electronic components.”

7. ASSESSMENT OF THE FINANCIAL TERMS OF THE EXIT OFFER

In our evaluation of the financial terms of the Exit Offer, we have given due consideration to, *inter alia*, the following key factors:

- (1) historical financial performance and financial position of the Group;
- (2) net asset value (“NAV”) and net tangible assets (“NTA”) of the Group;
- (3) market quotation and trading activities of the Shares prior to the Suspension;
- (4) traded multiples of broadly comparable companies;
- (5) comparison with recent SGX-ST directed delisting offers;
- (6) dividend track record of the Company and alternative investments; and
- (7) other relevant considerations.

7.1 Historical financial performance and financial position of the Group

The salient historical financial information of the Group for the last three financial years ended 31 December 2014, 2015 and 2016 (“FY2014”, “FY2015” and “FY2016” respectively) and the unaudited financial information for the financial year ended 31 December 2017 (“FY2017”) are set out below:

Financial Performance

Statement of comprehensive income	← Audited →			Unaudited
	FY2014	FY2015 (Restated)*	FY2016	FY2017
US\$'000				
Revenue	25,066	4,317	614	403
Gross profit	(1,739)	295	139	36
Gross profit margin	(6.9)%	6.8%	22.6%	8.93%
Distribution, marketing and administrative expenses	(5,876)	(2,999)	(3,339)	(1,633)
Finance expense	(1,337)	(972)	(1,483)	(401)
Loss from continuing operations (after income tax)	(8,357)	(3,433)	(6,024)	(3,133)
Loss from continuing operations (after income tax) as a percentage of revenue	(33.3)%	(79.5)%	(981.1)%	(777.4)%
Loss from discontinued operations	-	(2,320)	(7,313)	-
Net loss	(8,357)	(5,753)	(13,337)	(3,133)
Net loss margin	(33.3)%	(133.3)%	(2172.1)%	(777.4)%

*Note: The reason for restatement in FY2015 was to report separately the results for continuing and discontinued operations, as disclosed by Note 11 of the Company's FY2016 annual report.

Financial Position

Statement of financial position	← Audited →			Unaudited
	31 December 2014	31 December 2015	31 December 2016	31 December 2017
US\$'000				
Current assets	18,361	14,170	952	1,504
Cash and cash Equivalents (included in current assets)	3,227	582	125	373
Current liabilities	50,411	46,246	28,132	28,947
Net current assets	(32,050)	(32,076)	(27,180)	(27,443)
Asset of disposal group classified as held-for-sale	-	-	37,631	37,631
Liabilities directly associated with disposal group classified as held-for-sale	-	-	24,783	24,783
Non-current assets	46,194	41,592	2,949	113
Non-current liabilities	9,541	8,697	449	-
Net assets	4,603	819	(11,832)	(14,482)
Equity attributable to Shareholders of the Company	4,674	(262)	(12,613)	(15,263)

Sources: Company's audited financial statements and FY2017 unaudited financial results announcement on SGXNET.

We note the following:

Significant decline in revenue and net losses for the financial periods under review

The Group's revenue had significantly declined between FY2014 and FY2017. The Group recorded revenue of US\$0.6 million and US\$0.4 million in FY2016 and FY2017 respectively. The significant decline in revenue from FY2015 onwards is primarily due to the signing of the definitive sale and purchase agreement on 4 July 2016 to sell 89.05% interest in Europtronic Suzhou Co Ltd ("**Europtronic Suzhou**") to Nantong Jianghai Power Electronics Co. Ltd (the "**Purchaser**") (the "**Europtronic Suzhou Sale**"). Europtronic Suzhou is the key contributor of the Group's revenue. As a result of the Europtronic Suzhou Sale, the entire financial results from Europtronic Suzhou are presented separately on the consolidated statement of comprehensive income as "discontinued operations" from FY2015 onwards. Revenue in FY2015 also declined due to constraints of working capital to fully meet customer demands on both Component Manufacturing Business Unit ("CMBU") and Component Distribution Business Unit ("CDBU"). Revenue in FY2016 and FY2017 is generated from the remaining business of the CMBU and CDBU.

The Group had incurred losses from continuing operations for FY2014 (without restatement), FY2015 (as restated), FY2016 and FY2017 respectively. The Group recorded a gross loss of US\$1.7 million in FY2014 and small gross profits for FY2015, FY2016 and FY2017 respectively. However, the gross profits earned for these periods were insufficient to cover the operating costs of the Group.

The Group has incurred losses from discontinued operations in FY2015 and FY2016 respectively. The losses mainly pertained to the financial results of Europtronic Suzhou Housing Technology Corp. Based on Europtronic Suzhou's management accounts, it recorded a gross profit of US\$0.6 million and a net loss of US\$2.4 million in FY2015; while it recorded a gross loss of US\$0.3 million and a net loss of US\$7.3 million in FY2016, inclusive of allowance for impairment of receivables of US\$2.4 million. The Group did not recognise any financial contributions from Europtronic Suzhou in FY2017 because following the transfer of its entire 89.05% shareholding in Europtronic Suzhou to Nantong Jianghai on 10 January 2017, the Company no longer had any influence or control over Europtronic Suzhou, and had no access to their subsequent financials. Further, subsequent to the legal transfer of the Company's entire 89.05% shareholding in Europtronic Suzhou on 10 January 2017, the Company would cease to recognise any profit or loss from the discontinued operations (Europtronic Suzhou). Housing Technology Corp was disposed of in FY2016 and therefore had no subsequent financial contributions to the Group in FY2017.

The Group incurred net losses for FY2014, FY2015, FY2016 and FY2017. The net loss in FY2017 of US\$3.1 million is relatively lower with the sale of loss-making Europtronic Suzhou and due to cost management measures and the smaller size of business operations.

Negative net current assets, negative net assets, negative equity attributable to Shareholders of the Company

The Group had negative net current assets as at 31 December 2014, 2015, 2016 and 2017 respectively. As at 31 December 2017, the Group's negative net current assets was US\$27.4 million.

The Group had positive net assets as at 31 December 2014 and 2015 respectively. However, primarily due to the net loss of US\$13.3 million incurred in FY2016, the Group

had negative net assets of US\$11.8 million as at 31 December 2016. Due to further losses in the FY2017 of US\$3.1 million, the Group's negative net assets was US\$14.5 million as at 31 December 2017.

The equity attributable to Shareholders of the Company was positive as at 31 December 2014. However, primarily due to the subsequent net losses, equity attributable to Shareholders of the Company became negative as at 31 December 2015, 2016 and 2017 respectively. As at 31 December 2017, equity attributable to Shareholders of the Company was negative US\$15.3 million.

As at 31 December 2017, current assets primarily comprised cash and cash equivalents of US\$0.4 million and trade and other receivables of US\$1.1 million, whilst non-current assets comprised primarily intangible assets of US\$0.1 million.

As at 31 December 2017, current liabilities primarily comprised trade and other payables of US\$24.5 million and financial guarantee contracts of US\$4.4 million, whilst the Group had no non-current liabilities. Trade and other payables primarily comprised receipt in advance of US\$11.8 million, of which US\$11.6 million was related to the receipt of First Instalment due to the Company (classified under non-trade payables), advances from a Director (Huang Chuang Shueh-Ou) of US\$9.8 million, non-trade payables to non-related parties of US\$1.5 million, trade payable of US\$0.8 million and accrued operating expenses of US\$0.6 million

As at 31 December 2017, the Group has asset of disposal group classified as held-for-sale of US\$37.6 million and liabilities directly associated with disposal group classified as held-for-sale of US\$24.8 million, amounting to a carrying value of US\$12.8 million (being the carrying value of Europtronic Suzhou).

Disclaimer of opinion for FY2015 and FY2016 financial statements from Company's auditor

The Company's auditor has not expressed an opinion on the Company's and Group's financial statements for FY2015 and FY2016. In its basis for disclaimer of opinion for FY2016 financial statements, the Company's auditor stated the following as reproduced in italics below:

"Basis for Disclaimer of Opinion

Going concern

As stated in Note 2.1 to the financial statements, the Group incurred net loss amounting to US\$13,337,000 for the financial year ended 31 December 2016. In addition, as at 31 December 2016, the Group's total liabilities exceeded the total assets by US\$11,832,000. Furthermore, the Company's current liabilities exceeded its current assets by US\$18,909,000 and its net liabilities amounted to US\$5,602,000 at 31 December 2016. These indicate the existence of material uncertainties that cast significant doubt about the ability of the Group and of the Company to operate as going concerns.

While the Group and the Company have embarked on various initiatives to raise funds to meet the operational needs, we were unable to obtain sufficient appropriate audit evidence regarding the likely outcome of these initiatives. We were therefore unable to conclude whether the use of the going concern assumption, which has been adopted for the preparation of the accompanying financial statements, is appropriate.

If the Group and the Company are unable to obtain the necessary funding to continue in operational existence for the foreseeable future, several adjustments would have to be made to the accompanying financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts

which could differ significantly from the amounts at which they are currently recorded. In addition, the Group may have to provide for further liabilities that might arise. The accompanying financial statements do not reflect these adjustments.

Carrying amount of disposal group classified as held-for-sale

As the result of the sale of Europtronic (Suzhou) Co, Ltd (“ER Suzhou”), the entire assets and liabilities of ER Suzhou have been classified as disposal group classified as held-for-sale and carried at US\$12,848,000 on the consolidated balance sheet of the Group. Due to the uncertainty over the receipt of sales consideration as stated in Note 2.1(i) to the financial statements, we have been unable to obtain sufficient appropriate audit evidence regarding the appropriateness of the carrying amount of the disposal group classified as held-for-sale. Consequently, we have been unable to assess whether any adjustment would be required in the financial statements in respect of the carrying amount of disposal group classified as held-for-sale.”

In its basis for disclaimer of opinion for FY2015 financial statements, the Company’s auditor stated the following as reproduced in italics below:

“Basis for Disclaimer of Opinion

As stated in Note 2.1 to the financial statements, the Group incurred net loss amounting to US\$5,753,000 and experienced a net cash outflow of US\$2,645,000 for the financial year ended 31 December 2015. In addition, at 31 December 2015, the Group’s current liabilities exceeded its current assets by US\$32,076,000, and its cash and cash equivalents amounted to US\$582,000. Furthermore, the Company has net liabilities of US\$4,250,000 at that date. These indicate the existence of material uncertainties that cast significant doubt about the ability of the Group and of the Company to operate as going concern.

While the Group and the Company have embarked on various initiatives to raise funds to meet the operational needs, we were unable to obtain sufficient appropriate audit evidence regarding the likely outcome of these initiatives. We were therefore unable to conclude whether the use of the going concern assumption, which has been adopted for the preparation of the accompanying financial statements, is appropriate.

If the Group and the Company are unable to obtain the necessary funding to continue in operational existence for the foreseeable future, several adjustments would have to be made to the accompanying financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded. In addition, the Group may have to provide for further liabilities that might arise. The accompanying financial statements do not reflect these adjustments.”

Financial support from a director of the Company

In the Company’s FY2016 annual report, we note that the financial statements of the Group have been prepared on a going concern basis as management was confident of obtaining funds for operational needs through various initiatives, including the continuing financial support from bankers and other lenders. Management has represented that Huang Chuang Shueh-Ou has provided the most financial support to the Group as at 31 December 2016. This was based on the FY2016 financial statements whereby the Company received financial support from the bankers, amounting to US\$2.0 million, and from Huang Chuang Shueh-Ou, amounting to US\$11.6 million.

It was disclosed in Note 21 of the FY2016 financial statements that non-trade advances from the directors of the Company amount to US\$11.6 million as at 31 December 2016, of which “the non-trade advances from the directors of the Company are unsecured, interest

free and repayable on demand except for an amount of US\$4,000,000 which bear interest at 3% per annum (2015: 3% per annum) with effect from 1 June 2014". Management has represented that the US\$11.6 million are advances from Huang Chuang Shueh-Ou.

Management has represented that Huang Chuang Shueh-Ou is the sole party to provide financial support to the Group as at 31 December 2017. Non-trade advances from a director of the Company (Huang Chuang Shueh-Ou) amount to US\$9.8 million as at 31 December 2017, of which non-trade advances from a director of the Company are unsecured, interest free and repayable on demand except for an amount of US\$4,000,000 which bear interest at 3% per annum. This was based on the FY2017 financial statements whereby the Company received financial support solely from Huang Chuang Shueh-Ou, amounting to US\$9.8 million.

7.2 NAV and NTA of the Group

Book NAV

Based on the latest published unaudited financial statements of the Group for FY2017, the Book NAV attributable to Shareholders is negative US\$15.3 million or negative US\$0.016 per Share. The Exit Offer Price of S\$0.0001 per Offer Share (approximately US\$0.00007 per Offer Share based on S\$1.3365/US\$ as at 31 December 2017) offers a significant premium to the negative Book NAV per Share.

Revalued NAV

The Company has not commissioned for an independent appraisal of Europtronic Suzhou as Europtronic Suzhou has been sold, at a Sale Price in accordance to its sale and purchase agreement. There is uncertainty over the settlement of the Europtronic Suzhou Sale. **Solely for illustration purposes**, on a hypothetical basis, we have assumed the Company had received the entire Second Instalment and the Final Instalment of RMB80,145,000 (approximately US\$12.2 million based on RMB6.59/US\$ as at 31 December 2017) due to it and received the additional payment for compensation arising from a loan dispute of approximately US\$0.8 million and accounted for the 31 December 2017 Related Parties Transactions Net Payable of approximately US\$0.1 million (the "**Full Receipt of Europtronic Suzhou Sale**"), to determine the revalued NAV ("**Revalued NAV**"). The Management has represented that Full Receipt of Europtronic Suzhou Sale is improbable.

We have reviewed the Group's unaudited statement of financial position as at 31 December 2017. The Directors have confirmed that to the best of their knowledge, information and belief, as at the Latest Practicable Date, there are no material other intangible assets, contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 31 December 2017, save as disclosed in the unaudited statement of financial position of the Group as at 31 December 2017, the Company Letter to Shareholders (which is attached as Appendix IV of the Exit Offer Letter) and the settlement of the Europtronic Suzhou Sale. The Directors have further confirmed that with respect to assets (other than those for which valuation has been conducted), there are no material differences between their realisable value and their book value as at 31 December 2017, which would have a material impact on the Revalued NAV of the Group, save for the settlement of the Europtronic Suzhou Sale. Lastly, the Directors confirmed that to the best of their knowledge, information and belief, as at the Latest Practicable Date, that such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be inaccurate, untrue, incomplete, unfair or misleading in any material respect.

As at 31 December 2017, the entire assets and liabilities of Europtronic Suzhou is carried at US\$12,848,000, the same as at 31 December 2016. We note the following Company announcements relating to the Europtronic Suzhou Sale:

- (1) In the Company's announcement dated 7 July 2016, the Company announced the payment terms of the cash consideration payable by the Purchaser to the original shareholders of Europtronic Suzhou (the "**Europtronic Suzhou Shareholders**") for the sale price of RMB180,000,000 (the "**Sale Price**") as follows, as reproduced in italics below:

"The Sale Price, to be satisfied entirely in cash by the Purchaser, is payable as follows:

- (a) *the sum of RMB90,000,000, or 50% of the Sale Price (the "**First Instalment**"), is payable by the Purchaser to the Europtronic Suzhou Shareholders within seven (7) business days from the date of receipt by Europtronic Suzhou of written approval from the relevant regulatory authority in the PRC for the Sale;*
- (b) *the sum of RMB45,000,000, or 25% of the Sale Price (the "**Second Instalment**"), is payable by the Purchaser to the Europtronic Suzhou Shareholders within seven (7) business days upon the satisfaction of the following conditions:*
- (i) *the Purchaser being registered as the shareholder of the Sale Interest by the relevant regulatory authority in the PRC;*
- (ii) *the return of the deposit of RMB20,000,000 by the Company to the Purchaser; and*
- (iii) *the settlement of related parties transactions between Europtronic Group and its subsidiaries with Europtronic Suzhou as at 31 December 2015 for the sum of RMB40,329,300.*
- (c) *the balance sum of RMB45,000,000, or 25% of the Sale Price (the "**Final Instalment**" and together with the First Instalment and the Second Instalment, as the "**Instalments**"), is payable by the Purchaser to the Europtronic Suzhou Shareholders on the date falling six (6) months from the date on which the Second Instalment was paid, or such earlier date as may be agreed between the said parties.*

*If, on the due date for the payment of the Final Instalment, Europtronic Suzhou does not receive payment from any of its customers in respect of receivables due and payable from the said customers as at 30 June 2016 (the "**Uncollected Receivables**"), the Purchaser and the Europtronic Suzhou Shareholders agreed that the an amount equal to the Uncollected Receivables shall be deducted from the Final Instalment."*

"The amount of the Sale Price payable to each Europtronic Suzhou Shareholder, based on their respective Sale Interest, are as follows:

	The Company	深圳市誉安达 进出口有限公司	苏州中如旺 投资管理有限公司	Accuvest Capital I Limited
First Instalment	RMB80,145,000	RMB3,384,000	RMB3,501,000	RMB2,970,000
Second Instalment	RMB40,072,500	RMB1,692,000	RMB1,750,500	RMB1,485,000
Final Instalment	RMB40,072,500	RMB1,692,000	RMB1,750,500	RMB1,485,000
Total :	RMB160,290,000	RMB6,768,000	RMB7,002,000	RMB5,940,000

4.3 Additional Sale Price

The Purchaser had warranted to the Europtronic Suzhou Shareholders under the Sale and Purchase Agreement that any damages or compensation received by Europtronic Suzhou in respect of a loan dispute which it currently has with an individual, will be distributed or paid to the Europtronic Suzhou Shareholders based on their respective Sale Interest. Such amount, if paid, will be in addition to the Sale Price.”

Please refer to section 6 and 15 of the Company’s Letter to Shareholders on page 56 and page 80 for more details on the background for this loan dispute.

- (2) In the Company’s announcement dated 10 January 2017, the Company announced that the first instalment of RMB90,000,000 (the “**First Instalment**”) was paid to the Europtronic Suzhou Shareholders.
- (3) In the FY2016 financial statements, the following salient information on Europtronic Suzhou was disclosed as follows, as reproduced in italics below:

“Carrying amount of disposal group classified as held-for-sale

As the result of the sale of Europtronic (Suzhou) Co, Ltd (“ER Suzhou”), the entire assets and liabilities of ER Suzhou have been classified as disposal group classified as held-for-sale and carried at US\$12,848,000 on the consolidated balance sheet of the Group. Due to the uncertainty over the receipt of sales consideration as stated in Note 2.1(i) to the financial statements, we have been unable to obtain sufficient appropriate audit evidence regarding the appropriateness of the carrying amount of the disposal group classified as held-for-sale. Consequently, we have been unable to assess whether any adjustment would be required in the financial statements in respect of the carrying amount of disposal group classified as held-for-sale.”

“33. Events occurring after balance sheet date

Sale of a subsidiary, Europtronic (Suzhou) Co., Ltd, to Nantong Jianghai Power Electronics Co Ltd (“the Purchaser”)

In January 2017, the Company has successfully transferred its entire 89.05% shareholding in Europtronic (Suzhou) Co, Ltd to the Purchaser. The Company has received the first instalment of sale proceeds amounting to RMB80,145,000. In accordance with the sales and purchase agreement signed between the Company and the Purchaser on 4 July 2016, the remaining second and third instalments of sale considerations are conditional upon certain events. The details of these conditions are set out in Note 2.1. As at the date of this financial statements, the Company has not received the second and third instalments.”

Please refer to section 6 of the Company’s Letter to Shareholders on pages 58 to 65 for more details on the second and third instalments.

- (4) In the Company’s announcement dated 7 November 2017, the following salient updates on Europtronic Suzhou Sale were provided, as reproduced in italics below:

“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.”

*“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.”

“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.

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\$10,181,102¹), 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\$12,161,608²) 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.”

- (5) In the Company’s announcement dated 9 November 2017, the Company clarified that the Uncollected Receivables are accounts receivables due to Europtronic Suzhou from unrelated third party customers for goods and services provided by Europtronic Suzhou. These are transactions entered in the ordinary course of business and are not amounts due from any related parties, directors or controlling shareholders of the Company.
- (6) In the Company’s announcement dated 5 February 2018, the following salient updates on Europtronic Suzhou Sale were provided, as reproduced in italics below:

“The Company wishes to clarify that:

- (a) the amount of the Uncollected Receivables was RMB65,749,126.78 as at 31 May 2016 instead of RMB65,809,554 as stated in the Update Announcement; and*
- (b) the amount of the Uncollected Receivables was RMB56,390,178.20 as at 31 March 2017 instead of RMB54,242,097 as stated in the Update Announcement.*

The discrepancy in the amounts arose as the initial figures reflected in the Update Announcement consist solely of trade receivables whereas the Uncollected Receivables should also be adjusted to take into account prepayment and other non-trade receivables.

¹ 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.

² 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 and used by the Company in its preparation of its unaudited financial statements for the nine-month period ended 30 September 2017.

Based on the available information and management representations, **solely for illustration purposes**, on a hypothetical basis, we made the following assessment regarding the adjustments which are used to determine the revalued carrying value of Europtronic Suzhou as at 31 December 2017:

- (i) The receipt of the First Instalment due to Europtronic was accounted as a receipt in advance (classified under non-trade payables) and no adjustments were made to the carrying value of Europtronic Suzhou. The Management has represented that the receipt in advance amounts to US\$11.6 million.
- (ii) In relation to the Second Instalment amounting to RMB45,000,000, it was disclosed in section 6 of the Company's Letter to Shareholders that as at the Latest Practicable Date, the Company is in dispute with Nantong Jianghai on one of the conditions to be fulfilled by the Company in order for the Second Instalment to be paid by Nantong Jianghai to the Europtronic Suzhou Shareholders, which relates to the manner in which the related parties transactions are to be settled between the Group and Europtronic Suzhou. In this regard, the Company, together with two other shareholders of Europtronic Suzhou, namely, Shenzhen YuAnDa Import & Export Co., Ltd. (深圳市誉安达进出口有限公司) and Accuvest Capital I Limited, had, on 8 February 2018, commenced arbitration proceeding against Nantong Jianghai by filing an application for arbitration with the China International Economic and Trade Arbitration Commission. As at the Latest Practicable Date, the said arbitration proceeding is on-going. The Management has represented that there are no guarantees that the full portion of the Second Instalment due to Europtronic would be received due to the ongoing dispute with Nantong Jianghai, as stated in section 15 of the Company's Letter to Shareholders. As at 31 December 2015, the net amount of the related parties transactions owing by the Group to Europtronic Suzhou ("**Related Parties Transactions**") amounted to RMB40,329,300. As at 31 December 2017, Management has represented that the net amount of Related Parties Transactions amounted to RMB814,400 (approximately US\$123,581 based on RMB6.59/US\$ as at 31 December 2017) ("**31 December 2017 Related Parties Transactions Net Payable**"), which is currently not recognised on the Group's balance sheet, but owing by the Group to Europtronic Suzhou.
- (iii) In relation to the Final Instalment amounting to RMB45,000,000, it would be set off against the Shortfall Receivables. As at 31 March 2017, the Uncollected Receivables amounted to RMB56,390,178. Please refer to section 6 of the Company's Letter to Shareholders on page 60 for details on the Uncollected Receivables. The Company believes that the exact amount of the Uncollected Receivables will eventually be determined during the current on-going arbitration proceedings with Nantong Jianghai and the Management's opinion remains that full collection of the Uncollected Receivables is improbable and it is likely that the Shortfall Receivables would be more than RMB45,000,000 at the point of payment of the Final Instalment. In this case, the Europtronic Suzhou Shareholders are required to pay the difference thereof to Europtronic Suzhou.
- (iv) The Sale and Purchase Agreement provides for additional payment to 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 (Mr Chen WeiFeng). The Management has represented that the potential net proceeds from the claimed amount of the dispute due to Europtronic is up to approximately RMB5.3 million (approximately US\$0.8 million based on RMB6.59/US\$ as at 31 December 2017) and there are no guarantees that any compensation would be received due to the

ongoing loan dispute. The Management has also represented that this potential net proceeds of approximately RMB5.3 million is contingent on future events and therefore is not recognized on the balance sheet.

Based on the available information on Europtronic Suzhou and management representations, there is uncertainty over the settlement of the Europtronic Suzhou Sale. **Solely for illustration purposes**, on a hypothetical basis, assuming the Full Receipt of Europtronic Suzhou Sale, the Company's share of the revalued carrying value of Europtronic Suzhou would be US\$24.5 million, excluding non-controlling interests (based on the percentage interest of the Company in Europtronic Suzhou of 89.05%).

	US\$ million
Reversal of the receipt in advance of US\$11.6 million relating to the receipt of the First Instalment	11.6
Receipt of entire Second Instalment	6.1
Receipt of entire Final Instalment	6.1
Additional payment for compensation arising from a loan dispute	0.8
31 December 2017 Related Parties Transactions Net Payable	(0.1)
Company's share of the revalued carrying of Europtronic Suzhou	24.5
Less: Company's share of the book carrying value of Europtronic Suzhou	(12.1)
Full Receipt of Europtronic Suzhou Sale: hypothetical revaluation adjustment of the carrying value of Europtronic Suzhou	12.4

Solely for illustration purposes, on a hypothetical basis, assuming the Full Receipt of the Europtronic Sale, with the hypothetical revaluation adjustment of the carrying value of Europtronic Suzhou of US\$12.4 million, the Group's Revalued NAV attributable to Shareholders becomes negative US\$2.9 million or negative US\$0.003 per Share (the NAV attributable to Shareholders remains negative). The Exit Offer Price of S\$0.0001 per Offer Share (approximately US\$0.00007 per Offer Share based on S\$1.3365/US\$ as at 31 December 2017) offers a significant premium to the negative Revalued NAV per Share.

	US\$ million
NAV attributable to Shareholders	(15.3)
Hypothetical revaluation adjustment (assuming the Full Receipt of the Europtronic Sale)	12.4
Revalued NAV attributable to Shareholders	(2.9)

Book NTA

After deducting the intangible assets of US\$79,000, based on the Group's unaudited statement of financial position as at 31 December 2017, the Book NTA attributable to Shareholders is negative US\$15.3 million or negative US\$0.016 per Share. The Exit Offer Price of S\$0.0001 per Offer Share (approximately US\$0.00007 per Offer Share based on S\$1.3365/US\$ as at 31 December 2017) offers a significant premium to the negative Book NTA per Share.

Revalued NTA

Solely for illustration purposes, on a hypothetical basis, assuming the Full Receipt of the Europtronic Sale, with the hypothetical revaluation adjustment of the carrying value of Europtronic Suzhou of US\$12.4 million, the Group's Revalued NTA attributable to Shareholders becomes negative US\$2.9 million or negative US\$0.003 per Share (the NTA attributable to Shareholders remains negative). The Exit Offer Price of S\$0.0001 per Offer Share (approximately US\$0.00007 per Offer Share based on S\$1.3365/US\$ as at 31 December 2017) offers a significant premium to the negative Revalued NTA per Share.

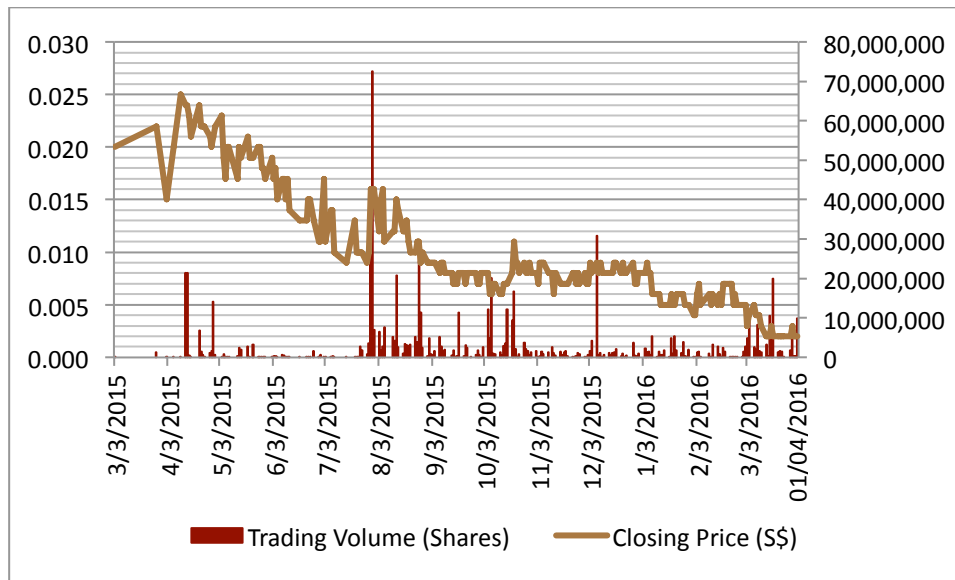
In addition, there are other costs involved in realising the NTA value, such as, selling commissions, taxes, liquidator fees, legal and professional fees and other costs. These related costs, if incurred, would lower the actual realisation proceeds and lower the net NTA value.

The above computations and analysis are meant as an illustration and it does not necessarily mean or imply that the net realisable value of the Group is as stated above.

7.3 Market quotation and trading activities of the Shares prior to the Suspension

Historical share price performance

We set out below the daily closing price and volume chart for the Shares for the period commencing 3 March 2015, being the market day 12 months prior to the Delisting Notification Date, to 1 April 2016, being the last trading day prior to the Suspension Date.



Sources: Bloomberg L.P. and HLF presentation

The salient announcements during the aforesaid period are set out below:

Date	Event
9 March 2015	Proposed disposal of eight wholly owned subsidiaries by Europtronic Group Ltd for S\$1.
1 April 2015	Emphasis of matter by the Company's auditor on the financial statements for the financial year ended 31 December 2014.
8 April 2015	Release of 2014 annual report to shareholders.
16 April 2015	(i) Termination of the sale and purchase agreement dated 9 March 2015 relating to the proposed disposal of eight wholly owned subsidiaries by Europtronic Group Ltd for S\$1; and (ii) conditional sale and purchase agreement dated 16 April 2015 relating to the proposed disposal of nine wholly owned subsidiaries by Europtronic Group Ltd for S\$1.
20 April 2015	Proposed issue of an aggregate of 157,288,000 new ordinary shares in the capital of Europtronic Group Ltd at the price of S\$0.019 per placement share, for an aggregate value of S\$2,988,472.
7 May 2015	Expiry of deadline under the term sheet entered between Europtronic Group Ltd and Mr Charles Ampofo in respect of the proposed

	acquisition by the Company of a 100% interest in Kampac Oil Middle East FZCO. The proposed acquisition of Kampac Oil Middle East FZCO did not proceed.
13 May 2015	The Company announced the Group's first quarter unaudited results for the financial period ended 31 March 2015. The Group recorded a net profit of US\$4.7 million as compared to a net loss of US\$1.6 million in the corresponding period in the previous year.
13 May 2015	Quarterly update pursuant to Rule 1313(2) of the Listing Manual.
20 May 2015	The Company replied to SGX queries regarding the Company's ability to continue as going concern. The directors are of the view that the going concern assumption of the Company is appropriate.
17 June 2015	The completion of the placement and issue of 157,288,000 new ordinary shares in the capital of Europtronic Group Ltd.
29 June 2015	The proposed consolidation of every forty existing issued ordinary shares into one consolidated share, fractional entitlements to be disregarded.
29 June 2015	Notice of intention to sell the land and building located in Suzhou, Jiangsu Province, the People's Republic of China.
14 August 2015	The Company announced the Group's first half unaudited results for the financial period ended 30 June 2015. The Group recorded a net profit of US\$4.5 million as compared to a net loss of US\$3.5 million in the corresponding period in the previous year.
14 August 2015	Quarterly update pursuant to Rule 1313(2) of the Listing Manual.
20 August 2015	As a result of the completion of fund-raising exercise on 14 August 2015 where Europtronic Suzhou raised US\$828,700, the Company's shareholding interest in Europtronic Suzhou decreased from 100% to 92.35%.
30 September 2015	Proposed disposal of nine wholly owned subsidiaries by Europtronic Group Ltd – extension of long stop date from 30 September 2015 to 31 March 2016.
6 November 2015	The Company announced the Group's third quarter unaudited results for the financial period ended 30 September 2015. The Group recorded a net profit of US\$4.2 million in the first nine months of the financial year as compared to a net loss of US\$4.9 million in the corresponding period in the previous year.
6 November 2015	Quarterly update pursuant to Rule 1313(2) of the Listing Manual.
25 January 2016	Memorandum of understanding in respect of the proposed sale by Europtronic Group Ltd of its entire equity interest in Europtronic Suzhou to Nantong Jianghai Power Electronics Co., Ltd.
26 February 2016	The Company announced the Group's unaudited results for the financial year ended 31 December 2015. The Group announced a net loss of US\$4.6 million as compared to a net loss of US\$8.4 million in the previous financial year.
26 February 2016	Quarterly update pursuant to Rule 1313(2) of the Listing Manual.
3 March 2016	Notification of inclusion on the watch-list due to the minimum trading price entry criterion with effect from 3 March 2016.
3 March 2016	The Company received the notification of delisting from SGX-ST on 2 March 2016. Trading in the Company's securities will continue until 5.05 pm, 1 April 2016 and the trading will remain suspended from 9.00 am, 4 April 2016 until the completion of an exit offer.
15 March 2016	The Company completed the sale of 3.3% shareholding of Europtronic Suzhou to Accuvest Capital I Limited for US\$600,000 on 11 March 2016. As a result, the Company's shareholding interest in Europtronic Suzhou decreased from 92.35% to 89.05%.
31 March 2016	The Company provided an update on the disposal of Europtronic Suzhou and its land. The Company has received a deposit of RMB

	20 million from the potential buyer of Europronic Suzhou.
1 April 2016	Proposed disposal of nine wholly owned subsidiaries by Europronic Group Ltd- expiry of long stop date and termination of the proposed disposal.

Source: Company announcements on SGXNET

During the one year period (from 3 March 2015 to 2 March 2016) prior to and including the Delisting Notification Date, the closing price had ranged between a low of S\$0.004 (on 1 and 2 February 2016) and a high of S\$0.025 (on 10 April 2015). The closing price of the Shares was on a general downward trend during this period. We note that the Delisting Notification was announced on 3 March 2016 before market open and the Shares closed at S\$0.003, S\$0.002 lower than the prior market day's closing price. From 3 March 2016 to 1 April 2016, the general downward trend in the closing price of the Shares persisted, and the Shares closed at S\$0.002 on 1 April 2016.

Share price analysis and trading liquidity analysis

We set out below the volume-weighted average prices ("VWAP"), Exit Offer Price (discount) over VWAP, highest transacted price, lowest transacted price, average daily trading volume and average daily trading volume as a percentage of free float for the one year period, six months period, three months period, one month period prior to the Delisting Notification Date (2 March 2016), as at 2 March 2016, for the period commencing after the Delisting Notification Date up to the last trading day prior to the Suspension Date (from 3 March 2016 to 1 April 2016) and as at 1 April 2016.

	VWAP (S\$) ⁽¹⁾	Exit Offer Price (Discount) over VWAP	Highest transacted price (S\$)	Lowest transacted price (S\$)	Average daily trading volume (Shares) ⁽²⁾	Average daily trading volume as a percentage of free float ⁽³⁾
For the one year period prior to and including the Delisting Notification Date (From 3/3/15 to 2/3/16)						
Last 1 year	0.0129	(99.2)%	0.0290	0.0030	2,352,170	0.40%
Last 6 months	0.0075	(98.7)%	0.0130	0.0030	2,118,289	0.36%
Last 3 months	0.0074	(98.7)%	0.0110	0.0030	1,741,662	0.29%
Last 1 month	0.0056	(98.2)%	0.0090	0.0040	978,711	0.17%
As at 2/3/16	0.0050	(98.0)%	0.0060	0.0040	2,715,100	0.46%
For the period commencing after the Delisting Notification Date up to the last trading day prior to the Suspension Date (From 3/3/16 to 1/4/16)						
From 3/3/16 to 1/4/16	0.0026	(96.1)%	0.0050	0.0010	4,480,700	0.76%
As at 1/4/16	0.0020	(95.0)%	0.0020	0.0010	9,850,200	1.66%

Sources: Bloomberg L.P. and HLF calculations

Notes:

- (1) The VWAP for the respective periods is computed based on the daily VWAP weighted by the daily trading volumes during the respective periods, as extracted from Bloomberg. The figures in the VWAP column as at 2/3/16 and 1/4/16 represent the closing price as at the respective dates (instead of the VWAP).
- (2) The average daily trading volume for the respective periods is computed based on the total trading volume of the Shares on the SGX-ST during the period over the number of market days of the SGX-ST during the period.
- (3) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial shareholders of the Company. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of 592,987,496 Shares as extracted from Bloomberg L.P. as at the Latest Practicable Date.

Based on the table above, we note the following:

Share price analysis

- (a) the Shares traded above the Exit Offer Price for the entire one year period prior to and including the Delisting Notification Date (3 March 2015 to 2 March 2016), with the highest transacted price of S\$0.0290 and lowest transaction price of S\$0.0030 during the period;
- (b) the Exit Offer Price represents a discount of approximately 99.2%, 98.7%, 98.7% and 98.2% over the VWAP of the Shares for the one year period, six months period, three months period, one month period prior to and including the Delisting Notification Date respectively and a discount of approximately 98.0% over the closing price of S\$0.0050 as at 2 March 2016, being the Delisting Notification Date;
- (c) the Shares traded above the Exit Offer Price for the entire period commencing after the Delisting Notification Date up to the last trading day prior to the Suspension Date (3 March 2016 to 1 April 2016), with the highest transacted price of S\$0.0050 and lowest transaction price of S\$0.0010 during the period;
- (d) the Exit Offer Price represents a discount of approximately 96.1% over the VWAP of the Shares for the period from 3 March 2016 to 1 April 2016 and a discount of approximately 95.0% over the closing price of S\$0.0020 as at 1 April 2016, being the last trading day prior to the Suspension Date;

Trading liquidity analysis

- (e) the average trading volume for the one year period, six months period, three months period, one month period prior to and including the Delisting Notification Date represents approximately 0.40%, 0.36%, 0.29% and 0.17% of the free float of the Shares respectively and the trading volume of 2,715,100 Shares as at 2 March 2016, being the Delisting Notification Date, represents approximately 0.46% of the free float of the Shares; during the one year period prior to and including the Delisting Notification Date (from 3 March 2015 to 2 March 2016), the Shares had traded on 209 out of the 249 market days, with the highest daily trading volume of 72,528,500 Shares (on 30 July 2015); and
- (f) the average trading volume for the period commencing after the Delisting Notification Date up to the last trading day prior to the Suspension Date (from 3 March 2016 to 1 April 2016) represents approximately 0.76% of the free float of the Shares and the trading volume of 9,850,200 Shares as at 1 April 2016, being the last trading day prior to the Suspension Date, represents approximately 1.66% of

the free float of the Shares; during this period, the Shares had traded on 21 out of the 21 market days, with the highest daily trading volume of 19,982,500 Shares (on 18 March 2016).

Shareholders should note that the discounts of the Exit Offer Price to the VWAP for the respective time periods reviewed were based on the Share prices which had been more than 18 months since the Suspension. Since the Suspension on 4 April 2016, the Company's financial situation has worsened, and the Group is at a negative equity attributable to Shareholders position as at 31 December 2017 and 31 December 2016 of US\$15.263 million and US\$12.613 million, respectively. Please refer to section 7.1 for more details of the Group's financial performance and financial position.

Shareholders should note that the Exit Offer is the only offer as at the Latest Practicable Date that provides Shareholders the opportunity to monetise their Shares held. There is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if they do not accept the Exit Offer. In addition, the Shares will be delisted regardless of whether the Shareholders accept or reject the Exit Offer as pursuant to the Delisting Notification received by the Company on 2 March 2016, trading in the Company's securities has been suspended from 9.00 am, 4 April 2016, and will remain suspended until completion of an exit offer.

Shareholders should note that the past trading performance of the Shares should not be in any way relied upon as an indication or a promise of its future trading performance.

7.4 Traded multiples of broadly comparable companies

In assessing the Exit Offer Price, the valuation ratios of the Group as implied by the Exit Offer Price can be compared to the valuation ratios of selected public-listed companies whose business are broadly comparable to the Group. For such comparison, price-to-earnings ("**P/E**") ratio, price-to-net tangible asset ("**P/NTA**") ratio and enterprise value to earnings before interest, tax, depreciation and amortisation ("**EV/EBITDA**") ratio are typically used.

However, we note that for the financial years FY2016 and FY2017, the Group recorded negative net earnings, negative EBITDA and was in a negative NTA attributable to Shareholders position. Excluding non-recurring income and expenses, net earnings and EBITDA for FY2016 and FY2017 remained negative. Accordingly, the P/E ratio, P/NTA ratio and EV/EBITDA ratio as implied by the Exit Offer Price are negative and therefore, are not meaningful to be compared.

7.5 Comparison with recent SGX-ST directed delisting offers

In assessing the reasonableness of the Exit Offer Price, we have compared the financial terms of the Exit Offer with those of selected directed delisting offers of companies listed on the SGX-ST which were announced from November 2012 to October 2017 and had made available a cash exit offer to its shareholders (the "**Selected Directed Delistings**").

To serve as a comparison, for each of the Selected Directed Delistings, we have analysed the exit offer price premium/(discount) to the company's relevant trading prices prior to its trading suspension pursuant to the SGX-ST delisting notification. This analysis serves as a general indication of the relevant premium/(discount) that the offerors had paid in the exit offer.

In making the comparison herein, we wish to highlight that the SGX-ST directed delisting companies of the Selected Directed Delistings (the "**Selected Directed Delisting Companies**") may not be directly comparable to the Group in terms of, *inter alia*, business activities, scale of operations, types of products, geographical markets, track

record, future prospects, asset base, risk profile, customer base and other relevant criteria. Furthermore, the Selected Directed Delistings may not be directly comparable to the Group's Exit Offer, in terms of *inter alia*, the specific circumstances for the offer, the attractiveness of the underlying business to the offeror and the prevailing market conditions. Each exit offer must be judged on its own commercial and financial merits. In addition, we recognise that the list of Selected Directed Delisting Companies is by no means exhaustive.

In view of the above, it should be noted that the comparison made herein is necessarily limited and serves only as an illustrative guide to the Shareholders.

Company	Delisting notification date	Date of announcement of exit offer	Premium / (Discount) of exit offer price over			
			Closing price on the last market day before suspension	Closing price on the last market day before announcement of delisting notification	VWAP for the 1 month period prior to and including the delisting notification date	VWAP for the 3 months period prior to and including the delisting notification date
GEMS TV Holdings Limited	28 February 2014	8 April 2014	34.6%	(82.4)%	(84.0)%	(85.3)%
China Powerplus Limited	6 May 2014	9 May 2014	2.9%	2.9%	13.6%	5.5%
Yong Xin International Holdings Ltd.	3 March 2015	30 April 2015	(27.3)%	(69.2)%	(70.0)%	(65.2)%
Texchem-Pack Holdings (S) Ltd.	5 March 2014	5 August 2015	16.7%	23.5%	42.7%	39.8%
Pacific Healthcare Holdings Ltd	3 June 2015	26 April 2016	(85.7)%	(93.8)%	(93.7)%	(92.9)%
China Hongcheng Holdings Limited	2 September 2015	15 July 2016	(32.5)%	(32.5)%	(8.5)%	(67.3)%
High			34.6%	23.5%	42.7%	39.8%
Low			(85.7)%	(93.8)%	(93.7)%	(92.9)%
Mean			(15.2)%	(41.9)%	(33.3)%	(44.2)%
Median			(12.2)%	(50.9)%	(39.3)%	(66.3)%
The Company			(95.0)%	(98.0)%	(98.2)%	(98.7)%

Sources: Bloomberg L.P., SGXNET announcements, exit offer letters in relation to the respective directed delisting offers

Based on the table above, we note the following:

- (a) the market price discount implied in the Exit Offer Price is much higher than the highest price discount observed for the Selected Directed Delistings for the time references under consideration; and
- (b) Pacific Healthcare Holdings Ltd and China Hongcheng Holdings Limited, which both had a negative NTA attributable to shareholders (similar financial status as the Company) based on the latest financials disclosed in its respective exit offer letter, also had market price discount implied in its respective exit offer price for the time references under consideration (similar to the Company); whilst the other Selected Directed Delisting Companies, all had positive NTA attributable to shareholders based on the latest financials disclosed in their respective exit offer letters.

7.6 Dividend track record of the Company and alternative investments

The Company has not declared cash dividends for the past eleven financial years (FY2007 to FY2017), of which annual net losses attributable to Shareholders has been

recorded since FY2008. Further, the Directors have confirmed that the Company does not have a formal dividend policy. The Directors consider the Company's capital structure, cash requirements and future plans in deciding as to whether to declare dividends.

Alternative investments

Shareholders who accept the Exit Offer may choose to re-invest the proceeds from the Exit Offer into alternative investments. For illustration purposes, we examined the yields from the following alternative investments:

- (a) equity investment in other listed companies whose business activities are broadly comparable to the Group (the **"Selected Comparable Companies"**) with an annual dividend payout; as an illustration, the net dividend yield of the Selected Comparable Companies for the financial year ending in 2017 are examined; and
- (b) a market index fund such as the SPDR Straits Times Index Exchange Traded Fund (the **"SPDR STI ETF"**), an exchange traded fund tracking the Straits Times Index.

In making the comparison herein, we wish to highlight that the Selected Comparable Companies may not be directly comparable to the Group in terms of, *inter alia*, business activities, scale of operations, types of products, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. In addition, we recognise that the list of Selected Comparable Companies is by no means exhaustive.

We set out in the table below the list of Selected Comparable Companies, together with a brief description of their principal activities.

Selected Comparable Companies	Description	Listing Location	Market Capitalisation as at the Latest Practicable Date (\$ million)
Willas-Array Electronics Holdings Ltd ("Willas-Array")	Willas-Array distributes active and passive electronics components for use in the audio and video, telecommunications, industrial, consumer and computer segments. The company also provides value added services such as technical advice, application and development support and failure analysis.	Singapore	80.9
Chuan Hup Holdings Ltd ("Chuan Hup")	Chuan Hup Holdings Ltd is an investment holding company with a diversified portfolio of core investments in industries in relation to electronics manufacturing services, offshore support services to the oil and gas industry and property development.	Singapore	278.5
Valuetronics Holdings Ltd ("Valuetronics")	Valuetronics Holdings Ltd offers original equipment manufacturing and original design manufacturing services. The company serves customers in the telecommunications, industrial, commercial electronic products, and consumer electronic products industries.	Singapore	308.6

Source: Bloomberg L.P.

The dividend yields of the Selected Comparable Companies and the SPDR STI ETF, based on ordinary cash dividends declared for their respective financial year ending in 2017, are as follows:

Selected Comparable Companies	Financial year ended	Ordinary cash dividend per share⁽¹⁾	Net dividend yield (%)⁽²⁾
Willas-Array ⁽³⁾	31/3/2017	HK\$0.310	5.1
Chuan Hup	30/6/2017	S\$0.010	3.3

Valuetronics ⁽⁴⁾	31/3/2017	HK\$0.150	3.6
Average			4.0
SPDR STI ETF ⁽⁵⁾	30/6/2017	S\$0.101	3.0
The Company	31/12/2016	US\$Nil	Nil

Sources: Bloomberg & SGXNET announcements

Notes:

- (1) The ordinary cash dividend per share is based on the ordinary cash dividend per share declared for the financial year ending in 2017.
- (2) The net dividend yield is calculated based on the ordinary cash dividend per share declared for the financial year ending in 2017 over the company's share price as at the Latest Practicable Date.
- (3) Willas-Array's net dividend yield is calculated based on its ordinary cash dividend per share of HK\$0.310 (approximately S\$0.054 over the company's share price as at the Latest Practicable Date of S\$1.06).
- (4) Valuetronics's net dividend yield is calculated based on its ordinary cash dividend per share of HK\$0.150 (approximately S\$0.026 over the company's share price as at the Latest Practicable Date of S\$0.72).
- (5) SPDR STI ETF's net dividend yield is calculated based on its past one year cumulative ordinary cash dividend per share of S\$0.101 over its share price as at the Latest Practicable Date of S\$3.38.

Based on the table above, we note that the Selected Comparable Companies have an average net dividend yield of 4.0%; that the SPDR STI ETF has a net dividend yield of 3.0%; and that the Company has a nil net dividend yield. For illustrative purposes, this suggests that a Shareholder who accepts the Exit Offer may potentially experience an increase in investment income if he re-invests the proceeds from the Exit Offer into the shares of the Selected Comparable Companies or the SPDR STI ETF.

We wish to highlight that the above analysis is merely an illustrative guide and is not an indication of the future dividend policy of the Company, the Selected Comparable Companies or the SPDR STI ETF. Actual dividend yields may differ from that illustrated as this is dependent on the price at which the Shareholder makes his investment. Furthermore, each company, and the SPDR STI ETF, has its own risk-return profile that should be considered prior to making an investment.

7.7 Other relevant considerations

7.7.1 Rationale for the Exit Offer and the Offeror's intentions for the Company

The rationale for the Exit Offer and the Offeror's intentions for the Company have been extracted from section 8 of the Exit Offer Letter and are set out in italics below. We recommend that the Independent Directors advise the Shareholders to read this section of the Exit Offer Letter carefully. All terms and expressions used in the extract below shall have the same meaning as those defined in the Exit Offer Letter, unless otherwise stated:

"The Exit Offer is made in compliance with Rules 1306 and 1309 of the Listing Manual as stated in paragraph 1.2 above and the Company will be mandatorily delisted and become an unlisted public company subsequent to the close of the Exit Offer".

Following the close of the Exit Offer, the Offeror has no current intention of (a) making material changes to the existing business, (b) re-deploying the fixed assets, or (c) discontinuing the employment of the employees of the Group other than in the ordinary course of business. Nonetheless, the Offeror retains the flexibility at any time to consider options or opportunities which may present themselves, and which it regards to be in the interests of the Offeror and/or the Company."

7.7.2 No alternative offer

The Directors have confirmed that, as at the Latest Practicable Date, no alternative offer from any third party has been received.

We wish to highlight that in view of the Suspension, Shareholders are unable to dispose their Shares in a public market. Therefore, as at the Latest Practicable Date, the Exit Offer is the only publicly available option for exit.

7.7.3 The Exit Offer is conditional and the Offeror's intention not to revise the Exit Offer Price

We note from section 3.3 of the Exit Offer Letter that the Exit Offer is subject to the Offeror having received, by the close of the Exit Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Exit Offer and pursuant to the Exit Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of the total voting rights attributable to the issued share capital of the Company as at the close of the Exit Offer.

We note from section 3.1 of the Exit Offer Letter that the Offeror does not intend to revise or increase the Exit Offer Price except that the Offeror reserves the right to reduce the Exit Offer Price by the amount of such dividend, right, distribution, return of capital or any other entitlement announced, declared, paid or made by the Company on or after the Joint Announcement Date to a Shareholder who accepts or has accepted the Exit Offer.

7.7.4 Shareholding structure

We note from section 12.1 of the Exit Offer Letter and section 13.1 of the Company Letter to Shareholders (which is attached as Appendix IV of the Exit Offer Letter) that the shareholding structure of the Company as at the Latest Practicable Date is as set out in the table below:

Name	Number of Shares	Shareholding percentage in the Company ⁽¹⁾
Offeror	-	-
Sole director of Offeror		
Huang Chuang Shueh-Ou	92,124,465	9.76%
Other parties acting in concert with the Offeror		
Huang Shih-An	161,620,193	17.13%
Huang Yun Ju	10,557,704	1.12%
Huang Chien-Hung	8	Not meaningful
Total for Offeror and the concert parties	264,302,370	28.01%
Directors of the Company		
Huang Shih-An	161,620,193	17.13%
Huang Chuang Shueh-Ou	92,124,465	9.76%
Anthony Ang Meng Huat	3,000,000	0.32%
Tan Sek Khee	-	-
Lin Chien	-	-
Total for Directors of the Company	256,744,658	27.21%
Substantial Shareholders of the Company		
Huang Shih-An	161,620,193	17.13%

Huang Chuang Shueh-Ou	92,124,465	9.76%
Chua Hwee Song	94,000,000	9.96%
Total for substantial Shareholders of the Company	347,744,658	36.85%

Notes:

⁽¹⁾ Based on the issued share capital of the Company of 943,732,154 Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, the Offeror does not hold any Shares in the Company. The Offeror has not received any irrevocable undertaking from any party to accept or to reject the Exit Offer.

As at the Latest Practicable Date, each of Huang Shih-An, Huang Chuang Shueh-Ou and Anthony Ang Meng Huat has confirmed that each of them will be accepting the Exit Offer in respect of all the Shares currently held by each of them in the Company. In aggregate, as at the Latest Practicable Date, they own 256,744,658 Shares in the Company (approximately 27.21% of the issued and paid-up share capital of the Company).

As at the Latest Practicable Date, the Offeror, the concert parties of the Offeror and Anthony Ang Meng Huat (taking into consideration the confirmation from Anthony Ang Meng Huat that he will be accepting the Exit Offer in respect of his Shares) own 267,302,370 Shares in the Company (approximately 28.32% of the issued and paid-up share capital of the Company).

As set out in section 3.3 of the Exit Offer Letter, the Exit Offer is subject to the Offeror having received, by the close of the Exit Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Exit Offer and pursuant to the Exit Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of the total voting rights attributable to the issued share capital of the Company as at the close of the Exit Offer. For the Exit Offer to be declared unconditional as to acceptances, valid acceptances in respect of 207,563,708 Offer Shares (approximately 21.99% of the issued and paid-up share capital of the Company), which exclude shares held by Huang Shih-An, Huang Chuang Shueh-Ou, Huang Yun Ju and Huang Chien-Hung, will be needed from the minority shareholders.

7.7.5 Compulsory acquisition

Information relating to the compulsory acquisition of Shares by the Offeror has been extracted from section 9 of the Exit Offer Letter and is set out in italics below.

*“Pursuant to Section 215(1) of the Companies Act (Cap. 50) of Singapore (the “**Companies Act**”), if the Offeror receives valid acceptances pursuant to the Exit Offer in respect of not less than 90% of the Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Exit Offer and excluding treasury shares), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Exit Offer (the “**Dissenting Shareholders**”) at the Exit Offer Price.*

The Offeror confirms that it intends to exercise its right of compulsory acquisition in the event that it receives valid acceptances pursuant to the Exit Offer in respect of not less than 90% of the Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Exit Offer and excluding treasury shares).

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Exit Offer,

such number of Shares which, together with the Shares held by it, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding treasury shares). Dissenting Shareholders who wish to exercise such right, if applicable, are advised to seek their own independent legal and finance advice. ”

7.7.6 Implications of Delisting for Shareholders

The implications of Delisting for Shareholders have been extracted from section 10 of the Exit Offer Letter and are set out in italics below. We recommend that the Independent Directors advise the Shareholders to read this section of the Exit Offer Letter carefully. All terms and expressions used in the extract below shall have the same meaning as those defined in the Exit Offer Letter, unless otherwise stated:

“Shareholders should note that if:

- (a) the Acceptance Condition is not met and all acceptances of the Exit Offer are returned; or*
- (b) the Acceptance Condition is met but the Dissenting Shareholders did not accept the Exit Offer and the Offeror is not entitled to compulsorily acquire, pursuant to Section 215(1) of the Companies Act, all the Shares of the Dissenting Shareholders at the Exit Offer Price, or*
- (c) the Dissenting Shareholders are not entitled, pursuant to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Exit Offer Price,*

then following the Delisting, Shareholders who had their acceptances returned or who did not accept the Exit Offer will continue to hold Shares in the Company, which will then be an unlisted company.

Shares of unlisted or delisted companies are generally valued at a discount to the shares of comparable listed companies due to the lack of marketability. Following the Delisting, it is likely to be difficult for Shareholders who do not accept the Exit Offer to sell their Shares in the absence of a public market for the Shares as there is no arrangement for such Shareholders to exit. Even if such Shareholders are able to sell their Shares, they will likely receive a lower price as compared with the Exit Offer Price or the market prices of the shares of comparable listed companies.

Shareholders should also note that any transfer or sale of unlisted or unquoted Shares represented by share certificates will be subject to a stamp duty of S\$0.20 for every S\$100.00 or part thereof of the consideration or the net asset value of the Shares transferred based on the latest available financial statements, whichever is higher.

Following the Delisting, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 of the Listing Manual and Appendices 7.1, 7.2, 7.4.1 and 7.4.2 of the Listing Manual. Nonetheless, as a company incorporated in Singapore, the Company will still need to comply with the Companies Act, the Company’s constitution and the interests of Shareholders who do not accept the Exit Offer will be protected to the extent provided for by the Companies Act which includes, inter alia, the entitlement to be sent a copy of the financial statements at least 14 days before each annual general meeting, at which the financial statements will be presented.

When the Company is delisted from the Official List of the SGX-ST, each Shareholder who holds Shares that are deposited with The Central Depository (Pte) Limited (“CDP”)

and does not accept the Exit Offer will be entitled to one share certificate representing his unquoted Shares. The Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. (the "**Share Registrar**"), will arrange to forward the share certificates to such Shareholders (not being (i) investors who have purchased Shares using their Central Provident Fund ("**CPF**") contributions pursuant to the CPF Investment Scheme ("**CPFIS**" and such investors, "**CPFIS Investors**"; and (ii) investors who have purchased Shares using their Supplementary Retirement Scheme ("**SRS**") savings (the "**SRS Investors**")), by ordinary post and at the Shareholders' own risk, to their respective addresses as such addresses appear in the records of CDP for their physical safe-keeping.

The share certificates belonging to CPFIS Investors and the SRS Investors, as the case may be, will be forwarded to their respective agent banks included under the CPFIS and the SRS, as the case may be, for their safe-keeping, details of which are set out in **Appendix I** to this Exit Offer Letter. If a Shareholder wishes to split his share certificate into other denominations, he will be required to pay for each share certificate so required, a fee of S\$2.00 (excluding goods and services tax).

Shareholders who are in doubt about their position should seek independent legal advice."

8. OUR RECOMMENDATION

In arriving at our opinion in relation to the Exit Offer, we have reviewed and evaluated all the factors, which we deem to have relevance to our assessment. This section should be read in conjunction with, and in the context of, the full text of this IFA Letter.

In arriving at our conclusion, we have taken into account the following key factors, which are described in more details in section 7 of this IFA Letter:

- (a) historical financial performance and financial position of the Group;
- (b) NAV and NTA of the Group;
- (c) market quotation and trading activities of the Shares prior to the Suspension;
- (d) comparison with recent SGX-ST directed delisting offers;
- (e) dividend track record of the Company and alternative investments; and
- (f) other relevant considerations.

We wish to highlight the following factors:

- (i) **Uncertainty over the settlement of the Europronic Suzhou Sale:** As at the Latest Practicable Date, the Company has not received the Second Instalment and Final Instalment due to them from the Europronic Suzhou Sale. The Company has a dispute with Nantong Jianghai on one of the conditions to be fulfilled by the Company in order for the Second Instalment to be paid by Nantong Jianghai to the Europronic Suzhou Shareholders and the Company is taking legal advice from its solicitors in the PRC. In addition, the additional payment to be made by Nantong Jianghai to the Europronic Suzhou Shareholders in the event that Europronic Suzhou received damages or compensation arising from a loan dispute which Europronic Suzhou had with an individual (Mr Chen WeiFeng) is an ongoing dispute. Based on the available information on Europronic Suzhou and management representations, there is uncertainty over the settlement of the Europronic Suzhou Sale. As at the Latest Practicable Date, the arbitration proceeding is on-going.

- (ii) **Certainty of Delisting:** The Company was placed on the Watch-list on 5 March 2014 pursuant to Rule 1311 of the Listing Manual. On 2 March 2016, the Company received the Delisting Notification informing the Company that the SGX-ST will delist the Company from the Official List of the SGX-ST pursuant to Rule 1315 of the Listing Manual as the Company has not met the requirements under Rule 1314 of the Listing Manual for its removal from the Watch-list. **The Shares are to be delisted regardless of whether the Shareholders accept or reject the Exit Offer.**
- (iii) **Suspension in trading of Shares:** Trading in the Company's securities has been suspended from 9.00 am, 4 April 2016, and will remain suspended until completion of an exit offer. Given the Suspension, there is no public market for the disposal of Shares.
- (iv) **Negative NAV and NTA:** Based on the Group's unaudited statement of financial position as at 31 December 2017, the Book NAV attributable to Shareholders is negative US\$15.3 million or negative US\$0.016 per Share and the Book NTA attributable to Shareholders is negative US\$15.3 million or negative US\$0.016 per Share. **Solely for illustration purposes**, on a hypothetical basis, assuming the Full Receipt of the Eurotronic Sale, with the hypothetical revaluation adjustment of the carrying value of Eurotronic Suzhou of US\$12.4 million, the Group's Revalued NAV attributable to Shareholders becomes negative US\$2.9 million or negative US\$0.003 per Share and the Group's Revalued NTA attributable to Shareholders becomes negative US\$2.9 million or negative US\$0.003 per Share (the NAV attributable to Shareholders remains negative). In this regard, the Exit Offer Price represents a significant premium to the negative NAV, negative NTA, negative Revalued NAV and negative Revalued NTA per Share.
- (v) **No alternative offer and no revision of Exit Offer Price:** The Directors have confirmed that, as at the Latest Practicable Date, no alternative offer from any third party has been received. Further, we note from section 3.1 of the Exit Offer Letter that the Offeror does not intend to revise or increase the Exit Offer Price except that the Offeror reserves the right to reduce the Exit Offer Price by the amount of such dividend, right, distribution, return of capital or any other entitlement announced, declared, paid or made by the Company on or after the Joint Announcement Date to a Shareholder who accepts or has accepted the Exit Offer. **The Exit Offer presents the only offer to the Shareholders to monetise their Shares held and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if they do not accept the Exit Offer.**
- (vi) **Implications of Delisting for Shareholders:** Subsequent to the Delisting, Shareholders who did not accept the Exit Offer will continue to hold shares in an unlisted company (assuming compulsory acquisition is not applicable). Shares of unlisted or delisted companies are generally valued at a discount to the shares of comparable listed companies due to the lack of marketability. Following the Delisting, it is likely to be difficult for Shareholders who do not accept the Exit Offer to sell their Shares in the absence of a public market for the Shares, as there is no arrangement for such Shareholders to exit. Following the Delisting, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 of the Listing Manual and Appendices 7.1, 7.2, 7.4.1 and 7.4.2 of the Listing Manual.

Having considered the above factors, as well as the considerations set out in this IFA Letter in its entirety, we are of the opinion that, on balance, the financial terms of the Exit Offer are fair and reasonable, and not prejudicial to the interests of the Shareholders. Accordingly, we would like to advise the Independent Directors to recommend Shareholders to **ACCEPT** the Exit Offer.

Our opinion herein is based upon market, economic, industry, monetary, regulatory and other applicable conditions prevailing on, and the information provided to us, as of the Latest Practicable Date.

This IFA Letter is issued in compliance with Rule 1309 and is also addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the Exit Offer. Any recommendations made by the Independent Directors in respect thereof shall remain their sole responsibility. Whilst a copy of this IFA Letter may be reproduced in the Exit Offer Letter, neither the Company, the Directors nor any other person may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose not relating to the Exit Offer at any time and in any manner without our prior written consent in each specific case.

This IFA Letter is governed by and to be construed in accordance with the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
Hong Leong Finance Limited

Tang Yeng Yuen
Vice President
Head, Corporate Finance

Vera Leong
Vice President
Corporate Finance

Annex B

AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The audited financial statements of the Group for the financial year ended 31 December 2016 set out below have been extracted from the Company's annual report for FY2016, and was not specifically prepared for inclusion in this Company's Letter to Shareholders.

EUROPTRONIC GROUP LTD *(Incorporated in Singapore. Registration Number: 200009775K)* **AND ITS SUBSIDIARIES**

ANNUAL REPORT *For the financial year ended 31 December 2016*

EUROPTRONIC GROUP LTD
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

ANNUAL REPORT
For the financial year ended 31 December 2016

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EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 7 to 77 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Huang Shih-An
Huang Chuang Shueh-Ou
Anthony Ang Meng Huat
Tan Sek Khee
Lin Chien

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Europtronic Performance Share Scheme" in this report.

Directors' interests in shares and debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.12.2016	At 1.1.2016	At 31.12.2016	At 1.1.2016
Company				
(No. of ordinary shares)				
Huang Shih-An	161,620,193	161,620,193	92,124,465	92,124,465
Huang Chuang Shueh-Ou ⁽¹⁾	92,124,465	92,124,465	161,620,193	161,620,193
Anthony Ang Meng Huat	3,000,000	3,000,000	-	-

⁽¹⁾ Huang Chuang Shueh-Ou is the spouse of Huang Shih-An.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Directors' interests in shares and debentures (continued)

By virtue of Section 7 of the Singapore Companies Act, (Chapter 50) (the "Act"), Huang Shih-An and Huang Chuang Shueh-Ou are deemed to have interests in all the subsidiaries at the beginning and at the end of the financial year.

The directors' interests in the ordinary shares of the Company as at 21 January 2017 were the same as those as at 31 December 2016.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company and its subsidiaries.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company and its subsidiaries.

There were no unissued shares of the Company under option at the end of financial year.

Europtronic Performance Share Scheme

- (a) The Europtronic Performance Share Scheme (the "Performance Share Scheme") was approved by shareholders of the Company at an Extraordinary General Meeting held on 26 April 2005. The Performance Share Scheme is administered by the Remuneration Committee ("RC"), comprising Tan Sek Khee (Chairman), Anthony Ang Meng Huat and Lin Chien.

The purpose of adopting the Performance Share Scheme is to give the Group greater flexibility to align the interests of employees, especially key executives, with those of shareholders as well as to reward, retain and motivate employees to achieve superior performance.

- (b) Since the commencement of the Performance Share Scheme, 2,000,000 ordinary shares vested were satisfied by delivery of shares and have been granted, as permitted under the Performance Share Scheme.
- (c) No performance shares have been granted to controlling shareholders of the Company or their associates.
- (d) No participant under the scheme has received 5% or more of the total number of shares available under the scheme.
- (e) The Performance Share Scheme has expired on 26 April 2015 and the Company has no intention to renew the scheme.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Europtronic Performance Share Scheme (continued)

Some information on the Performance Share Scheme is as follows:

- (i) Awards over the Company's ordinary shares may be granted to all the executive directors, non-executive directors and executives of the Group, except those who are controlling shareholders, as may be determined by the Remuneration Committee from time to time.
- (ii) Under the Performance Share Scheme, awards represent the right of a participant to receive fully paid ordinary shares in the Company free of charge, upon the participant achieving prescribed performance targets.

The selection of a participant and the number of shares which are the subject to each award to be granted to a participant in accordance with the Performance Share Scheme shall be determined at the absolute discretion of the Remuneration Committee, which shall take into account criteria such as his rank, job performance, years of service and potential for future development, his contribution to the success and development of the Group and the extent of effort required to achieve the performance target within the performance period.

- (iii) The total number of new shares of the Company which may be issued pursuant to awards granted under the Performance Share Scheme on any date, when added to the number of new shares issued and issuable in respect of all awards granted under the Performance Share Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company.
- (iv) Subject to the prevailing legislation and SGX-ST guidelines, the Company shall have the flexibility to deliver ordinary shares of the Company to participants under the Performance Share Scheme upon vesting of their awards by way of an issue of new ordinary shares and/or the transfer of existing ordinary shares held by the Company in treasury.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Anthony Ang Meng Huat (Chairman)
Tan Sek Khee
Lin Chien

All members of the Audit Committee were independent non-executive directors.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Audit Committee (continued)

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

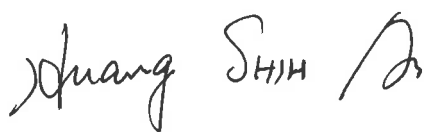
- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 before their submission to the Board of Directors.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP be nominated for re-appointment at the forth coming Annual General Meeting of the Company.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors



Huang Shih-An
Director



Huang Chuang Shueh-Ou
Director

5 May 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPTRONIC GROUP LTD

Report on Audit of the Financial Statements

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of Europtronic Group Ltd (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company because of the significance of matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements of the Company and the Group comprising:

- the consolidated statement of comprehensive income for the year ended 31 December 2016;
- the consolidated balance sheet of the Group as at 31 December 2016;
- the balance sheet of the Company as at 31 December 2016;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Disclaimer of Opinion

Going concern

As stated in Note 2.1 to the financial statements, the Group incurred net loss amounting to US\$13,337,000 for the financial year ended 31 December 2016. In addition, as at 31 December 2016, the Group's total liabilities exceeded the total assets by US\$11,832,000. Furthermore, the Company's current liabilities exceeded its current assets by US\$18,909,000 and its net liabilities amounted to US\$5,602,000 at 31 December 2016. These indicate the existence of material uncertainties that cast significant doubt about the ability of the Group and of the Company to operate as going concerns.

While the Group and the Company have embarked on various initiatives to raise funds to meet the operational needs, we were unable to obtain sufficient appropriate audit evidence regarding the likely outcome of these initiatives. We were therefore unable to conclude whether the use of the going concern assumption, which has been adopted for the preparation of the accompanying financial statements, is appropriate.

If the Group and the Company are unable to obtain the necessary funding to continue in operational existence for the foreseeable future, several adjustments would have to be made to the accompanying financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded. In addition, the Group may have to provide for further liabilities that might arise. The accompanying financial statements do not reflect these adjustments.

Carrying amount of disposal group classified as held-for-sale

As the result of the sale of Europtronic (Suzhou) Co, Ltd ("ER Suzhou"), the entire assets and liabilities of ER Suzhou have been classified as disposal group classified as held-for-sale and carried at US\$12,848,000 on the consolidated balance sheet of the Group. Due to the uncertainty over the receipt of sales consideration as stated in Note 2.1(i) to the financial statements, we have been unable to obtain sufficient appropriate audit evidence regarding the appropriateness of the carrying amount of the disposal group classified as held-for-sale. Consequently, we have been unable to assess whether any adjustment would be required in the financial statements in respect of the carrying amount of disposal group classified as held-for-sale.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPTRONIC GROUP LTD
(continued)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matters described in the Basis for Disclaimer of Opinion paragraph, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lam Hock Choon.



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 5 May 2017

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	Group	
		2016	2015
		US\$'000	(Restated) US\$'000
Continuing operations			
Revenue	4	614	4,317
Cost of sales	8	(475)	(4,022)
Gross profit		139	295
Other income	5	520	208
Other (losses)/gains	6	(1,744)	35
Expenses			
- Distribution and marketing	8	(1,586)	(846)
- Administrative	8	(1,753)	(2,153)
- Finance	7	(1,483)	(972)
Loss before income tax		(5,907)	(3,433)
Income tax expense	10	(117)	-
Loss from continuing operations		(6,024)	(3,433)
Discontinued operations			
Loss from discontinued operations	11	(7,313)	(2,320)
Total loss		(13,337)	(5,753)
Other comprehensive losses:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- Losses during the financial year		(653)	(980)
- Reclassification		147	-
		(506)	(980)
Item that will not be reclassified subsequently to profit or loss:			
Revaluation losses on property, plant and equipment		-	(45)
Other comprehensive losses, net of tax		(506)	(1,025)
Total comprehensive losses		(13,843)	(6,778)

The accompanying notes form an integral part of the financial statements.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the financial year ended 31 December 2016

	Note	Group 2016 US\$'000	2015 (Restated) US\$'000
Loss attributable to:			
Equity holders of the Company		(12,572)	(5,612)
Non-controlling interests		(765)	(141)
		<u>(13,337)</u>	<u>(5,753)</u>
Loss attributable to equity holders of the Company relates to:			
Loss from continuing operations		(4,425)	(2,613)
Loss from discontinued operations		(8,147)	(2,999)
		<u>(12,572)</u>	<u>(5,612)</u>
Total comprehensive losses attributable to:			
Equity holders of the Company		(12,998)	(6,582)
Non-controlling interests		(845)	(196)
		<u>(13,843)</u>	<u>(6,778)</u>
Loss per share for loss from continuing and discontinued operations attributable to equity holders of the Company (cents per share)			
Basic and diluted losses per share	12		
From continuing operations		(0.47)	(0.30)
From discontinued operations		(0.86)	(0.34)

The accompanying notes form an integral part of the financial statements.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

BALANCE SHEET

As at 31 December 2016

	Note	Group		Company	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
ASSETS					
Current assets					
Cash and cash equivalents	13	125	582	4	16
Available-for-sale financial assets	14	1	1	1	1
Trade and other receivables	15	743	9,610	119	2,378
Inventories	16	83	3,977	-	-
		<u>952</u>	<u>14,170</u>	<u>124</u>	<u>2,395</u>
Asset of disposal group classified as held-for-sale	11	37,631	-	-	-
Non-current asset classified as held-for-sale	11	-	-	13,307	-
		<u>38,583</u>	<u>14,170</u>	<u>13,431</u>	<u>2,395</u>
Non-current assets					
Investments in subsidiaries	17	-	-	-	13,800
Investment properties	18	2,772	2,994	-	-
Property, plant and equipment	19	100	38,446	-	-
Intangible assets	20	77	152	-	-
		<u>2,949</u>	<u>41,592</u>	<u>-</u>	<u>13,800</u>
Total assets		<u>41,532</u>	<u>55,762</u>	<u>13,431</u>	<u>16,195</u>
LIABILITIES					
Current liabilities					
Trade and other payables	21	18,922	23,722	11,827	13,589
Current income tax liabilities		-	-	-	-
Financial guarantee contracts	22	7,206	6,856	7,206	6,856
Borrowings	23	2,004	15,668	-	-
		<u>28,132</u>	<u>46,246</u>	<u>19,033</u>	<u>20,445</u>
Liabilities directly associated with disposal group classified as held-for-sale	11	24,783	-	-	-
		<u>52,915</u>	<u>46,246</u>	<u>19,033</u>	<u>20,445</u>
Non-current liabilities					
Borrowings	23	43	1,641	-	-
Deferred income tax liabilities	25	406	7,056	-	-
		<u>449</u>	<u>8,697</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>53,364</u>	<u>54,943</u>	<u>19,033</u>	<u>20,445</u>
NET (LIABILITIES)/ASSETS		<u>(11,832)</u>	<u>819</u>	<u>(5,602)</u>	<u>(4,250)</u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	26	46,115	46,115	46,115	46,115
Other reserves	27	17,749	21,243	3,426	3,426
Accumulated losses		(76,477)	(67,620)	(55,143)	(53,791)
		<u>(12,613)</u>	<u>(262)</u>	<u>(5,602)</u>	<u>(4,250)</u>
Non-controlling interests		<u>781</u>	<u>1,081</u>	<u>-</u>	<u>-</u>
Total equity		<u>(11,832)</u>	<u>819</u>	<u>(5,602)</u>	<u>(4,250)</u>

The accompanying notes form an integral part of the financial statements.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Attributable to equity holders of the Company							Total equity US\$'000
	Share capital US\$'000	Share option reserve US\$'000	Capital and statutory reserve US\$'000	Currency translation reserve US\$'000	Asset revaluation reserve US\$'000	Accumulated losses US\$'000	Total US\$'000	
2016								
Beginning of financial year	46,115	132	1,400	(740)	20,451	(67,620)	(262)	819
Loss for the year	-	-	-	-	-	(12,572)	(12,572)	(13,337)
Other comprehensive loss for the year	-	-	-	(426)	-	-	95	(506)
Total comprehensive loss for the year	-	-	-	(426)	-	(12,572)	(12,998)	(13,843)
Revaluation gain transferred to accumulated losses arising from disposal of property, plant and equipment	-	-	-	-	(2,544)	3,065	521	521
Disposal of subsidiary	-	-	-	-	-	-	-	71
Deemed disposal of a subsidiary without loss of control	-	-	138	(63)	(599)	650	126	600
End of financial year	46,115	132	1,538	(1,229)	17,308	(76,477)	(12,613)	(11,832)
2015								
Beginning of financial year	43,950	132	1,652	362	21,884	(63,306)	4,674	4,603
Loss for the year	-	-	-	-	-	(5,612)	(5,612)	(5,753)
Other comprehensive loss for the year	-	-	-	(917)	(53)	-	(970)	(1,025)
Total comprehensive loss for the year	-	-	-	(917)	(53)	(5,612)	(6,582)	(6,778)
Shares issued	2,165	-	-	-	-	-	2,165	2,165
Deemed disposal of a subsidiary without loss of control	-	-	(252)	(185)	(1,380)	1,298	(519)	829
End of financial year	46,115	132	1,400	(740)	20,451	(67,620)	(262)	819

The accompanying notes form an integral part of the financial statements.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Note	2016 US\$'000	2015 US\$'000
Cash flows from operating activities			
Net loss		(13,337)	(5,753)
Adjustments for:			
- Income tax expenses		152	(57)
- Allowance for inventories obsolescence		406	290
- Allowance for impairment of doubtful receivables		3,687	12
- Amortisation of intangible assets		12	33
- Bad debts written off		143	44
- Depreciation of property, plant and equipment		1,915	2,181
- Gain on disposal of intangible assets		-	(14)
- Gain on disposal of investment properties		-	(36)
- (Loss)/gain on disposal of property, plant and equipment		540	(6)
- Interest income		-	(9)
- Finance expenses		3,451	1,852
- Impairment of non-trade receivables		-	74
- Impairment of property, plant and equipment		-	223
- Net loss on disposal of a subsidiary		64	-
- Reclassification from other comprehensive income on disposal of a subsidiary		147	-
- Currency exchange differences		687	(143)
		(2,133)	(1,309)
Change in working capital, net of effects from disposal of subsidiaries:			
- Inventories		163	9
- Trade and other receivables		849	1,329
- Trade and other payables		3,122	(491)
Cash generated from/(used in) operations		2,001	(462)
Interest received		-	9
Interest paid		(133)	(70)
Income tax paid		(152)	(47)
Net cash provided by/(used in) operating activities		1,716	(570)
Cash flows from investing activities			
Additions to property, plant and equipment		(172)	(148)
Disposal of intangible assets		-	269
Disposal of investment properties		-	241
Disposal of property, plant and equipment		3,824	6
Disposal of subsidiary, net of cash disposed of		(8)	-
Net cash provided by investing activities		3,644	368
Cash flows from financing activities			
Proceeds from borrowings		13,213	30,834
Repayment of borrowings		(17,219)	(36,967)
Repayment of finance lease liabilities		(293)	(212)
Proceeds from advances from Directors		1,495	3,338
Proceeds from issuance of ordinary share, net		-	2,165
Proceeds from deemed disposal of a subsidiary without loss of control		600	829
Repayment of financial guarantee contract		-	(227)
Proceeds from advance from related companies		-	72
Repayment to related companies		(153)	(493)
Interest paid		(2,968)	(1,782)
Net cash used in financing activities		(5,325)	(2,443)
Net increase/(decrease) in cash and cash equivalents		35	(2,645)
Cash and cash equivalents			
Beginning of financial year		582	3,227
Reclassified to disposal group (Note 11)		(492)	-
End of financial year	13	125	582

The accompanying notes form an integral part of the financial statements.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Europtronic Group Ltd (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 60 Kaki Bukit Place, #01-10 Eunos Techpark, Singapore 415979.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are disclosed in Note 36 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

Going concern

The Group incurred net loss amounting to US\$13,337,000 for the financial year ended 31 December 2016. In addition, as at 31 December 2016, the Group's total liabilities exceeded its total assets by US\$11,832,000. Furthermore, the Company's current liabilities exceeded its current assets by US\$18,909,000 and its net liabilities amounted to US\$5,602,000 at 31 December 2016. These indicate the existence of material uncertainties that cast significant doubt about the ability of the Group and of the Company to operate as going concerns.

Notwithstanding the above, the accompanying financial statements have been prepared on a going concern basis as management is confident of obtaining funds for operational needs through various initiatives including the following:

- (i) Sale of a subsidiary, Europtronic (Suzhou) Co., Ltd, ("ER Suzhou") to Nantong Jianghai Power Electronics Co Ltd ("the Purchaser")

Further to the definitive sale and purchase agreement with the Purchaser for the proposed sale of ER Suzhou for RMB160,290,000, the Group has received the first installment being 50% of the sales consideration in January 2017 (Note 33).

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

- (i) Sale of a subsidiary, Europtronic (Suzhou) Co., Ltd, ("ER Suzhou") to Nantong Jianghai Power Electronics Co Ltd ("the Purchaser") (continued)

The second installment (25% of the sales consideration) is conditioned upon (1) the Purchaser being registered as the shareholder of the sales interest and (2) the settlement of the related party transactions between the Group and its subsidiaries with ER Suzhou as at 31 December 2015. The final installment amount (25% of sales consideration) will be net of any outstanding receivables due from customers of ER Suzhou.

Management is of the view that the proposed sale of ER Suzhou is probable and the proceeds from the sale are sufficient to settle the Group's external borrowings, trade payables and bank borrowings as at 31 December 2016 except for the advances from directors.

- (i) Continuing financial support from bankers and other lenders

Management is of the view that bankers and other lenders will continue to provide support to the Group by not recalling the borrowings in view of the Group's good relationships.

The validity of the going concern assumption on which the accompanying financial statements have been prepared depends on the favourable outcome of the above initiatives and continuing financial support from bankers and other lenders. If the Group and the Company are unable to obtain the necessary funding to continue in operational existence for the foreseeable future, several adjustments may have to be made to the accompanying financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded. In addition, the Group and the Company may have to provide for further liabilities that might arise. The accompanying financial statements do not reflect the effect of these adjustments.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

Revenue from these sales is recognised when the Group has delivered the goods to locations specified by its customers and the customers have accepted the goods in accordance with the sales contract.

Interest income

Interest income is recognised using the effective interest method.

Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

Rendering of services – Consultancy services

Revenue from consultancy services is recognised when the services are rendered.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.3 Group accounting

(a) *Subsidiaries*

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(i) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(i) Acquisitions (continued)

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.

(ii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

Land and buildings are revalued by independent professional valuers on an annual basis and/or whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income and accumulated in equity, unless they reverse a revaluation decrease of the same asset previously recognised in profit or loss. In this case, the increases are recognised in profit or loss. Decreases in carrying amounts are recognised in other comprehensive income to the extent of any credit balance existing in the equity in respect of that asset and reduces the amount accumulated in equity. All other decreases in carrying amounts are recognised in profit or loss.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(a) *Measurement* (continued)

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if such obligations is incurred either when the item is acquired or as a consequence of using the asset during a particular period for purposes other than to produce inventories during that period.

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold land and buildings	40 - 50 years
Leasehold improvements	5 years
Machinery and equipment	5 - 15 years
Motor vehicles	5 years

Construction-in-progress is not depreciated until commissioned, as these assets are not available for use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within 'Other (losses)/gains'. Any amount in revaluation reserve relating to that asset is transferred to accumulated losses directly.

2.5 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

(b) Patents and club memberships

Patent and club memberships acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives, range from 10 to 50 years and periods of contractual rights. Club membership with infinite useful lives is not amortised.

(c) Acquired computer software licences

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.5 Intangible assets (continued)

(c) Acquired computer software licences (continued)

Costs associated with maintaining the computer software are expensed off when incurred. Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of five years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.7 Investment properties

Investment properties comprise office units that are held for long-term rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest and best use basis. Changes in fair values are recognised in profit or loss.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.8 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.9 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Intangible assets Property, plant and equipment Investments in subsidiaries

Intangible assets, property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

- (b) *Intangible assets*
Property, plant and equipment
Investments in subsidiaries (continued)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.10 Financial assets

- (a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

- (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 15) and "cash and cash equivalents" (Note 13) on the balance sheet.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(a) *Classification* (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.10(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.11 Financial guarantees contract

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries and a non-related party. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries and a non-related party fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees contract are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees contract are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using effective interest method.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. The Group also estimates the fair values of the financial assets by reference to the net assets of these equity securities. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

(a) *When the Group is the lessee:*

The Group leases certain machinery and equipment and motor vehicles under finance leases, and factories and warehouses under operating leases from non-related parties.

(i) Lessee - Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.15 Leases (continued)

(a) *When the Group is the lessee: (continued)*

(ii) Lessee - Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

(b) *When the Group is the lessor:*

Lessor - Operating leases

The Group leases investment properties under operating leases to non-related parties. Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.16 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.16 Inventories (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs to the extent of the amount of previously expensed off in respect of the writedown or loss.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.17 Income taxes (continued)

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.18 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Employees share option scheme*

The directors of the Company (including non-executive and independent directors) and employees of the Group receive remuneration in the form of share options as consideration for services rendered ("equity-settled transactions").

The cost of equity-settled transactions is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.19 Employee compensation (continued)

(b) *Employees share option scheme (continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

(c) *Performance share scheme*

Employees of the Company receive remuneration in the form of fully paid shares as consideration for services rendered. The cost of these equity settled transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are granted. This cost is recognised in profit or loss, with a corresponding increase in equity. There is no vesting period for these performance shares.

2.20 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollars, which is the functional currency of the Company.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.20 Currency translation (continued)

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other (losses)/gains".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.20 Currency translation (continued)

(c) Translation of Group entities' financial statements (continued)

- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.24 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.25 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Fair value estimation on non-financial assets*

The Group owns certain investment properties and property, plant and equipment and carries them at fair value as at balance sheet date. Certain assumptions and estimates are made to determine the fair value on these non-financial assets. The details of the fair value and the estimates used are set out in Note 18 and Note 19.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Critical accounting estimates, assumptions and judgements (continued)

(b) *Carrying amounts of disposal group classified as held-for-sale*

As the result of the sale of ER Suzhou, the entire assets and liabilities of ER Suzhou have been classified as disposal group classified as held-for-sale and carried at US\$12,848,000 on the consolidated balance sheet of the Group (Note 11). Management made judgment that the receipt of sales consideration arising from the sale of ER Suzhou is probable and the carrying amount of the disposal group classified as held-for-sale as at 31 December 2016 is appropriate.

(c) *Impairment assessment of accounts receivables*

Management reviews its accounts receivables for objective evidence of impairment periodically. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor. As at 31 December 2016, management is of the view that the allowance for impairment of receivables is adequate.

4. Revenue

	Group	
	2016	2015
	US\$'000	(Restated) US\$'000
Sale of goods	565	4,229
Rendering of services	49	88
	<u>614</u>	<u>4,317</u>

5. Other income

	Group	
	2016	2015
	US\$'000	(Restated) US\$'000
Interest income - bank deposits	-	1
Rental income from investment properties (Note 18)	141	122
Others	379	85
	<u>520</u>	<u>208</u>

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. Other (losses)/gains

	Group	
	2016	2015
	US\$'000	(Restated) US\$'000
Currency translation (losses)/gains	(984)	54
Currency translation differences arising from consolidation		
- Reclassification from other comprehensive income arising from disposal of a subsidiary (Note 27(iv))	(147)	-
(Loss)/gain on disposal of property, plant and equipment	(549)	5
Gain on disposal of investment properties	-	36
Gain on disposal of intangible assets	-	14
Loss on disposal of subsidiary	(64)	-
Impairment of non-trade receivables	-	(74)
	(1,744)	35

7. Finance expenses

	Group	
	2016	2015
	US\$'000	(Restated) US\$'000
Interest expense		
- Borrowings	842	375
- Trust receipts	133	70
- Finance lease liabilities	3	3
- Advances from directors	120	120
- Financial guarantee contract	383	404
- Other	2	-
Finance expenses recognised in profit or loss	1,483	972

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. Expenses by nature

	Group	
	2016	2015
	US\$'000	(Restated) US\$'000
Allowance for impairment of inventory	13	122
Amortisation of intangible assets (Note 20)	2	4
Fees on audit services paid/payable to:		
- Auditor of the Company	85	97
- Other auditors*	80	83
Allowance for impairment of receivables	1,001	12
Bad debt write off	-	44
Bank charges	16	31
Changes in inventories	39	518
Depreciation of property, plant and equipment (Note 19)	44	92
Employee compensation (Note 9)	1,392	1,689
Entertainment	11	36
Freight and handling charges	15	58
Insurance	105	126
Professional fees	137	86
Purchases of inventories	26	2,623
Rental expense on operating leases	196	236
Repair and maintenance	9	25
Transportation	16	8
Utilities	18	52
Others	609	1,079
Total cost of sales, distribution and marketing costs and administrative expenses	<u>3,814</u>	<u>7,021</u>

* Includes the network of member firms of PricewaterhouseCoopers International Limited outside Singapore.

9. Employee compensation

	Group	
	2016	2015
	US\$'000	(Restated) US\$'000
Wages, salaries and bonuses	1,315	1,590
Employer's contribution to defined contribution plans including Central Provident Fund	77	99
	<u>1,392</u>	<u>1,689</u>

Key management remuneration is disclosed in Note 31(b).

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10. Income tax expense

	Group	
	2016 US\$'000	2015 US\$'000
Tax expense attributable to loss is made up of:		
- Profit for the financial year:		
<u>From continuing operations</u>		
- Withholding tax expense	109	-
<u>From discontinued operations</u>		
Current income tax		
- Foreign (Note 11(a))	-	(40)
	109	(40)
- Under/(over) provision in prior financial years:		
<u>From continuing operations</u>		
Current income tax		
- Foreign	8	-
	117	(40)
<u>From discontinued operations</u>		
Current income tax		
- Foreign (Note 11(a))	35	(17)
	152	(57)
Tax expense is attributable to:		
- continuing operations	117	-
- discontinued operations (Note 11(a))	35	(57)
	152	(57)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2016 US\$'000	2015 US\$'000
Loss before tax from		
- continuing operations	(5,907)	(3,433)
- discontinued operations (Note 11(a))	(7,278)	(2,377)
	(13,185)	(5,810)
Tax calculated at tax rate of 17% (2015: 17%)	(2,241)	(988)
Effects of:		
- different tax rates in other countries	(721)	(266)
- expenses not deductible for tax purposes	834	747
- income not subject to tax	(29)	(60)
- deferred tax assets not recognised	2,157	527
- withholding tax paid on foreign source income	109	-
- under/(over) provision of tax in prior financial years	43	(17)
Tax charge/(credit)	152	(57)

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10. Income tax expense (continued)

The tax charge relating to each component of other comprehensive losses is as follows:

Group	Before	2016	After	Before	2015	After
	tax	Tax	Tax	tax	Tax	tax
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revaluation losses on property, plant and equipment	-	-	-	(39)	(6)	(45)
Currency translation differences arising from consolidation and deemed disposal of a subsidiary	(506)	-	(506)	(980)	-	(980)
Other comprehensive losses	<u>(506)</u>	<u>-</u>	<u>(506)</u>	<u>(1,019)</u>	<u>(6)</u>	<u>(1,025)</u>

11. Discontinued operations and disposal group classified as held-for-sale

Following the signing of the definitive sale and purchase agreement on 4 July 2016 to sell 89.05% interest in ER Suzhou, 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". The transaction is expected to be completed in 2017 (Note 33).

On 3 August 2016, the Group's subsidiary, Europronic Taiwan Ind. Corp has completed the sale of 99.997% of its interest in Housing Technology Corp to third parties. The entire results from Housing Technology Corp are presented separately on the consolidated statement of comprehensive income as "Discontinued operations".

The comparative figures in consolidated statement of comprehensive income and consolidated statement of cash flow have been re-presented to report separately the results for continuing and discontinued operations in prior year.

(a) The results of the discontinued operations are as follows:

	Group	
	2016 US\$'000	2015 US\$'000
Loss before tax from Revenue	10,981	14,399
Expenses	(18,259)	(16,776)
Loss before tax from discontinued operations	<u>(7,278)</u>	<u>(2,377)</u>
Tax	(35)	57
Loss after tax from discontinued operations	<u>(7,313)</u>	<u>(2,320)</u>

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For the financial year ended 31 December 2016

11. Discontinued operations and disposal group classified as held-for-sale (continued)

(b) The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
Operating cash inflows/(outflows)	2,035	(17)
Investing cash outflows	(162)	(119)
Financing cash outflows	(1,752)	(182)
Total cash inflows/(outflows)	121	(318)

	Group
	2016
	\$'000
(c) Details of the assets of disposal group classified as held-for-sale are as follows:	
Cash and cash equivalents	492
Trade receivables	5,912
Less: Allowance for impairment of receivables	(2,361)
Other receivables	464
Inventories	3,248
Property, plant and equipment (Note 19)	29,825
Intangible assets (Note 20)	51
	37,631
(d) Details of the liabilities directly associated with disposal group classified as held-for-sale are as follows:	
Trade and other payables	8,999
Borrowings	10,138
Deferred income tax liabilities (Note 25)	5,646
	24,783

As the result of the sale of ER Suzhou, the entire assets and liabilities of ER Suzhou have been classified as disposal group classified as held-for-sale and carried at US\$12,848,000 on the consolidated balance sheet of the Group. Management assessed that the receipt of sales consideration arising from the sale of ER Suzhou is probable and the carrying amount of the disposal group classified as held-for-sale as at 31 December 2016 is appropriate.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Discontinued operations and disposal group classified as held-for-sale (continued)

	Group	
	2016 US\$'000	2015 US\$'000
(e) Cumulative expense recognised in other comprehensive losses relating to disposal group classified as held-for-sale are as follows:		
- Currency translation differences	834	679
		Company 2016 \$'000
(f) Details of the assets in non-current asset classified as held-for-sale are as follows:		
Investment in a subsidiary (Note 17)		13,307

12. Loss per share

Basic and diluted loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

There is no difference between basic loss per share and diluted loss per share as the Company has no dilutive potential ordinary shares.

	Continuing operations		Discontinued operations		Total	
	2016	2015	2016	2015	2016	2015
Loss attributable to equity holders of the Company (\$'000)	(4,425)	(2,613)	(8,147)	(2,999)	(12,572)	(5,612)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	943,732	874,353	943,732	874,353	943,732	874,353
Basic loss per share (cents per share)	(0.47)	(0.30)	(0.86)	(0.34)	(1.33)	(0.64)

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

13. Cash and cash equivalents

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Cash at bank and on hand	125	582	4	16

14. Available-for-sale financial assets

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Beginning and end of financial year	1	1	1	1

Available-for-sale financial assets are analysed as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Quoted equity securities - Singapore	1	1	1	1

15. Trade and other receivables

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Trade receivables				
- Non-related parties	1,237	8,062	-	-
- Bill receivables	-	60	-	-
	1,237	8,122	-	-
Less: Allowance for impairment of receivables	(1,080)	(63)	-	-
Trade receivables - net	157	8,059	-	-
Other receivables				
- Subsidiaries	-	-	5,573	7,768
- Advances to non-related parties	78	1,974	-	-
- Receivables from related party companies	119	225	-	-
- Others	224	636	3	-
	421	2,835	5,576	7,768
Less: Allowance for impairment of receivables	-	(1,653)	(5,573)	(5,546)
Non-trade receivables - net	421	1,182	3	2,222
Deposits	40	72	-	-
Prepayments	125	297	116	156
	165	369	116	156
Total	743	9,610	119	2,378

The amount due from subsidiaries, related party companies and advances to non-related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16. Inventories

	Group	
	2016 US\$'000	2015 US\$'000
Raw materials	-	855
Work-in-progress	-	2,206
Finished/trading goods	83	916
	<u>83</u>	<u>3,977</u>

The cost of inventories recognised as an expense and included in "cost of sales" amounts to US\$80,000 (2015: US\$13,851,000).

During the financial year, the Group has recognised an allowance for inventory obsolescence, amounting to US\$13,000 (2015: US\$290,000).

17. Investments in subsidiaries

	Company	
	2016 US\$'000	2015 US\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	30,150	30,150
Disposal	(493)	-
Reclassified to non-current asset held-for-sale (Note 11(f))	(13,307)	-
End of financial year	<u>16,350</u>	<u>30,150</u>
<i>Accumulated impairment</i>		
Beginning and end of financial year	16,350	16,350
Total	<u>-</u>	<u>13,800</u>

Details of significant subsidiaries are included in Note 36.

On 3 August 2016, the Group's subsidiary, Europtronic Taiwan Ind. Corp disposed its entire shareholding (99.997%) in Housing Technology Corp to third parties for a consideration of US\$190,000. As a result, the Group recognised a loss on disposal of a subsidiary of US\$64,000 (Note 6).

Disposal of interest in a subsidiary without loss of control

On 11 March 2016, the Company disposed of a 3.3% interest out of the 92.35% interest held in Europtronic (Suzhou) Co., Ltd, at a cash consideration of US\$600,000. This resulted in an increase in non-controlling interests of US\$474,000 and an increase in equity attributable to owners of the Company of US\$126,000. The effect of changes in the ownership interest of Europtronic (Suzhou) Co., Ltd on the equity attributable to owners of the Company during the year is summarised as follows:

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. Investments in subsidiaries (continued)

	Group	
	2016 US\$'000	2015 US\$'000
Carrying amount of non-controlling interests disposed of	(474)	(1,348)
Consideration received from non-controlling interests	600	829
Excess/(deficit) of carrying amount of non-controlling interests recognised in parent's equity	<u>126</u>	<u>(519)</u>

Carrying value of non-controlling interests

	Group	
	2016 US\$'000	2015 US\$'000
Europtronic (Suzhou) Co., Ltd	781	1,152
Other subsidiaries with immaterial non-controlling interests	-	(71)
End of financial year	<u>781</u>	<u>1,081</u>

Summarised financial information of a subsidiary with material non-controlling interests

Set out below is the summarised financial information for a subsidiary that has non-controlling interests that are material to the Group which is also classified as disposal group held for sale on the balance sheet (Note 11). These are presented before inter-company eliminations.

Summarised balance sheet

	Europtronic (Suzhou) Co., Ltd As at 31 December	
	2016 US\$'000	2015 US\$'000
Current assets	41,574	14,485
Current liabilities	(34,586)	(27,287)
Current net assets/(liabilities)	<u>6,988</u>	<u>(12,802)</u>
Non-current assets	-	34,034
Non-current liabilities	-	(6,135)
Non-current net assets	<u>-</u>	<u>27,899</u>
Net assets	<u>6,988</u>	<u>15,097</u>

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. Investments in subsidiaries (continued)

Summarised statement of comprehensive losses

	Europtronics (Suzhou) Co., Ltd For the year ended 31 December	
	2016 US\$'000	2015 US\$'000
Post-tax loss from discontinued operations	7,275	2,357
Other comprehensive losses	834	679
Total comprehensive losses	8,109	3,036
Total comprehensive loss allocated to non-controlling interests	80	55

Summarised cash flows

	Europtronics (Suzhou) Co., Ltd 31 December 2016 US\$'000
Cash flows provided by operating activities	2,035
Cash flows used in investing activities	(162)
Cash flows used in financing activities	(1,752)
Net increase in cash and cash equivalents	121

18. Investment properties

	Group	
	2016 US\$'000	2015 US\$'000
Beginning of financial year	2,994	3,329
Disposal	-	(205)
Currency translation differences	(222)	(130)
End of financial year	2,772	2,994

The following amounts are recognised in profit and loss:

	2016 US\$'000	2015 US\$'000
Rental income (Note 5)	141	122
Direct operating expenses arising from: - Investment properties that generate rental income	(85)	(14)

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

18. Investment properties (continued)

Investment properties are leased to non-related parties under operating leases (Note 29 (b)).

Investment properties are mortgaged to secure bank loans (Note 23).

At the balance sheet date, the details of the Group's investment properties are as follows:

<u>Location</u>	<u>Description</u>	<u>Existing use</u>	<u>Tenure</u>	<u>Unexpired term of lease</u>
13F-A, D and A/D No. 333 Zhao Jia Bang Road Shanghai City, PRC 200032	Office and carpark lot No.64 and 67	Office building	50 years	Expiring on 5 December 2042

Fair value hierarchy – Recurring fair value measurements

	<u>Fair value measurements using</u>		
	<u>Quoted prices in active markets for identical assets (Level 1)</u> US\$'000	<u>Significant other observable inputs (Level 2)</u> US\$'000	<u>Significant unobservable inputs (Level 3)</u> US\$'000
Group – 31 December 2016			
Recurring fair value measurements			
Investment properties:			
- Office units - People's Republic of China	-	-	2,772
Group – 31 December 2015			
Recurring fair value measurements			
Investment properties:			
- Office units - People's Republic of China	-	-	2,994

Reconciliation of movements in Level 3 fair value measurement:

	<u>Residential properties</u> US\$'000	<u>Office units</u> US\$'000	<u>Total</u> US\$'000
Investment properties:			
31 December 2016			
Beginning of financial year	-	2,994	2,994
Currency translation differences	-	(222)	(222)
End of financial year	-	2,772	2,772
31 December 2015			
Beginning of financial year	209	3,120	3,329
Disposal	(205)	-	(205)
Currency translation differences	(4)	(126)	(130)
End of financial year	-	2,994	2,994

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18. Investment properties (continued)

There were no changes in valuation techniques during the year.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers into or out of fair value hierarchy levels for the financial years ended 31 December 2016 and 2015.

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy:

Description	Fair value at 31 December 2016 (US\$'000)	Valuation techniques	Significant unobservable inputs ¹	Range of significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Investment properties					
Office units	2,772 (2015: 2,994)	Direct Comparison Approach	Estimated market price	US\$3,912 per square meter (2015: US\$4,224)	The higher the adjusted valuation per square meter the higher the fair value.

¹ There were no significant inter-relationships between unobservable inputs.

The Direct Comparison Approach involves analysis of recent transactions of comparable properties within the vicinity and elsewhere in the respective countries. Necessary adjustments have been made for the differences in location, tenure, size, shape, design and layout, age and condition of buildings, date of transactions and the prevailing market and prevailing condition amongst other factors affecting their values.

Valuation processes of the Group

The Group engages external, independent and qualified valuer to determine the fair value of the Group's investment property annually based on the properties' highest and best use.

Discussions of valuation processes and results are held between the management and the valuer at least once a year, in line with the Group's annual reporting.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. Property, plant and equipment

	Freehold land US\$'000	Leasehold land, buildings and improvements US\$'000	Machinery and equipment US\$'000	Motor vehicles US\$'000	Construction -in-progress US\$'000	Total US\$'000
Group						
2016						
<i>Cost or valuation</i>						
Beginning of financial year						
Cost	-	15	20,486	355	13	20,869
Valuation	3,497	29,427	-	-	-	32,924
	3,497	29,442	20,486	355	13	53,793
Currency translation differences	24	(2,092)	(1,444)	(10)	(1)	(3,523)
Additions	-	73	99	-	-	172
Reclassified to disposal group (Note 11(c))	-	(26,324)	(18,076)	(70)	(12)	(44,482)
Disposals and write off	(3,521)	(1,078)	(26)	(90)	-	(4,715)
End of financial year	-	21	1,039	185	-	1,245
Representing:						
Cost	-	21	1,039	185	-	1,245
<i>Accumulated depreciation and impairment losses</i>						
Beginning of financial year	-	1,891	13,229	227	-	15,347
Currency translation differences	-	(151)	(949)	(7)	-	(1,107)
Depreciation charge						
- Continuing operations (Note 8)	-	6	14	24	-	44
- Discontinued operations	-	768	1,091	12	-	1,871
Reclassified to disposal group (Note 11(c))	-	(2,259)	(12,349)	(49)	-	(14,657)
Disposals and write off	-	(236)	(26)	(91)	-	(353)
End of financial year	-	19	1,010	116	-	1,145
Net book value						
End of financial year	-	2	29	69	-	100

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

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For the financial year ended 31 December 2016

19. Property, plant and equipment (continued)

	Freehold land US\$'000	Leasehold land, buildings and improvements US\$'000	Machinery and equipment US\$'000	Motor vehicles US\$'000	Construction -in-progress US\$'000	Total US\$'000
Group						
2015						
<i>Cost or valuation</i>						
Beginning of financial year						
Cost	-	15	21,209	371	14	21,609
Valuation	3,370	31,040	-	-	-	34,410
	3,370	31,055	21,209	371	14	56,019
Currency translation differences	(183)	(1,270)	(865)	(7)	(1)	(2,326)
Additions	-	6	142	-	-	148
Disposals and write off	-	-	-	(9)	-	(9)
Revaluation surplus/(deficit)	310	(349)	-	-	-	(39)
End of financial year	3,497	29,442	20,486	355	13	53,793
Representing:						
Cost	-	15	20,486	355	13	20,869
Valuation	3,497	29,427	-	-	-	32,924
	3,497	29,442	20,486	355	13	53,793
<i>Accumulated depreciation and impairment losses</i>						
Beginning of financial year	-	1,126	12,231	203	-	13,560
Currency translation differences	-	(68)	(534)	(6)	-	(608)
Depreciation charge						
- Continuing operations (Note 8)	-	38	27	27	-	92
- Discontinued operations	-	795	1,282	12	-	2,089
Disposals and write off	-	-	-	(9)	-	(9)
Impairment loss	-	-	223	-	-	223
End of financial year	-	1,891	13,229	227	-	15,347
Net book value						
End of financial year	3,497	27,551	7,257	128	13	38,446

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

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For the financial year ended 31 December 2016

19. Property, plant and equipment (continued)

	Machinery and <u>equipment</u> US\$'000	Motor <u>vehicles</u> US\$'000	<u>Total</u> US\$'000
Company			
2016 and 2015			
<i>Cost</i>			
Beginning and end of financial year	2	51	53
<i>Accumulated depreciation</i>			
Beginning and end of financial year	2	51	53
Net book value			
Beginning and end of financial year	-	-	-

- (a) The carrying amounts of machinery and equipment and a motor vehicle held under finance leases are US\$1,023,000 (2015: US\$1,197,000) and US\$67,000 (2015: US\$91,000) respectively at the balance sheet date.
- (b) The impairment loss in 2015 related to assets that were not use for production. The whole amount was recognised as other expense in profit or loss, as there was no amount included in the asset revaluation surplus relating to these relevant assets.

Fair value hierarchy

The Group's property, plant and equipment at 31 December 2016 includes property, plant and equipment in one of the Group's subsidiaries, Europtronic (Suzhou) Co., Ltd (ER Suzhou) with a carrying amount of \$29,825,000. Following the signing of the definitive sale and purchase agreement on 4 July 2016 to sell 89.05% interest in ER Suzhou, the entire assets and liabilities, including leasehold land and factory in People's Republic of China have been classified as disposal group classified as held-for-sale (Note 11) on the balance sheet and accordingly, measured at lower of carrying amount and fair value less cost to sell in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations. Management assessed that the carry amount of property, plant and equipment of the disposal group classified as held-for-sale is below the fair value less cost to sell and therefore no impairment is required as at 31 December 2016. In addition, the freehold land and office units located in Republic of China has been disposed of during the current financial year. As such, none of the property, plant and equipment is carried at fair value as at 31 December 2016. The details of fair value hierarchy and measurement for property, plant and equipment carried at fair value as at 31 December 2015 are as follows:

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. Property, plant and equipment (continued)

Fair value hierarchy (continued)

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1) US\$'000	Significant other observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000
Group - 31 December 2015			
Recurring fair value measurements			
Properties, plant and equipment:			
- Leasehold land and factory - People's Republic of China	-	-	26,707
- Freehold land and office units - Republic of China	-	-	4,337

Reconciliation of movements in Level 3 fair value measurement:

	Leasehold land and factory US\$'000	Freehold land and office units US\$'000
Opening balance as at 1 January 2015	28,484	4,815
Amounts recognised in profit or loss		
- Depreciation	(795)	(35)
Amounts recognised in other comprehensive income		
- Currency translation differences	(1,143)	(243)
- Revaluation	161	(200)
Closing balance as at 31 December 2015	26,707	4,337

There was no changes in valuation techniques during the year.

The Group's policy was to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There was no transfer into or out of fair value hierarchy levels for the financial year ended 31 December 2015.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. Property, plant and equipment (continued)

Reconciliation of movements in Level 3 fair value measurement (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presented the valuation techniques and key inputs that were used to determine the fair value of properties, plant and equipment categorised under Level 3 of the fair value hierarchy which involve significant unobservable inputs:

Description	Fair value at 31 December 2015 (US\$'000)	Valuation techniques	Significant unobservable inputs ¹	Range of significant unobservable inputs	Relationship of significant unobservable inputs to fair value	
Properties, plant and equipment						
Leasehold land and factory	26,707	Cost Approach	Estimated market price	US\$421 per square meter	The higher the adjusted valuation per square meter, the higher the fair value.	
			Depreciated replacement costs	US\$4,034,000	The higher the depreciated replacement costs, the higher the fair value.	
Freehold land and office units	4,337	Direct Comparison Approach	Estimated market price	US\$4,465 per square meter	The higher the estimated market price, the higher the fair value.	
			Income Capitalisation Approach	Estimated rental value per square meter per month	US\$12 per square meter per month	The higher the estimated rental value per square meter, the higher the fair value.
			Capitalisation rate	1.64%	The higher the capitalisation rate, the lower the fair value.	

¹ There were no significant inter-relationships between unobservable inputs.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

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For the financial year ended 31 December 2016

19. Property, plant and equipment (continued)

Valuation techniques and inputs used in Level 3 fair value measurements (continued)

The Cost Approach involved separately determining the values of the assets and a summation of these values was taken to be the fair value of land and building. The value of the land was arrived at by the comparison approach in which it took reference to transactions of similar lands in the surrounding with adjustments made for any differences. The buildings were valued by reference to their depreciated replacement cost. It was determined by taking current replacement cost of the building as new and allowing for depreciation for obsolescence.

The Direct Comparison Approach involved analysis of recent transactions of comparable properties within the vicinity and elsewhere in the respective countries. Necessary adjustments had been made for the differences in location, tenure, size, shape, design and layout, age and condition of buildings, date of transactions and the prevailing market and prevailing condition amongst other factors affecting their values.

In the Income Capitalisation Approach, gross rental income was estimated at a mature maintainable occupancy level from which total expenses had been deducted and net income capitalised at an appropriate rate.

Valuation processes of the Group

The Group engaged external, independent and qualified valuers to determine the fair value of the Group's property, plant and equipment annually based on the properties' highest and best use.

Discussions of valuation processes and results were held between the management and the valuers at least once a year, in line with the Group's annual reporting.

If the property, plant and equipment stated at valuation were included in the financial statements at cost less accumulated depreciation, their net book values would be:

	Group 2015 US\$'000
Freehold land	1,198
Leasehold land, buildings and improvements	<u>6,147</u>

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

20. Intangible assets

	Group	
	2016 US\$'000	2015 US\$'000
<u>Composition:</u>		
Patents (Note (a))	-	-
Club memberships (Note (b))	77	134
Computer software licences (Note (c))	-	18
	<u>77</u>	<u>152</u>

(a) Patents

	Group	
	2016 US\$'000	2015 US\$'000
<i>Cost</i>		
Beginning of financial year	46	48
Currency translation differences	(3)	(2)
Reclassified to disposal group (Note 11(c))	(43)	-
End of financial year	<u>-</u>	<u>46</u>
<i>Accumulated amortisation</i>		
Beginning of financial year	46	47
Amortisation charge		
- Discontinued operations	-	1
Reclassified to disposal group (Note 11(c))	(43)	-
Currency translation differences	(3)	(2)
End of financial year	<u>-</u>	<u>46</u>
<i>Net book value</i>		
End of financial year	<u>-</u>	<u>-</u>

(b) Club memberships

	Group	
	2016 US\$'000	2015 US\$'000
<i>Cost</i>		
Beginning of financial year	169	457
Disposal	-	(274)
Currency translation differences	(12)	(14)
Reclassified to disposal group (Note 11(c))	(51)	-
End of financial year	<u>106</u>	<u>169</u>
<i>Accumulated amortisation</i>		
Beginning of financial year	35	52
Amortisation charge		
- Continuing operations (Note 8)	2	4
- Discontinued operations	1	1
Reclassified to disposal group (Note 11(c))	(8)	-
Disposal	-	(19)
Currency translation differences	(1)	(3)
End of financial year	<u>29</u>	<u>35</u>
<i>Net book value</i>		
End of financial year	<u>77</u>	<u>134</u>

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

20. Intangible assets (continued)

(c) Computer software licence

	Group	
	2016 US\$'000	2015 US\$'000
<i>Cost</i>		
Beginning of financial year	45	-
Additions	-	46
Currency translation differences	(4)	(1)
Reclassified to disposal group (Note 11(c))	(41)	-
End of financial year	-	45
<i>Accumulated amortisation</i>		
Beginning of financial year	27	-
Amortisation charge		
- Discontinued operations	9	27
Reclassified to disposal group (Note 11(c))	(33)	-
Currency translation differences	(3)	-
End of financial year	-	27
<i>Net book value</i>		
End of financial year	-	18

21. Trade and other payables

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Trade payables to				
- Non-related parties	850	5,958	-	-
- Bills payables	66	1,080	-	-
	916	7,038	-	-
Non-trade payables to				
- Subsidiaries	-	-	4,392	8,735
- Advances from directors	11,644	10,249	3,582	3,528
- Non-related parties	4,451	2,509	3,077	600
- Related parties	-	153	-	-
Accruals for operating expenses	1,911	3,773	776	726
	18,922	23,722	11,827	13,589

The non-trade amounts due to related parties of the Group and subsidiaries of the Company are unsecured, interest free and are repayable on demand.

The non-trade advances from the directors of the Company are unsecured, interest free and repayable on demand except for an amount of US\$4,000,000 which bear interest at 3% per annum (2015: 3% per annum) with effect from 1 June 2014.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

22. Financial guarantee contracts

In 2014, the Company had agreed to provide corporate guarantees over the principal and its related interest costs on the outstanding bank borrowings of Europtronic (Singapore) Pte Ltd. The Company is not obliged against the subsequent drawdown of the bank borrowings incurred by Europtronic (Singapore) Pte Ltd. Subsequent to balance sheet date, the Company has made several repayments amounting to US\$2,649,000 in total.

23. Borrowings

	Group	
	2016 US\$'000	2015 US\$'000
<i>Current</i>		
Bank borrowings		
- Trust receipts	-	1,187
- Short-term loan	1,985	13,583
- Term loan	-	132
	1,985	14,902
Finance lease liabilities (Note 24)	19	766
	<u>2,004</u>	<u>15,668</u>
<i>Non-current</i>		
Bank borrowings		
- Term loan	-	1,539
Finance lease liabilities (Note 24)	43	102
	<u>43</u>	<u>1,641</u>
Total borrowings	<u>2,047</u>	<u>17,309</u>

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group	
	2016 US\$'000	2015 US\$'000
Not later than one year	<u>1,985</u>	<u>13,583</u>

Security granted

Bank borrowings of the Group are secured over an investment property (Note 18) and certain land and buildings (Note 19). In addition, the controlling shareholders of the Group have also provided personal guarantees and pledged certain personal properties to secure the credit facilities undertaken by the Group.

Finance lease liabilities of the Group are secured by the rights to the leased plant and equipment, and motor vehicles (Note 19), which will revert to the lessor in the event of default by the Group.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

24. Finance lease liabilities

The Group leases certain plant and equipment, and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	Group	
	2016	2015
	US\$'000	US\$'000
Minimum lease payments due		
- Not later than one year	21	852
- Between one and five years	49	112
	<u>70</u>	<u>964</u>
Less: Future finance charges	(8)	(96)
Present value of finance lease liabilities	<u>62</u>	<u>868</u>

The present values of finance lease liabilities are analysed as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
Not later than one year (Note 23)	19	766
Between one and five years (Note 23)	43	102
	<u>62</u>	<u>868</u>

25. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
Deferred income tax liabilities to be settled after one year	406	7,056

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

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For the financial year ended 31 December 2016

25. Deferred income taxes (continued)

Movement in deferred income tax account is as follows:

<u>Group</u>	Asset revaluation gains - net US\$'000
2016	
Beginning of financial year	7,056
Currency translation differences	(483)
Over-provision in prior financial year – credited to equity	(521)
Reclassified to disposal group (Note 11)	(5,646)
End of financial year	<u>406</u>
2015	
Beginning of financial year	7,326
Currency translation differences	(276)
Tax charged to other comprehensive losses (Note 10)	6
End of financial year	<u>7,056</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of US\$11,251,000 (2015: US\$12,395,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date.

26. Share capital

<u>Group and Company</u>	No. of ordinary shares '000	Amount US\$'000
2016		
Beginning and end of financial year	<u>943,733</u>	<u>46,115</u>
2015		
Beginning of financial year	786,445	43,950
New shares issued	157,288	2,165
End of financial year	<u>943,733</u>	<u>46,115</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Other reserves

Composition:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Share option reserve	132	132	132	132
Capital and statutory reserve	1,538	1,400	66	66
Asset revaluation reserve	17,308	20,451	-	-
Currency translation reserve	(1,229)	(740)	3,228	3,228
	<u>17,749</u>	<u>21,243</u>	<u>3,426</u>	<u>3,426</u>

Movements:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
(i) Share options reserve				
Beginning and end of financial year	<u>132</u>	<u>132</u>	<u>132</u>	<u>132</u>
(ii) Capital and statutory reserve				
Beginning of financial year	1,400	1,652	66	66
Deemed disposal of a subsidiary without loss control	<u>138</u>	<u>(252)</u>	-	-
End of financial year	<u>1,538</u>	<u>1,400</u>	<u>66</u>	<u>66</u>

Subsidiaries incorporated in the People's Republic of China are required by law to set aside 10% of their annual net profit after tax less prior year's losses, if any, as statutory reserve until the accumulated reserve reaches an amount equal to 50% of the respective subsidiaries' paid-up capital. Such statutory reserve can be used to offset a deficit in the Group's revenue reserve. This statutory reserve is not available for distribution as dividends.

	Group	
	2016 US\$'000	2015 US\$'000
(iii) Asset revaluation reserve		
Beginning of financial year	20,451	21,884
Revaluation loss (Note 19)	-	(39)
Revaluation gain transferred to accumulated losses arising from disposal of property, plant and equipment	<u>(2,544)</u>	-
Deferred tax (Note 25)	-	(6)
Deemed disposal of a subsidiary without loss control	<u>(599)</u>	<u>(1,380)</u>
Less: Non-controlling interest	-	(8)
End of financial year	<u>17,308</u>	<u>20,451</u>

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Other reserves (continued)

Movements: (continued)

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
(iv) Currency translation reserve				
Beginning of financial year	(740)	362	3,228	3,228
Reclassification on disposal of a subsidiary (Note 6)	147	-	-	-
Net effect of deemed disposal of a subsidiary without loss control	(210)	(185)	-	-
Net currency translation differences of financial statements of foreign subsidiaries	(426)	(917)	-	-
End of financial year	<u>(1,229)</u>	<u>(740)</u>	<u>3,228</u>	<u>3,228</u>

Other reserves are not available for distribution as dividends.

28. Contingent liabilities

Contingent liabilities, of which the probability of settlement is not remote at the balance sheet date, are as follows:

Litigation against Europtronic (HK) Company Limited

On 3 November 2014, a claim for US\$348,000 was lodged by a third party against Europtronic (HK) Company Limited in respect to collection of payments from the customer of a related party on their behalf.

Legal advice obtained indicates that it is unlikely that any significant liability will arise. At the date of these financial statements, the management is of the view that no material losses will arise in respect of the legal claim.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

29. Commitments

(a) Operating lease commitments - where the Group is a lessee

The Group leases warehouses and office space from non-related parties under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
Not later than one year	152	174
Between one and five years	15	56
	<u>167</u>	<u>230</u>

(b) Operating lease commitments - where the Group is a lessor

The Group lease out office space to non-related parties under non-cancellable operating lease. The lessees are required to pay either absolute fixed annual increase to the lease payments.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
Not later than one year	40	159
Between one and five years	-	43
	<u>40</u>	<u>202</u>

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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30. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as foreign currency borrowings to manage certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and establishes detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set. The finance personnel identifies and evaluates financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Group Financial Controller. Regular reports are also submitted to the Board of Directors.

(a) Market risk

(i) *Currency risk*

The Group operates in Asia with dominant operations in Singapore, People's Republic of China, Hong Kong and Taiwan. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), Chinese Renminbi ("RMB"), and New Taiwan Dollar ("NTD").

In addition, the Group is also exposed to currency translation risk on the net assets in foreign operations, including People's Republic of China and Taiwan.

The Group does not have any formal hedging policy against foreign exchange fluctuations.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	SGD US\$'000	USD US\$'000	RMB US\$'000	NTD US\$'000	Others US\$'000	Total US\$'000
At 31 December 2016						
Financial assets						
Cash and cash equivalents	10	27	72	9	7	125
Trade and other receivables	75	63	349	68	63	618
Intercompany receivables	-	50,208	8,282	-	-	58,490
	85	50,298	8,703	77	70	59,233
Financial liabilities						
Trade and other payables	(7,061)	(3,601)	(1,641)	(6,541)	(78)	(18,922)
Borrowings	(62)	(1,985)	-	-	-	(2,047)
Financial guarantee contracts	-	(7,206)	-	-	-	(7,206)
Intercompany payables	-	(47,445)	(9,788)	(1,257)	-	(58,490)
	(7,123)	(60,237)	(11,429)	(7,798)	(78)	(86,665)
Net financial liabilities	(7,038)	(9,939)	(2,726)	(7,721)	(8)	(27,432)
Less: Net financial liabilities denominated in the respective entities functional currency	-	7,234	2,792	7,560	-	17,586
Net currency exposure	(7,038)	(2,705)	(66)	(161)	(8)	(9,846)
At 31 December 2015						
Financial assets						
Cash and cash equivalents	27	101	409	40	5	582
Trade and other receivables	55	6,141	2,967	77	73	9,313
Intercompany receivables	-	50,445	8,156	1,415	-	60,016
	82	56,687	11,532	1,532	78	69,911
Financial liabilities						
Trade and other payables	(4,463)	(3,058)	(9,178)	(6,945)	(78)	(23,722)
Borrowings	(84)	(4,833)	(10,721)	(1,671)	-	(17,309)
Financial guarantee contracts	-	(6,856)	-	-	-	(6,856)
Intercompany payables	-	(50,430)	(8,074)	(1,512)	-	(60,016)
	(4,547)	(65,177)	(27,973)	(10,128)	(78)	(107,903)
Net financial liabilities	(4,465)	(8,490)	(16,441)	(8,596)	-	(37,992)
Less: Net financial liabilities denominated in the respective entities functional currency	-	8,797	14,304	8,472	-	31,573
Net currency exposure	(4,465)	307	(2,137)	(124)	-	(6,419)

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD US\$'000	USD US\$'000	RMB US\$'000	Total US\$'000
2016				
Financial assets				
Cash and cash equivalents	2	2	-	4
Trade and other receivables	3	-	-	3
	<u>5</u>	<u>2</u>	<u>-</u>	<u>7</u>
Financial liabilities				
Trade and other payables	(3,765)	(4,992)	(3,070)	(11,827)
Financial guarantee contracts	-	(7,206)	-	(7,206)
	<u>(3,765)</u>	<u>(12,198)</u>	<u>(3,070)</u>	<u>(19,033)</u>
Net financial liabilities	<u>(3,760)</u>	<u>(12,196)</u>	<u>(3,070)</u>	<u>(19,026)</u>
Less: Currency exposure of financial liabilities net of those denominated in the entity's functional currencies	-	12,196	-	12,196
Net currency exposure	<u>(3,760)</u>	<u>-</u>	<u>(3,070)</u>	<u>(6,830)</u>
2015				
Financial assets				
Cash and cash equivalents	14	2	-	16
Trade and other receivables	-	-	2,222	2,222
	<u>14</u>	<u>2</u>	<u>2,222</u>	<u>2,238</u>
Financial liabilities				
Trade and other payables	(4,254)	(9,335)	-	(13,589)
Financial guarantee contracts	-	(6,856)	-	(6,856)
	<u>(4,254)</u>	<u>(16,191)</u>	<u>-</u>	<u>(20,445)</u>
Net financial (liabilities)/assets	<u>(4,240)</u>	<u>(16,189)</u>	<u>2,222</u>	<u>(18,207)</u>
Less: Currency exposure of financial liabilities net of those denominated in the entity's functional currencies	-	16,189	-	16,189
Net currency exposure	<u>(4,240)</u>	<u>-</u>	<u>2,222</u>	<u>(2,018)</u>

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group and Company have no other significant currency exposure, except to RMB and SGD. If the RMB and SGD change against the USD by 5% (2015: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position will be as follows:

	Increase/(decrease)	
	2016	2015
	Loss	Loss
	after tax	after tax
	US\$'000	US\$'000
Group		
RMB against USD		
- strengthened	*	107
- weakened	*	(107)
SGD against USD		
- strengthened	352	223
- weakened	(352)	(223)
Company		
RMB against USD		
- strengthened	154	(111)
- weakened	(154)	111
SGD against USD		
- strengthened	188	212
- weakened	(188)	(212)

* amount less than US\$1,000

(ii) Price risk

The Group has insignificant exposure to equity price risk as it does not hold significant equity financial assets.

(iii) Interest rate risks

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's borrowings with variable interest rates are certain bank borrowings (Note 23). If the interest rates had increased/decreased by 1% (2015: 1%) with all other variables including tax rate being held constant, the loss after tax would have been higher/lower by US\$117,000 (2015: US\$136,000).

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the management.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Company	
	2016	2015
	US\$'000	US\$'000
Corporate guarantees provided to banks on subsidiaries' loans	11,657	16,441

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
<u>By geographical areas</u>		
People's Republic of China	42	6,224
Taiwan	11	1,608
Singapore	104	178
Hong Kong	-	49
	157	8,059

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's trade receivables not past due include receivables amounting to US\$136,000 (2015: US\$2,735,000). The Group has no trade receivables past due or impaired that were re-negotiated during the financial year.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables. The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
Past due < 3 months	20	1,472
Past due > 3 months	1	3,852
	<u>21</u>	<u>5,324</u>

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
Gross amount	1,080	63
Less: Allowance for impairment	(1,080)	(63)
	<u>-</u>	<u>-</u>
Beginning of financial year	63	54
Currency translation differences	16	(3)
Allowance made	3,362	12
Reclassified to disposal group (Note 11(c))	(2,361)	-
End of financial year	<u>1,080</u>	<u>63</u>

The impaired receivables arise mainly from debtors with significant financial difficulties, default or delay in payments.

(c) Liquidity risk

The Group aims at maintaining sufficient cash and flexibility in funding by obtaining funds for operational needs through various initiatives as set out in Note 2.1. Liquidity risk arises from the possibility that favourable outcome of these initiatives do not take place.

Short-term funding is obtained from bank loans and borrowings. The Group manages this risk by monitoring working capital projections, taking into account the available banking facilities of the Group and ensuring that the Group has adequate working capital to meet current requirements.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US\$'000	Between 1 and 5 years US\$'000	Over 5 years US\$'000
Group			
At 31 December 2016			
Trade and other payables	18,922	-	-
Financial guarantee contracts	7,206	-	-
Borrowings	2,004	43	-
	<hr/>		
At 31 December 2015			
Trade and other payables	23,722	-	-
Financial guarantee contracts	6,856	-	-
Borrowings	16,032	992	818
	<hr/>		
Company			
At 31 December 2016			
Trade and other payables	11,827	-	-
Financial guarantee contracts	7,206	-	-
	<hr/>		
At 31 December 2015			
Trade and other payables	13,589	-	-
Financial guarantee contracts	6,856	-	-
	<hr/>		

(d) Capital risk

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern by maintaining a strong credit rating, healthy capital ratios and optimal capital structure so as to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or achieve an optimal capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or to sell assets to reduce borrowings.

The Group monitors capital based on total capital. Net debt is calculated as borrowings and financial guarantee contracts plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. Financial risk management (continued)

(d) Capital risk (continued)

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Net debt	28,050	47,305	19,029	20,429
Total equity	(11,832)	819	(5,602)	(4,250)
Total capital	16,218	48,124	13,427	16,179

The Group is not in compliance with externally imposed capital requirements in relation to certain borrowings for the financial years ended 31 December 2016 and 2015. The management is of the view that the bankers and other lenders will continue to provide support to the Group by not recalling the borrowings (Note 2.1).

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

See Notes 18 and 19 for the disclosure of the investment properties and property, plant and equipment that are measured at fair value.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<u>Group and Company</u> 2016 and 2015				
Assets				
Available-for-sale financial assets	1	-	-	1

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. Financial risk management (continued)

(e) Fair value measurements (continued)

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined by using value-in-use method. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These instruments are included in Level 2. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in Level 3.

The carrying value less impairment allowance of trade receivables and payables are assumed to approximate their fair values. The fair value of borrowings and financial guarantee contracts approximates their carrying amount.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Available-for-sale financial assets	1	1	1	1
Loans and receivables	743	9,895	7	2,238
Financial liabilities at amortised cost	<u>28,175</u>	<u>47,887</u>	<u>19,033</u>	<u>20,445</u>

31. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Transactions with a related party

	Group	
	2016 US\$'000	2015 US\$'000
Rental expenses paid to a director of the Company	<u>25</u>	<u>25</u>

Related companies are companies which are controlled by a common shareholder/director. Balances with the related party companies at the balance sheet date are set out in Note 15 and Note 21.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

31. Related party transactions (continued)

(b) Key management personnel compensation

	Group	
	2016	2015
	US\$'000	US\$'000
Salaries, wages and bonuses	978	994
Employer's contribution to defined contribution plans including Central Provident Fund	58	41
	<u>1,036</u>	<u>1,035</u>

Included in the above is total compensation to directors of the Company amounting to US\$419,200 (2015: US\$535,000).

32. Segment information

Management has determined the operating segments based on the reports reviewed by the Senior Management that are used to make strategic decisions. The Senior Management comprises the Executive Director, the Financial Controller and the department heads of each business within each geographic segment.

The Group is primarily divided into 2 business segments, namely manufacture and sale of film capacitors ("Manufacturing") and distribution of active and passive components ("Distribution").

Manufacture segments – Component Manufacturing Business Unit ("CMBU")

This business unit manufactures its own brand of film capacitors including general purpose film capacitors, interference suppression capacitors (X2), snubber capacitors, DC Link capacitors and AC capacitors. CMBU includes mainly entities operating in People's Republic of China.

Distribution segments – Component Distribution Business Unit ("CDBU")

This business unit distributes other active and passive components such as fuses, resistors, capacitors, inductors, crystals, opto-devices, LCD panels, EEPROMs and power modules. CDBU includes entities operating in Singapore, Hong Kong, Taiwan and People's Republic of China. The Group combines these geographical locations into one segment as they distribute the similar products.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Segment information (continued)

Distribution segments – Component Distribution Business Unit (“CDBU”) (continued)

Other services included within Singapore, the People’s Republic of China, Hong Kong and Taiwan include investment holding and provision of management services. The results of these operations are included in the “investment holding and other” column. The segment information provided to the Senior Management for the reportable segments are as follows:

	<u>Manufacturing</u> US\$'000	<u>Distribution</u> US\$'000	<u>Investment holding and other</u> US\$'000	<u>Total for continuing operations</u> US\$'000
Group				
<u>2016</u>				
Revenue:				
- Total segment sales	459	224	159	842
- Inter-segment sales	(204)	(24)	-	(228)
Sales to external parties	<u>255</u>	<u>200</u>	<u>159</u>	<u>614</u>
Gross (loss)/profit	(19)	44	114	139
- Depreciation	-	(44)	-	(44)
- Amortisation	(1)	(1)	-	(2)
- Loss on disposal of property, plant and equipment	-	(549)	-	(549)
Loss before tax	(360)	(4,061)	(1,486)	(5,907)
Segment assets	<u>123</u>	<u>(7,980)</u>	<u>11,758</u>	<u>3,901</u>
Segment assets includes:				
Additions to property, plant and equipment	-	-	-	-
Segment liabilities	<u>30</u>	<u>13,888</u>	<u>14,663</u>	<u>28,581</u>

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Segment information (continued)

	<u>Manufacturing</u> US\$'000	<u>Distribution</u> US\$'000	<u>Investment holding and other</u> US\$'000	<u>Total for continuing operations</u> US\$'000
Group 2015 (Restated)				
Revenue:				
- Total segment sales	655	4,076	173	4,904
- Inter-segment sales	(200)	(387)	-	(587)
Sales to external parties	<u>455</u>	<u>3,689</u>	<u>173</u>	<u>4,317</u>
Gross (loss)/profit	(27)	212	110	295
- Depreciation	(4)	(88)	-	(92)
- Amortisation	(3)	(1)	-	(4)
- Gain on disposal of investment property	36	-	-	36
- Gain on disposal of property, plant and equipment	-	5	-	5
- Loss/(gain) on disposal of intangible assets	(71)	85	-	14
Loss before tax	(399)	(1,830)	(1,204)	(3,433)
Segment assets	<u>141</u>	<u>5,546</u>	<u>4,711</u>	<u>10,398</u>
Segment assets includes:				
Additions to property, plant and equipment	-	28	-	28
Segment liabilities	<u>25</u>	<u>18,037</u>	<u>11,724</u>	<u>29,786</u>

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Senior Management is measured in a manner consistent with that in the statement of comprehensive income.

The Senior Management assesses the performance of the operating segments based on the segment loss before tax.

Segment assets

The amounts provided to the Senior Management with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Senior Management monitors the property, plant and equipment, inventories, trade and other receivables, available-for-sale financial assets, and operating cash attributable to each segment. All assets are allocated to reportable segments other than the operating cash and available-for-sale financial assets of the investment holding company.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Segment information (continued)

Segment liabilities

The amounts provided to the Senior Management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than liabilities of the investment holding company.

Geographical segments

The Group's business segments operate mainly in the following geographical areas:

- (i) Singapore - the Company is headquartered and has operations in Singapore. The operations in this area are principally the trading of electronic components and investment holding;
- (ii) Hong Kong - the operations in Hong Kong are principally the trading of electronic components;
- (iii) People's Republic of China and Taiwan - the operations in People's Republic of China and Taiwan include the manufacture of own in-house electronic components and trading of electronic components.

	Sales for continuing operations	
	2016	2015
	US\$'000	(Restated) US\$'000
People's Republic of China	59	989
Taiwan	53	1,376
Singapore	401	1,373
Hong Kong	101	579
	614	4,317

	Non-current assets	
	2016	2015
	US\$'000	US\$'000
People's Republic of China	2,853	37,119
Taiwan	15	4,359
Singapore	77	106
Hong Kong	4	8
	2,949	41,592

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. Events occurring after balance sheet date

Sale of a subsidiary, Europtronic (Suzhou) Co., Ltd, to Nantong Jianghai Power Electronics Co Ltd ("the Purchaser")

In January 2017, the Company has successfully transferred its entire 89.05% shareholding in Europtronic (Suzhou) Co, Ltd to the Purchaser. The Company has received the first instalment of sale proceeds amounting to RMB80,145,000. In accordance with the sales and purchase agreement signed between the Company and the Purchaser on 4 July 2016, the remaining second and third instalments of sale considerations are conditional upon certain events. The details of these conditions are set out in Note 2.1. As at the date of this financial statements, the Company has not received the second and third instalments.

34. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2017 and which the Group has not early adopted:

- FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. New or revised accounting standards and interpretations (continued)

- FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018) (continued)

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

This amendment is not expected to have any significant impact on the financial statements of the Group.

- FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with their revocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required by is different to that currently prepared under FRS 39.

This amendment is not expected to have any significant impact on the financial statements of the Group.

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. New or revised accounting standards and interpretations (continued)

- FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US\$167,000 (Note 29(a)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

35. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Europtronic Group Ltd on 5 May 2017.

36. Listing of significant companies in the Group

Name of companies	Principal activities (Country of business/incorporation)	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
		2016	2015	2016	2015	2016	2015
		%	%	%	%	%	%
Subsidiaries held by the Company:							
Europtronic (HK) Company Limited ^(a)	Trading of electronic components (Hong Kong)	100	100	100	100	-	-
Europtronic (Taiwan) Ind. Corp. ^(d)	Trading of electronic components, procurement centre and business development centre (Republic of China)	100	100	100	100	-	-
Europtronic Investment Pte Ltd ^(a)	Investment holding (Singapore)	100	100	100	100	-	-

EUROPTRONIC GROUP LTD AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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36. Listing of significant companies in the Group (continued)

Name of companies	Principal activities (Country of business/incorporation)	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
		2016	2015	2016	2015	2016	2015
		%	%	%	%	%	%
UPT Component (S) Pte Ltd ^(a)	Trading of electronic components (Singapore)	100	100	100	100	-	-
Europtronic Electronic (Shenzhen) Co., Ltd	Manufacture and distribution of own in-house manufactured metalised film capacitors, electronic components and ballasts (People's Republic of China)	100	100	100	100	-	-
Europtronic (Suzhou) Co., Ltd ^(b)	Manufacture and distribution of own in-house manufactured metalised film capacitors, plastic film capacitors, ceramic capacitors, tantalum capacitors and various types of chip capacitors (People's Republic of China)	89.05	92.35	89.05	92.35	10.95	7.65
Europtronic Technology (Suzhou) Co., Ltd	Dormant (People's Republic of China)	100	100	100	100	-	-
Europtronic Green Energy Pte Ltd ^(a)	Growing of bio-fuel related plantlets and renewable energy related business development (Singapore)	100	100	100	100	-	-
Subsidiary held by Europtronic Investment Pte Ltd:							
Crypson Electronics (S) Pte Ltd ^(a)	Trading of electronic components and related goods (Singapore)	-	-	100	100	-	-
Subsidiary held by UPT Component (S) Pte Ltd:							
UPT Crypson Component (Shanghai) Co., Ltd ^(b)	Trading of electronic components (People's Republic of China)	-	-	100	100	-	-
Subsidiary held by Europtronic (Taiwan) Ind. Corp.:							
Housing Technology Corp. ^(e)	Manufacture and distribution of chip inductors and chip beads (Republic of China)	-	-	-	99.97	-	0.03

(a) audited by PricewaterhouseCoopers LLP, Singapore for the purpose of group reporting and statutory audit

(b) audited by PricewaterhouseCoopers ZhongTian LLP for the purpose of group reporting

(c) audited by PricewaterhouseCoopers Hong Kong for the purpose of statutory audit

(d) audited by PricewaterhouseCoopers Taiwan for the purpose of group reporting

(e) audited by PricewaterhouseCoopers LLP, Singapore for the purpose of group reporting

Annex C

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER AND THREE (3) MONTH PERIOD ENDED 31 MARCH 2017

The unaudited consolidated financial statements of the Group for the first quarter and three (3) month period ended 31 March 2017 set out below have been extracted from the announcement released by the Company on 15 May 2017, and was not specifically prepared for inclusion in this Company's Letter to Shareholders. The figures have not been audited, reviewed and verified by the Company's auditor.

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	
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	7	-	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 US\$'000	31/12/2016 US\$'000	31/03/2017 US\$'000	31/12/2016 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

	Group	
	3 months ended 31/03/2017 US\$'000	3 months ended 31/03/2016 US\$'000
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	7	-
Interest paid	-	(9)
Income tax paid	(1,363)	(108)
Net cash provided by operating activities	5,764	657
Cash flows from investing activities:		
Additions to property, plant and equipment	(2)	(8)
Disposal of property, plant and equipment	-	3,980
Net cash (used in)/provided by investing activities	(2)	3,972
Cash flows from financing activities:		
Repayment of advances from Directors	(554)	42
(Repayment of)/Proceeds from financial guarantee contracts	(2,649)	92
Proceeds from borrowings	-	4,269
Repayment of borrowings	-	(7,808)
Repayment of finance lease liabilities	(3)	(149)
Proceeds from disposal of assets held for sale under FRS105	-	600
Interest paid	-	(403)
Repayment of non trade amount due to related party transaction	-	(153)
Net cash used in financing activities	(3,206)	(3,510)
Net increase in cash and cash equivalents	2,556	1,119
Cash and cash equivalents		
Beginning of financial period	125	582
End of financial period	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 Europronic 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 Eurotronic Group Ltd

Huang Shih An
Non-Executive Chairman
15 May 2017

Huang Chuang Shueh-Ou
Vice Chairman

Annex D

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SECOND QUARTER AND SIX (6) MONTH PERIOD ENDED 30 JUNE 2017

The unaudited consolidated financial statements of the Group for the second quarter and six (6) month period ended 30 June 2017 set out below have been extracted from the announcement released by the Company on 14 August 2017, and was not specifically prepared for inclusion in this Company's Letter to Shareholders. The figures have not been audited, reviewed and verified by the Company's auditor.

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 30 June 2017. These figures have not been audited.

	Group			Group		
	6 months ended 30/06/2017	6 months ended 30/06/2016	% Increase/ (Decrease)	3 months ended 30/06/2017	3 months ended 30/06/2016	% Increase/ (Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
Revenue	234	5,064	(95.38)	83	2,901	(97.1)
Cost of sales	(207)	(5,552)	(96.27)	(83)	(3,084)	(97.3)
Gross profit/(loss)	27	(488)	NM	-	(183)	NM
Other income	83	113	NM	18	82	NM
Other gains/(losses) - net	(115)	(620)	NM	236	(317)	NM
Expenses						
- Distribution and marketing	(97)	(497)	(80.48)	(44)	(264)	(83.3)
- Administrative	(776)	(2,143)	(63.79)	(454)	(1,055)	(57.0)
- Finance	(175)	(827)	(78.84)	(89)	(415)	NM
Loss before income tax	(1,053)	(4,462)	NM	(333)	(2,152)	NM
Income tax expense	(1,363)	(117)	NM	-	(9)	NM
Net loss	(2,416)	(4,579)	NM	(333)	(2,161)	(84.6)
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Currency translation differences arising from consolidation						
- Gains/(Losses)	138	(398)	NM	63	61	NM
- Reclassification	(12)	-	NM	(12)	-	NM
	126	(398)	NM	51	61	
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Movement in asset revaluation reserve	407	-	NM	407	-	NM
Revaluation gain on property, plant and equipment	-	521	NM	-	-	NM
Other comprehensive income, net of tax	533	123	NM	458	61	NM
Total comprehensive losses	(1,883)	(4,456)	(57.74)	125	(2,100)	(106.0)
Loss attributable to:						
Equity holders of the Company	(2,416)	(4,451)	NM	(333)	(2,035)	NM
Non-controlling interests	-	(128)	NM	-	(126)	NM
	(2,416)	(4,579)	NM	(333)	(2,161)	NM
Total comprehensive losses attributable to:						
Equity holders of the Company	(1,883)	(4,295)	NM	125	(1,990)	NM
Non-controlling interests	-	(161)	NM	-	(110)	NM
	(1,883)	(4,456)	NM	125	(2,100)	NM
Loss per share for net loss attributable to equity holders of the Company (cents per share)						
- Basic and diluted	(0.26)	(0.47)	NM	(0.04)	(0.19)	NM

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

Loss for the quarter ended 30 June is arrived at after (charging)/crediting the following:			
	Group		
	6 months ended 30/06/2017 US\$'000	6 months ended 30/06/2016 US\$'000	% Increase/ (Decrease)
Amortisation of intangible assets	(1)	(6)	(83.33)
Depreciation of property, plant and equipment	(14)	(982)	(98.57)
Foreign exchange (losses)/gain, net	(327)	(78)	319.23
Finance expenses	(175)	(827)	(78.84)
Gain/(Loss) on disposal of property, plant and equipment	8	(542)	NM
Interest income	10	-	NM
Loss on disposal of investment properties	(394)	-	NM
Write back of allowance for impairment of inventories	52	-	NM
Write back of allowance for impairment of doubtful receivables (Non-trade)	12	-	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

	Group		Company	
	30/06/2017 US\$'000	31/12/2016 US\$'000	30/06/2017 US\$'000	31/12/2016 US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	1,128	125	998	4
Available-for-sale financial assets	1	1	1	1
Trade and other receivables	1,576	743	707	119
Inventories	29	83	-	-
	2,734	952	1,706	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
	40,365	38,583	15,013	13,431
Non-current assets				
Investments in subsidiaries	-	-	-	-
Investment properties	-	2,772	-	-
Property, plant and equipment	35	100	-	-
Intangible assets	77	77	-	-
	112	2,949	-	-
Total assets	40,477	41,532	15,013	13,431
LIABILITIES				
Current liabilities				
Trade and other payables	25,094	18,922	17,745	11,827
Current income tax liabilities	-	-	-	-
Financial guarantee contracts	4,315	7,206	4,315	7,206
Borrowings	-	2,004	-	-
	29,409	28,132	22,060	19,033
Liabilities directly associated with disposal group classified as held-for-sale	24,783	24,783	-	-
	54,192	52,915	22,060	19,033
Non-current liabilities				
Borrowings	-	43	-	-
Deferred income tax liabilities	-	406	-	-
	-	449	-	-
Total liabilities	54,192	53,364	22,060	19,033
NET LIABILITIES	(13,715)	(11,832)	(7,047)	(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	(1,091)	(1,229)	3,228	3,228
Asset revaluation reserve	16,076	17,308	-	-
Share option reserve	132	132	132	132
Accumulated losses	(77,266)	(76,477)	(56,588)	(55,143)
	(14,496)	(12,613)	(7,047)	(5,602)
Non-controlling interests	781	781	-	-
Total equity	(13,715)	(11,832)	(7,047)	(5,602)

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

		Group			
		As at 30/06/2017		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	-	-	2,004	-
(b)	Amount repayable after one year	-	-	43	-

Details of any collateral

In 2014, the Company had agreed to provide corporate guarantees over the principal and its related interest costs on the outstanding bank borrowings of Europtonic (Singapore) Pte Ltd. The Company is not obliged against the subsequent drawdown of the bank borrowings incurred by Europtonic (Singapore) Pte Ltd. As at 30 June 2017, the financial guarantee contracts to banks in connection with credit facilities provided to Europtonic (Singapore) Pte Ltd amounted to US\$4.3 million.

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

	Group		Group	
	6 months	6 months	3 months	3 months
	ended	ended	ended	ended
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Loss before income tax	(1,053)	(4,579)	(333)	(2,161)
Adjustments for:				
- Income tax expenses	-	117	-	9
- Amortisation of intangible assets	1	6	1	4
- Depreciation of property, plant and equipment	14	982	4	483
- (Gain)/Loss on disposal of property, plant and equipment	(8)	542	(8)	30
- Interest income	(10)	-	(3)	-
- Finance expenses	175	827	156	415
- Loss on disposal of investment properties	394	-	394	-
- Write back of allowance for impairment for inventories	(52)	(11)	(3)	(11)
- Write back of allowance for impairment of non-trade receivables	(12)	-	(12)	-
- Waiver of financial guarantee contracts and provision for interest	(586)	-	(586)	-
- Currency exchange differences	101	110	50	396
Operating cash flow before working capital changes	(1,036)	(2,006)	(340)	(835)
Changes in working capital:				
- Inventories	106	(571)	33	(92)
- Trade and other receivables	(821)	1,362	(927)	342
- Trade and other payables	7,635	1,072	(2)	(332)
Cash generated from/(used in) operations	5,884	(143)	(1,236)	(917)
Interest received	10	-	3	-
Interest paid	(6)	(19)	(6)	(10)
Income tax paid	(1,363)	(117)	-	(9)
Net cash provided by/(used in) operating activities	4,525	(279)	(1,239)	(936)
Cash flows from investing activities:				
Additions to property, plant and equipment	(8)	(42)	(6)	(34)
Disposals of property, plant and equipment	68	3,751	68	(229)
Disposal of investment properties	2,382	-	2,382	-
Net cash provided by/(used in) investing activities	2,442	3,709	2,444	(263)
Cash flows from financing activities:				
(Repayments of)/Proceeds from advances from Directors	(1,343)	243	(789)	201
(Repayments of)/Proceeds from financial guarantee contracts	(2,648)	224	1	132
Proceeds from borrowings	-	8,640	-	4,371
Repayments of borrowings	(1,965)	(11,195)	(1,965)	(3,387)
Proceeds from finance lease liabilities	-	-	-	-
Repayments of finance lease liabilities	(8)	(243)	(5)	(94)
Proceeds from partial disposal of a sub diary without loss of control	-	600	-	-
Interest paid	-	(808)	-	(405)
Repayment of non trade amount due to related party transaction	-	(153)	-	-
Net cash (used in)/provided by financing activities	(5,964)	(2,692)	(2,758)	818
Net increase/(decrease) in cash and cash equivalents	1,003	738	(1,553)	(381)
Cash and cash equivalents				
Beginning of financial period	125	582	2,681	1,701
End of financial period	1,128	1,320	1,128	1,320

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	Asset revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group									
Balance at 1 April 2017	46,115	132	1,538	(1,154)	17,308	(78,560)	(14,621)	781	(13,840)
Loss for the period	-	-	-	-	-	(333)	(333)	-	(333)
Other comprehensive income/ (losses) for the period	-	-	-	63	395	-	458	-	458
Total comprehensive income/ (losses) for the period	-	-	-	63	395	(333)	125	-	125
Revaluation gain transferred to accumulated losses arising from disposal of investment properties	-	-	-	-	(1,627)	1,627	-	-	-
Balance at 30 June 2017	46,115	132	1,538	(1,091)	16,076	(77,266)	(14,496)	781	(13,715)
Balance at 1 April 2016	46,115	132	1,538	(1,213)	17,308	(66,321)	(2,441)	1,504	(937)
Loss for the period	-	-	-	-	-	(2,035)	(2,035)	(110)	(2,145)
Other comprehensive income/ (losses) for the period	-	-	-	45	-	-	45	-	45
Total comprehensive income/ (losses) for the period	-	-	-	45	-	(2,035)	(1,990)	(110)	(2,100)
Balance at 30 June 2016	46,115	132	1,538	(1,168)	17,308	(68,356)	(4,431)	1,394	(3,037)
Company									
Balance at 1 April 2017	46,115	132	66	3,228	-	(56,763)	(7,222)	-	(7,222)
Profit for the period	-	-	-	-	-	175	175	-	175
Total comprehensive loss for the period	-	-	-	-	-	175	175	-	175
Balance at 30 June 2017	46,115	132	66	3,228	-	(56,588)	(7,047)	-	(7,047)
Balance at 1 April 2016	46,115	132	66	3,228	-	(54,261)	(4,720)	-	(4,720)
Loss for the period	-	-	-	-	-	(352)	(352)	-	(352)
Total comprehensive loss for the period	-	-	-	-	-	(352)	(352)	-	(352)
Balance at 30 June 2016	46,115	132	66	3,228	-	(54,613)	(5,072)	-	(5,072)

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.

	6 months ended 30/06/2017	6 months ended 30/06/2016
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	
	30/06/2017	30/06/2016
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	(0.26 cents)	(0.47 cents)
(ii) On a fully diluted basis	(0.26 cents)	(0.47 cents)

(i) EPS for quarter ended 30 June 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 (30/06/2016 : 943,732,154) 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		
	30/06/17	31/12/16	Increase / (Decrease)	30/06/17	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	(1.54) cents	(1.34) cents	(14.93%)	(0.75) cents	(0.59) cents	(25.79%)

Note:

NAV per ordinary share is computed based on 943,732,154 (31/12/2016 : 943,732,154) ordinary shares as at 30 June 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 Half ended 30 June 2017 ("1H 2017") vs First Half ended 30 June 2016 ("1H 2016"))

The Group's revenue decreased by 95.38% or US\$4.83 million from US\$5.06 million to US\$0.23 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 1H 2017 from a gross loss of US\$0.49 million for 1H 2016 due mainly to the savings from discontinuation of the loss-making entities in CMBU.

Distribution and marketing expenses decreased by 80.48% or US\$0.40 million from US\$0.50 million to US\$0.10 million attributed mainly to reduction in staff headcount and marketing costs.

Administrative expenses decreased by 63.79% or US\$1.37 million from US\$2.14 million to US\$0.78 million due mainly to effective on-going cost control.

Depreciation of property, plant and equipment decreased by 98.57% from US\$0.98 million to US\$0.01 million due mainly to depreciation of US\$0.96 million for 1H 2016 incurred previously by assets held-for-sale.

Finance expenses decreased by US\$0.65 million from US\$0.83 million to US\$0.18 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\$2.42 million in 1H 2017 as compared to US\$4.58 million in 1H 2016.

Statement of Financial Position

Trade and other receivables increased by US\$0.83 million to US\$1.58 million due mainly to the final instalment receivable of US\$0.99 million from the force sale of investment properties, offset by the lower sales generated.

The investment properties have been disposed of upon force sale by banker who is the mortgagee.

Trade and other payables increased by US\$6.17 million from US\$18.92 million to US\$25.09 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 Eurotronic Suzhou Co., Ltd ("ER Suzhou"), offset by the settlement of payables in 1H 2017.

Financial guarantee contracts decreased by US\$2.89 million to US\$4.32 million in 1H 2017 due mainly to the repayment of financial guarantee contracts and waiver by the banker.

Borrowings and deferred income tax liabilities decreased in 1H 2017 due mainly to the disposal of investment properties in Shanghai.

The Group's net liabilities stood at US\$13.72 million as at 30 June 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 1H 2017 was US\$4.53 million, comprising mainly cash outflow from operating activities before working capital changes of US\$1.04 million, net working capital inflow of US\$6.92 million and income tax paid of US\$1.36 million.

Net cash provided by investing activities in 1H 2017 of US\$2.44 million, comprising mainly gross proceed from the disposal of investment properties.

Net cash used in financing activities was US\$5.96 million, arising mainly from the repayments of financial guarantee contracts of US\$2.65 million, borrowings of US\$1.97 million and advances from Director of US\$1.34 million.

Overall, the Group recorded a net increase in cash and cash equivalent of US\$1.00 million in 1H 2017, bringing cash and cash equivalents per the consolidated statement of cash flow of US\$1.13 million as at 30 June 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

In accordance with the 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, the Board and management are still negotiating with Jianghai in relation to the remaining second and third instalments of sale considerations, which are conditional upon relevant approvals and other terms and conditions. However, even if the remaining instalments are received by the Company, the Company will not be able to satisfy the claims of all its creditors.

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 quarter ended 30 June 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.

Name of Interested Person	Aggregate value of all interested person transaction during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Description of the transaction entered into with the interested person during the financial year under review	Aggregate value of all interested person transaction conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Nil	N.A.	N.A.	N.A.

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 1H 2017 financial statements for the financial period ended 30 June 2017 set out above to be false or misleading in any material aspect.

On behalf of the Board of Directors
of Eurotronic Group Ltd

Huang Shih An
Non-Executive Chairman
14 August 2017

Huang Chuang Shueh-Ou
Vice Chairman

Annex E

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THIRD QUARTER AND NINE (9) MONTH PERIOD ENDED 30 SEPTEMBER 2017

The unaudited consolidated financial statements of the Group for the third quarter and nine (9) month period ended 30 September 2017 set out below have been extracted from the announcement released by the Company on 16 October 2017, and was not specifically prepared for inclusion in this Company's Letter to Shareholders. The figures have not been audited, reviewed and verified by the Company's auditor.

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 30 September 2017. These figures have not been audited.

	Group			Group		
	9 months ended 30/09/2017 US\$'000	9 months ended 30/09/2016 US\$'000	% Increase/ (Decrease)	3 months ended 30/09/2017 US\$'000	3 months ended 30/09/2016 US\$'000	% Increase/ (Decrease)
Revenue	347	8,430	(95.88)	113	3,366	(96.64)
Cost of sales	(304)	(8,814)	(96.55)	(97)	(3,262)	(97.03)
Gross profit/(loss)	43	(384)	NM	16	104	NM
Other income	119	139	NM	36	26	NM
Other gains/(losses) - net	130	(1,242)	NM	245	(622)	NM
Expenses						
- Distribution and marketing	(133)	(869)	(84.70)	(36)	(372)	(90.32)
- Administrative	(1,070)	(2,698)	(60.34)	(294)	(555)	(47.03)
- Finance	(243)	(2,133)	(88.61)	(68)	(1,306)	(94.79)
Loss before income tax	(1,154)	(7,187)	NM	(101)	(2,725)	NM
Income tax expense	(1,363)	(115)	NM	-	2	NM
Net loss	(2,517)	(7,302)	NM	(101)	(2,723)	(96.29)
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Currency translation differences arising from consolidation						
- Gains/(Losses)	85	(427)	NM	(53)	(29)	NM
- Reclassification	(1)	147	NM	11	147	NM
	84	(280)	NM	(42)	118	NM
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Movement in asset revaluation reserve	410	-	NM	3	-	NM
Revaluation gain on property, plant and equipment	-	521	NM	-	-	NM
Other comprehensive income, net of tax	494	241	NM	(39)	118	NM
Total comprehensive losses	(2,023)	(7,061)	(71.35)	(140)	(2,605)	(94.63)
Loss attributable to:						
Equity holders of the Company	(2,517)	(6,949)	NM	(101)	(2,498)	NM
Non-controlling interests	-	(353)	NM	-	(225)	NM
	(2,517)	(7,302)	NM	(101)	(2,723)	NM
Total comprehensive losses attributable to:						
Equity holders of the Company	(2,023)	(6,654)	NM	(140)	(2,359)	NM
Non-controlling interests	-	(407)	NM	-	(246)	NM
	(2,023)	(7,061)	NM	(140)	(2,605)	NM
Loss per share for net loss attributable to equity holders of the Company (cents per share)						
- Basic and diluted	(0.27)	(0.74)	NM	(0.01)	(0.27)	NM

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

	9 months ended 30/09/2017 US\$'000	Group 9 months ended 30/09/2016 US\$'000	% Increase/ (Decrease)
Write back of allowance/(allowance) for impairment of doubtful receivables (Trade)	10	(144)	NM
Amortisation of intangible assets	(2)	(9)	(77.78)
Depreciation of property, plant and equipment	(17)	(1,454)	(98.83)
Foreign exchange (losses)/gain, net	(68)	(432)	(84.26)
Finance expenses	(243)	(2,133)	(88.61)
Gain/(Loss) on disposal of property, plant and equipment	8	(591)	NM
Net loss on disposal of subsidiary	-	(72)	NM
Reclassification from other comprehensive losses on disposal of subsidiary	-	(147)	NM
Interest income	12	-	NM
Loss on disposal of investment properties	(398)	-	NM
Write back of allowance for impairment of inventories	52	27	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

	Group		Company	
	30/09/2017 US\$'000	31/12/2016 US\$'000	30/09/2017 US\$'000	31/12/2016 US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	87	125	6	4
Available-for-sale financial assets	1	1	1	1
Trade and other receivables	2,074	743	1,190	119
Inventories	50	83	-	-
	2,212	952	1,197	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
	39,843	38,583	14,504	13,431
Non-current assets				
Investment properties	-	2,772	-	-
Property, plant and equipment	32	100	-	-
Intangible assets	79	77	-	-
	111	2,949	-	-
Total assets	39,954	41,532	14,504	13,431
LIABILITIES				
Current liabilities				
Trade and other payables	24,643	18,922	17,380	11,827
Financial guarantee contracts	4,383	7,206	4,383	7,206
Borrowings	-	2,004	-	-
	29,026	28,132	21,763	19,033
Liabilities directly associated with disposal group classified as held-for-sale	24,783	24,783	-	-
	53,809	52,915	21,763	19,033
Non-current liabilities				
Borrowings	-	43	-	-
Deferred income tax liabilities	-	406	-	-
	-	449	-	-
Total liabilities	53,809	53,364	21,763	19,033
NET LIABILITIES	(13,855)	(11,832)	(7,259)	(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	(1,144)	(1,229)	3,228	3,228
Asset revaluation reserve	16,076	17,308	-	-
Share option reserve	132	132	132	132
Accumulated losses	(77,353)	(76,477)	(56,800)	(55,143)
	(14,636)	(12,613)	(7,259)	(5,602)
Non-controlling interests	781	781	-	-
Total equity	(13,855)	(11,832)	(7,259)	(5,602)

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

		Group			
		As at 30/09/2017		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	-	-	2,004	-
(b)	Amount repayable after one year	-	-	43	-

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

	Group		Group	
	9 months ended 30/09/2017 US\$'000	9 months ended 30/09/2016 US\$'000	3 months ended 30/09/2017 US\$'000	3 months ended 30/09/2016 US\$'000
Cash flows from operating activities:				
Loss before income tax	(1,154)	(7,187)	(101)	(2,725)
Adjustments for:				
- Income tax expenses	-	-	-	-
- Amortisation of intangible assets	2	9	1	3
- Depreciation of property, plant and equipment	17	1,454	3	472
- (Gain)/Loss on disposal of property, plant and equipment	(8)	591	-	49
- Interest income	(12)	-	(2)	-
- Finance expenses	243	2,133	68	1,306
- Loss on disposal of investment properties	398	-	4	-
- Net loss on disposal of subsidiary	-	72	-	72
- Write back of allowance for impairment for inventories	(52)	(27)	-	(16)
- Allowance for impairment of doubtful receivables (Trade)	(10)	144	(10)	144
- Write back of allowance for impairment of non-trade receivables	-	-	12	-
- Waiver of financial guarantee contracts and provision for interest	(588)	-	-	-
- Reclassification from other comprehensive income on disposal of subsidiary	-	147	-	147
- Currency exchange differences	73	343	(28)	233
Operating cash flow before working capital changes	(1,091)	(2,321)	(53)	(315)
Changes in working capital:				
- Inventories	85	(235)	(23)	336
- Trade and other receivables	(1,321)	563	(500)	(799)
- Trade and other payables	7,434	2,921	(201)	1,849
Cash generated from/(used in) operations	5,107	928	(777)	1,071
Interest received	12	-	2	-
Interest paid	(6)	(28)	-	(9)
Income tax paid	(1,363)	(115)	-	2
Net cash provided by/(used in) operating activities	3,750	785	(775)	1,064
Cash flows from investing activities:				
Additions to property, plant and equipment	(8)	(59)	-	(17)
Disposals of property, plant and equipment	68	3,738	-	(13)
Disposal of investment properties	2,382	-	-	-
Disposal of subsidiaries, net of cash disposed of	-	(8)	-	(8)
Net cash provided by/(used in) investing activities	2,442	3,671	-	(38)
Cash flows from financing activities:				
(Repayments of)/Proceeds from advances from Directors	(1,591)	(28)	(248)	(271)
(Repayments of)/Proceeds from financial guarantee contracts	(2,648)	288	-	64
Proceeds from borrowings	-	8,588	-	(52)
Repayments of borrowings	(1,983)	(11,271)	(18)	(76)
Proceeds from finance lease liabilities	-	-	-	-
Repayments of finance lease liabilities	(8)	(280)	-	(37)
Proceeds from partial disposal of a sub diary without loss of control	-	600	-	-
Interest paid	-	(2,105)	-	(1,297)
Repayment of non trade amount due to related party transaction	-	(153)	-	-
Net cash (used in)/provided by financing activities	(6,230)	(4,361)	(266)	(1,669)
Net (decrease)/increase in cash and cash equivalents	(38)	95	(1,041)	(643)
Cash and cash equivalents				
Beginning of financial period	125	582	2,681	1,320
End of financial period	87	677	1,640	677

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	Asset revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group									
Balance at 1 July 2017	46,115	132	1,538	(1,091)	16,076	(77,266)	(14,496)	781	(13,715)
Loss for the period	-	-	-	-	-	(101)	(101)	-	(101)
Other comprehensive income/ (losses) for the period	-	-	-	(53)	-	11	(42)	-	(42)
Total comprehensive income/ (losses) for the period	-	-	-	(53)	-	(90)	(143)	-	(143)
Translation adjustments	-	-	-	-	-	3	3	-	3
Balance at 30 September 2017	46,115	132	1,538	(1,144)	16,076	(77,353)	(14,636)	781	(13,855)
Balance at 1 July 2016	46,115	132	1,538	(1,168)	17,308	(68,356)	(4,431)	1,394	(3,037)
Loss for the period	-	-	-	-	-	(2,498)	(2,498)	(175)	(2,673)
Other comprehensive income/ (losses) for the period	-	-	-	139	-	-	139	-	139
Total comprehensive income/ (losses) for the period	-	-	-	139	-	(2,498)	(2,359)	(175)	(2,534)
Balance at 30 September 2016	46,115	132	1,538	(1,029)	17,308	(70,854)	(6,790)	1,219	(5,571)
Company									
Balance at 1 July 2017	46,115	132	66	3,228	-	(56,763)	(7,222)	-	(7,222)
Loss for the period	-	-	-	-	-	(37)	(37)	-	(37)
Total comprehensive loss for the period	-	-	-	-	-	(37)	(37)	-	(37)
Balance at 30 September 2017	46,115	132	66	3,228	-	(56,800)	(7,259)	-	(7,259)
Balance at 1 July 2016	46,115	132	66	3,228	-	(54,613)	(5,072)	-	(5,072)
Loss for the period	-	-	-	-	-	(235)	(235)	-	(235)
Total comprehensive loss for the period	-	-	-	-	-	(235)	(235)	-	(235)
Balance at 30 September 2016	46,115	132	66	3,228	-	(54,848)	(5,307)	-	(5,307)

- 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.

	9 months ended 30/09/2017	9 months ended 30/09/2016
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	
	30/09/2017	30/09/2016
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	(0.27 cents)	(0.74 cents)
(ii) On a fully diluted basis	(0.27 cents)	(0.74 cents)

(i) EPS for quarter ended 30 September 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 (30/09/2016 : 943,732,154) 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		
	30/09/17	31/12/16	Increase / (Decrease)	30/09/17	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	(16.04%)	(0.77) cents	(0.59) cents	(29.58%)

Note:

NAV per ordinary share is computed based on 943,732,154 (31/12/2016 : 943,732,154) ordinary shares as at 30 September 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 (Third Quarter ended 30 September 2017 ("3Q 2017") vs Third Quarter ended 30 September 2016 ("3Q 2016"))

The Group's revenue decreased by 95.88% or US\$8.08 million from US\$8.43 million to US\$0.35 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\$0.04 million for 3Q 2017 from a gross loss of US\$0.38 million for 3Q 2016 due mainly to the savings from discontinuation of the loss-making entities in CMBU.

Distribution and marketing expenses decreased by 84.70% or US\$0.74 million from US\$0.87 million to US\$0.13 million attributed mainly to reduction in staff headcount and marketing costs.

Administrative expenses decreased by 60.34% or US\$1.63 million from US\$2.70 million to US\$1.07 million due mainly to due to on-going cost control and reduction in staff headcount. The total administrative for S\$1.07 million mainly arising from legal and professional fee for S\$0.19 million, office rental for US\$0.10 million and staff related costs for S\$0.49 million.

Depreciation of property, plant and equipment decreased by 98.83% from US\$1.45 million to US\$0.02 million due mainly to depreciation of US\$1.42 million for 3Q 2017 incurred previously by assets held-for-sale.

Finance expenses decreased by US\$1.89 million from US\$2.13 million to US\$0.24 million due mainly to decrease in interest expenses from borrowings incurred previously by assets held-for-sale and repayments of bank borrowings.

Overall, the Group reported net loss attribute to the owner of the Company of US\$2.52 million in 3Q 2017 as compared to US\$6.95 million in 3Q 2016.

Statement of Financial Position

Trade and other receivables increased by US\$1.33 million to US\$2.07 million mainly due to the final instalment receivable of US\$1.03 million from the forced sale of investment properties.

The investment properties have been disposed of upon forced sale by banker who is the mortgagee.

Trade and other payables increased by US\$5.72 million from US\$18.92 million to US\$24.64 million due mainly to amount received from proposed sales of Europtronic Suzhou Co., Ltd of US\$11.64 million, offset by the settlement of payables.

Financial guarantee contracts decreased by US\$2.82 million from US\$7.21 million to US\$4.38 million in 3Q 2017 mainly due to the repayment of financial guarantee contracts and waiver by the banker.

Borrowings and deferred income tax liabilities decreased in 3Q 2017 due mainly to the disposal of investment properties in Shanghai.

The Group's net liabilities stood at US\$13.86 million as at 30 September 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 3Q 2017 was US\$3.75 million, mainly due to increase in trade and other trade payables.

Net cash provided by investing activities in 3Q 2017 of US\$2.44 million, comprising mainly gross proceed from the disposal of investment properties.

Net cash used in financing activities was US\$6.23 million, mainly due to repayments of financial guarantee contracts of US\$2.65 million and bank borrowings of US\$1.98 million.

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

In accordance with the 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, the Board and management are still negotiating with Jianghai in relation to the remaining second and third instalments of sale considerations, which are conditional upon relevant approvals and other terms and conditions. However, even if the remaining instalments are received by the Company, the Company will not be able to satisfy the claims of all its creditors.

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 quarter ended 30 September 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.

Name of Interested Person	Aggregate value of all interested person transaction during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Description of the transaction entered into with the interested person during the financial year under review	Aggregate value of all interested person transaction conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Nil	N.A.	N.A.	N.A.

- 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 3Q 2017 financial statements for the financial period ended 30 September 2017 set out above to be false or misleading in any material aspect.

On behalf of the Board of Directors
of Eurotronic Group Ltd

Huang Shih An
Non-Executive Chairman
13 October 2017

Huang Chuang Shueh-Ou
Vice Chairman

s auditor.

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 full year ended 31 December 2017. These figures have not been audited.

	Group		%
	12 months ended 31/12/2017 US\$'000	12 months ended 31/12/2016 US\$'000	
Continuing operations			
Revenue	403	614	(34.36)
Cost of sales	(367)	(475)	(22.74)
Gross profit	36	139	NM
Other income	121	520	(76.73)
Other gains/(losses) - net	107	(1,744)	(106.14)
Expenses			
- Distribution and marketing	(180)	(1,586)	(88.65)
- Administrative	(1,453)	(1,753)	(17.11)
- Finance	(401)	(1,483)	(72.96)
Loss before income tax	(1,770)	(5,907)	(70.04)
Income tax expense	(1,363)	(117)	1,064.96
Loss from continuing operations	(3,133)	(6,024)	(47.99)
Discontinued operations			
Loss from discontinued operations	-	(7,313)	(100.00)
Total loss	(3,133)	(13,337)	(76.51)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences arising from consolidation			
- Gain/(loss) during the financial year	271	(653)	(141.50)
- Reclassification	(1)	147	(100.68)
<i>Items that will not be reclassified subsequently to profit or loss</i>	270	(506)	(153.36)
Movement in asset revaluation reserve	-	-	NM
Other comprehensive income, net of tax	270	(506)	(153.36)
Total comprehensive losses	(2,863)	(13,843)	(79.32)
Loss attributable to:			
Equity holders of the Company	(3,133)	(12,572)	(75.08)
Non-controlling interests	-	(765)	(100.00)
	(3,133)	(13,337)	(76.51)
Loss attributable to equity holders of the Company relates to:			
Loss from continuing operations	(3,133)	(4,425)	(29.20)
Loss from discontinued operations	-	(8,147)	
	(3,133)	(12,572)	
Total comprehensive losses attributable to:			
Equity holders of the Company	(2,863)	(12,998)	(77.97)
Non-controlling interests	-	(845)	(100.00)
	(2,863)	(13,843)	(79.32)
Loss per share for loss from continuing and discontinued operations attributable to equity holders of the Company (cents per share)			
Basic and diluted loss per share			
From continuing operations	(0.33)	(0.47)	(29.20)
From discontinued operations	-	(0.86)	NM

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

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

	12 months ended 31/12/2017 US\$'000	Group 12 months ended 31/12/2016 US\$'000	% Increase/ (Decrease)
Write back of allowance/(allowance) for impairment of doubtful receivables (Trade)	10	(1,001)	(101.00)
Allowance for inventories obsolescence	-	(13)	NM
Amortisation of intangible assets	(2)	(2)	NM
Depreciation of property, plant and equipment	(18)	(44)	(59.09)
Foreign exchange (losses)/gain, net	(89)	(432)	(79.40)
Finance expenses	(401)	(1,483)	(72.96)
Gain/(Loss) on disposal of property, plant and equipment	8	(549)	NM
Net loss on disposal of subsidiary	-	(64)	NM
Reclassification from other comprehensive losses on disposal of subsidiary	-	(147)	NM
Interest income	12	-	NM
Loss on disposal of investment properties	(401)	-	NM
Write back of allowance for impairment of inventories	40	39	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	
	31/12/2017 US\$'000	31/12/2016 US\$'000	31/12/2017 US\$'000	31/12/2016 US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	373	125	44	4
Available-for-sale financial assets	1	1	1	1
Trade and other receivables	1,116	743	605	119
Inventories	14	83	-	-
	1,504	952	650	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
	39,135	38,583	13,957	13,431
Non-current assets				
Investment properties	-	2,772	-	-
Property, plant and equipment	34	100	-	-
Intangible assets	79	77	-	-
	113	2,949	-	-
Total assets	39,248	41,532	13,957	13,431
LIABILITIES				
Current liabilities				
Trade and other payables	24,496	18,922	17,111	11,827
Financial guarantee contracts	4,451	7,206	4,451	7,206
Borrowings	-	2,004	-	-
	28,947	28,132	21,562	19,033
Liabilities directly associated with disposal group classified as held-for-sale	24,783	24,783	-	-
	53,730	52,915	21,562	19,033
Non-current liabilities				
Borrowings	-	43	-	-
Deferred income tax liabilities	-	406	-	-
	-	449	-	-
Total liabilities	53,730	53,364	21,562	19,033
NET LIABILITIES	(14,482)	(11,832)	(7,605)	(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	(958)	(1,229)	3,228	3,228
Asset revaluation reserve	16,280	17,308	-	-
Share option reserve	132	132	132	132
Accumulated losses	(78,370)	(76,477)	(57,146)	(55,143)
	(15,263)	(12,613)	(7,605)	(5,602)
Non-controlling interests	781	781	-	-
Total equity	(14,482)	(11,832)	(7,605)	(5,602)

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

	Group			
	As at 31/12/2017		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	-	-	2,004	-
(b) Amount repayable after one year	-	-	43	-

Details of any collateral

In 2014, the Company had agreed to provide corporate guarantees over the principal and its related interest costs on the outstanding bank borrowings of Europtronic (Singapore) Pte Ltd. The Company is not obliged against the subsequent drawdown of the bank borrowings incurred by Europtronic (Singapore) Pte Ltd. As at 31 December 2017, the financial guarantee contracts to banks in connection with credit facilities provided to Europtronic (Singapore) Pte Ltd amounted to US\$4.5 million.

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

	Group	
	12 months ended 31/12/2017 US\$'000	12 months ended 31/12/2016 US\$'000
Cash flows from operating activities:		
Loss before income tax	(1,770)	(13,337)
Adjustments for:		
- Income tax expenses	-	152
- Allowance for inventories obsolescence	-	406
- Amortisation of intangible assets	2	12
- Bad debts written off	-	143
- Depreciation of property, plant and equipment	18	1,915
- Gain on disposal of intangible assets	-	-
- Loss/(Gain) on disposal of property, plant and equipment	(8)	540
- Interest income	(12)	-
- Finance expenses	243	3,451
- Loss on disposal of investment properties	401	-
- Net loss on disposal of subsidiary	-	64
- Write back of allowance for impairment for inventories	(40)	-
- Allowance for impairment of doubtful receivables (Trade)	(10)	3,687
- Write back of allowance for impairment of non-trade receivables	-	-
- Waiver of financial guarantee contracts and provision for interest	(588)	-
- Reclassification from other comprehensive income on disposal of subsidiary	-	147
- Currency exchange differences	56	687
Operating cash flow before working capital changes	(1,708)	(2,133)
Changes in working capital:		
- Inventories	109	163
- Trade and other receivables	(363)	849
- Trade and other payables	7,287	3,122
Cash generated from operations	5,325	2,001
Interest received	12	-
Interest paid	(6)	(133)
Income tax paid	(1,363)	(152)
Net cash provided by operating activities	3,968	1,716
Cash flows from investing activities:		
Additions to property, plant and equipment	(8)	(172)
Disposals of property, plant and equipment	68	3,824
Disposal of investment properties	2,382	-
Disposal of subsidiaries, net of cash disposed of	-	(8)
Net cash provided by investing activities	2,442	3,644
Cash flows from financing activities:		
(Repayments of)/Proceeds from advances from Directors	(1,591)	1,495
(Repayments of)/Proceeds from financial guarantee contracts	(2,580)	-
Proceeds from borrowings	-	13,213
Repayments of borrowings	(1,983)	(17,219)
Proceeds from finance lease liabilities	-	-
Repayments of finance lease liabilities	(8)	(293)
Proceeds from partial disposal of a sub diary without loss of control	-	600
Interest paid	-	(2,968)
Repayment of non trade amount due to related party transaction	-	(153)
Net cash (used in) by financing activities	(6,162)	(5,325)
Net increase in cash and cash equivalents	248	35
Cash and cash equivalents		
Beginning of financial period	125	582
Reclassified to disposal group	-	(492)
End of financial period	373	125
CASH AND CASH EQUIVALENTS		
Cash and bank balances	373	125
Fixed deposits	-	-
	373	125

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	Asset revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	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	-	-	-	-	-	(3,133)	(3,133)	-	(3,133)
Other comprehensive income/(losses) for the period	-	-	-	133	-	-	133	-	133
Total comprehensive income/(losses) for the period	-	-	-	133	-	(3,133)	(3,000)	-	(3,000)
Share issued	-	-	-	-	-	-	-	-	-
Revaluation gain transferred to accumulated losses arising from disposal of investment properties	-	-	-	-	(1,028)	1,240	350	-	350
Translation adjustments	-	-	-	138	-	-	-	-	-
Partial disposal of a subsidiary	-	-	-	-	-	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-
Balance at 31 December 2017	46,115	132	1,538	(958)	16,280	(78,370)	(15,263)	781	(14,482)
Balance at 1 January 2016	46,115	132	1,400	(740)	20,451	(67,620)	(262)	1,081	819
Loss for the period	-	-	-	-	-	(12,572)	(12,572)	(765)	(13,337)
Other comprehensive income/(losses) for the period	-	-	-	(426)	-	-	(426)	(80)	(506)
Total comprehensive income/(losses) for the period	-	-	-	(426)	-	(12,572)	(12,998)	(845)	(13,843)
Revaluation gain transferred to accumulated losses	-	-	-	-	(2,544)	3,065	521	-	521
Disposal of subsidiary	-	-	-	-	-	-	-	71	71
Deemed disposal of a subsidiary without loss of control	-	-	138	(63)	(599)	650	126	474	600
Total comprehensive losses for the period	-	-	-	-	-	-	-	-	-
Balance at 31 December 2016	46,115	132	1,538	(1,229)	17,308	(76,477)	(12,613)	781	(11,832)
Company									
Balance at 1 January 2017	46,115	132	66	3,228	-	(55,143)	(5,602)	-	(5,602)
Loss for the period	-	-	-	-	-	(2,003)	(2,003)	-	(2,003)
Total comprehensive loss for the period	-	-	-	-	-	(2,003)	(2,003)	-	(2,003)
Balance at 31 December 2017	46,115	132	66	3,228	-	(57,146)	(7,605)	-	(7,605)
Balance at 1 January 2016	46,115	132	66	3,228	-	(53,791)	(4,250)	-	(4,250)
Loss for the period	-	-	-	-	-	(1,352)	(1,352)	-	(1,352)
Total comprehensive loss for the period	-	-	-	-	-	(1,352)	(1,352)	-	(1,352)
Balance at 31 December 2016	46,115	132	66	3,228	-	(55,143)	(5,602)	-	(5,602)

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 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.

	12 months ended 31/12/2017	12 months ended 31/12/2016
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 at end of the current financial year 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	
	31/12/2017	31/12/2016
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	(0.33 cents)	(1.33 cents)
(ii) On a fully diluted basis	(0.33 cents)	(1.33 cents)

(i) EPS for the full year ended 31 December 2017 on existing issued share capital is computed based on the weighted average number of shares issued during the year, amounted to 943,732,154 (31/12/2016 : 943,732,154) 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		
	31/12/17	31/12/16	Increase / (Decrease)	31/12/17	31/12/16	Increase / (Decrease)
Net asset value ("NAV") backing per ordinary share based on the total number of issued shares excluding treasury shares as at the end of the period reported on	(1.63) cents	(1.33) cents	(22.16%)	(0.81) cents	(0.59) cents	(35.76%)

Note:

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

(Full Year ended 31 December 2017 ("FY 2017") vs Full Year ended 31 December 2016 ("FY 2016"))

The Group's revenue decreased by 34.36% or US\$0.21 million from US\$0.61 million to US\$0.40 million due to the constraints of working capital to fully meet customer demands on both Component Manufacturing Business Unit ("CMBU") and Component Distribution Business Unit ("CDBU"). The Group's principal activity for FY2017 was mostly in trading and distribution of passive and active electronic components (CDBU).

Gross profit decreased by US\$0.10 million from profit of US\$0.14 million to US\$0.04 million due mainly to sales of old stock with lower margin.

Other income decreased by US\$0.40 million from US\$0.52 million to US\$0.12 million due mainly to loss on disposal of investment property for Shanghai office.

Other gains stand US\$0.11 million with reflected a changed US\$1.85 million from loss of US\$1.74 million in preceding year due to disposal of office premises in Taiwan, subsidiary in Taiwan and foreign exchange difference in previous year.

Distribution and marketing expenses decreased by 88.65% or US\$1.41 million from US\$1.59 million to US\$0.18 million attributed mainly to reduction in staff headcount and marketing costs.

Administrative expenses decreased by 17.11% or US\$0.30 million from US\$1.75 million to US\$1.45 million due mainly to on-going cost cutting measure.

Finance expenses decreased by 72.96% or US\$1.08 million from US\$1.48 million to US\$0.40 million due mainly to decrease in bank borrowings.

Overall, the Group reported net loss attribute to the owner of the Company of US\$3.13 million in FY2017 as compared to US\$6.02 million in FY 2016.

Statement of Financial Position

(Full Year ended 31 December 2017 ("FY 2017")) vs Full Year ended 31 December 2016 ("FY 2016")

Cash and cash equivalents increased by US\$0.13 million to US\$0.37 million in FY 2017 due mainly to cash received from remaining outstanding balances of the disposal of Shanghai office property.

Trade and other receivables increased by US\$0.74 million to US\$1.12 million in FY 2017 due mainly to increase from other debtors and note receivables.

The investment properties were disposed under forced by the bank which is the mortgagee.

Trade and other payables increased by US\$5.57 million from US\$18.92 to US\$24.50 million in FY 2017. Among them, trade payable had decreased by US\$0.08 million due mainly to the short credit term from suppliers. Other payables had increased by US\$5.64 million due mainly to amount received from proposed sales of Eurotronic Suzhou Co. Ltd of US\$11.64 million from Jianghai and reduced by US\$6.0 million for settlement to other creditors.

Borrowings and deferred income tax liabilities decreased in FY2017 due mainly to the disposal of investment properties in Shanghai.

The Group's liabilities stood at US\$14.48 million as at 31 December 2017, compared to net liabilities of US\$11.83 million as at 31 December 2016.

Statement of Cash Flow

(Full Year ended 31 December 2017 ("FY 2017")) vs Full Year ended 31 December 2016 ("FY 2016")

Net cash flow provided by operating activities for FY2017 was US\$3.97 million, mainly due to increase in trade and other trade payables.

Net cash flow provided by investing activities in FY2017 was US\$2.44 million in FY 2017, comprising mainly gross proceed from the disposal of investment properties in Shanghai.

Net cash flow used in financing activities was US\$6.16 million in FY2017, mainly due to repayments of financial guarantee contracts of US\$2.58 million and bank borrowings US\$1.98 million.

Overall, the Group recorded a net increase in cash and cash equivalent of US\$0.25 million in FY 2017 as compared to US\$0.035 million in FY 2016.

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

In accordance with the sale and purchase agreement signed between the Company together with the other shareholders of Europtonic Suzhou Co., Ltd (“ER Suzhou”) and Nantong Jianghai Power Electronics Co Ltd (“Jianghai”) on 4 July 2016, the Board and management had negotiated with Jianghai in relation to the remaining second and third instalments of sale considerations, which are conditional upon relevant approvals and other terms and conditions. However, even if the remaining instalments are received by the Company, the Company will not be able to satisfy the claims of all its creditors. The Company sought legal advice in relation to the outstanding second and third installment payment from Jianghai and commenced arbitration proceedings against Jianghai by filling an application for arbitration with the China International Economic and Trade Arbitration Commission in Shanghai.

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 full year ended 31 December 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.

Name of Interested Person	Aggregate value of all interested person transaction during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Description of the transaction entered into with the interested person during the financial year under review	Aggregate value of all interested person transaction conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Nil	N.A.	N.A.	N.A.

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

14. 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.

	Manufacturing	Distribution	Investment holding and other	Total reportable segments
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
2017				
Revenue:				
- Total segment sales	20	472	20	512
- Inter-segment sales	-	(109)	-	(109)
Sales to external parties	20	363	20	403
Gross profit	(11)	34	13	36
Loss before tax	194	(1,368)	(596)	(1,770)
Other losses:				
- Depreciation	1	17	-	18
- Amortisation	1	1	-	2
- Gain on disposal of property, plant and equipment	-	8	-	8
- Gain on disposal of investment properties	-	401	-	401
Segment assets	80	1,236	301	1,617
Segment assets includes:				
Additions to:				
- Property, plant and equipment	-	-	-	-
Segment liabilities	54	26,015	2,878	28,947

	Manufacturing	Distribution	Investment holding and other	Total reportable segments
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
2016				
Revenue:				
- Total segment sales	459	224	159	842
- Inter-segment sales	(204)	(24)	-	(228)
Sales to external parties	255	200	159	614
Gross (loss)/profit	(19)	44	114	139
Loss before tax	(360)	(4,061)	(1,486)	(5,907)
Other losses/(gains):				
- Depreciation	-	(44)	-	(44)
- Amortisation	(1)	(1)	-	(2)
- Gain on disposal of property, plant and equipment	-	(549)	-	(549)
- Gain on disposal of investment properties	-	-	-	-
Segment assets	123	(7,980)	11,758	3,901
Segment assets includes:				
Additions to:				
- Property, plant and equipment	874	117	2	993
Segment liabilities	30	13,888	14,663	28,581

15. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to note 8.

16. **A breakdown of sales.**

	Group		
	12 months ended 31/12/2017 US\$'000	12 months ended 31/12/2016 US\$'000	% Increase/ (Decrease)
Sales reported for first half year	234	5,064	(95.38)
Operating loss after tax before deducting minority interest reported for first half year	(2,416)	(4,579)	(47.24)
Sales reported for second half year	169	6,531	(97.41)
Operating loss after tax before deducting minority interest reported for second half year	(717)	(6,568)	(89.08)

17. **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

	Latest Full Year (2017)	Previous Full Year (2016)
Ordinary	-	-
Preference	-	-
Total:	-	-

18. **Persons occupying managerial positions pursuant to Rule 704(13).**

Name	Age	Family Relationship with any Director and/or Chief Executive Officer and/or Substantial Shareholder	Current position and duties, and the year position was first held	Details of changes in duties and position held, if any, during the year
Huang Shih-An ¹	68	(i) Spouse of Huang Chuang Shueh-Ou,	<input type="checkbox"/> Chairman of the Company (since March 2002) <input type="checkbox"/> Executive Director of the Company (since November 2000) <input type="checkbox"/> Non-Executive Chairman of the Company (since December 2014) <input type="checkbox"/> Non-Executive Director of the Company (since December 2014) Responsibilities include: - Strengthens relationships with financial institutions by meeting them regularly to update on the corporate business and development; - Maintains and enhance relationship with key Taiwanese customers, who are long term customers of the company; - Provides management guidance and support to the Group's business investment decisions and expansion of new business.	Nil
Huang Chuang Shueh-Ou ²	61	(i) Spouse of Huang Shih-An	<input type="checkbox"/> Vice Chairman of the Company (since March 2002) <input type="checkbox"/> Executive Director of the Company (since November 2000) Responsible for the Group's operational, financial, and administrative matters. Assume the responsibilities of CEO	Nil
Huang Chung-Huei	48	Niece of Huang Chuang Shueh-Ou	<input type="checkbox"/> Sales representative, Europtronic (HK) Company Limited (since October 2007) Responsible for the sales activities in Europe, and exploring the Europe and USA markets for the electronic component business.	Nil

Name	Age	Family Relationship with any Director and/or Chief Executive Officer and/or Substantial Shareholder	Current position and duties, and the year position was first held	Details of changes in duties and position held, if any, during the year
Huang Hsuan-Chin	50	Nephew of Huang Chuang Shueh-Ou	<input type="checkbox"/> Deputy General Manager (GM), Marketing, Component Manufacturing Business Unit (since July 2010) Responsible for the management of marketing activities and operations of the Group's manufacturing business unit.	Nil
Tan Chee Kong	46	(i) Son-in-law of Huang Shih-An and Huang Chuang Shueh-Ou (ii) Brother-in-law of Huang Chien Hung, Executive Director/ CEO of the Company	<input type="checkbox"/> General Manager, Component Manufacturing Business Unit (since October 2008) <input type="checkbox"/> Group IT Director (since January 2006) Responsible for the Group's IT operations and overall management of Wujiang and Shenzhen factory operations.	Nil
Yang Hung I	40	Nephew of Huang Shih-An	<input type="checkbox"/> Sales Director of Component Manufacturing Business Unit (since February 2011) Responsible for the sales and customer service functions in the Taiwan region.	Nil

¹ Huang Shih-An is the Non-Executive Chairman / Non-Executive Director and Substantial Shareholder of the Company.

² Huang Chuang Shueh-Ou is the Vice Chairman / Executive Director and Substantial Shareholder of the Company.

19. Disclosure of confirmation of undertakings from directors and executive officers pursuant to Rule 720(1) of the Listing Manual

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.

On behalf of the Board of Directors
of Eurotronic Group Ltd

Huang Shih An
Non-Executive Chairman
29 March 2018

Huang Chuang Shueh Ou
Vice Chairman