



EUROPTRONIC GROUP LTD

(Company Registration Number 200009775K)

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

SALE OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF EUROPTRONIC (SINGAPORE) PTE LTD

1. Introduction

The Board of Directors (the “**Board**”) of Europtronic Group Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had, on 26 September 2014, entered into a sale and purchase agreement of the same date (the “**Sale and Purchase Agreement**”) with Mr. Guo ChunHua (the “**Purchaser**”) pursuant to which the Company has agreed to sell and the Purchaser has agreed to purchase 8,800,000 ordinary shares (the “**Sale Shares**”) in the capital of Europtronic (Singapore) Pte Ltd (“**ESPL**”), representing the entire issued and paid-up share capital of ESPL, at a cash consideration of S\$1.00 in aggregate (the “**Consideration**”).

As the sale of the Sale Shares by the Company to the Purchaser (the “**Sale**”) is not subject to any conditions precedent, the Company and the Purchaser had today completed the Sale following the execution of the Sale and Purchase Agreement (“**Completion**”).

Accordingly, ESPL has ceased to be a wholly owned subsidiary of the Company with immediate effect.

2. Salient Terms of the Sale

2.1 The Sale Price

The Consideration of S\$1.00 for all the Sale Shares was derived from arm’s length negotiations between the Company and the Purchaser, on a willing-buyer willing-seller basis, and taking into account that ESPL had an adjusted negative net asset value of approximately US\$(1.4) million as at 30 June 2014 (the “**ESPL Adjusted Net Asset Value**”). Further information relating to the ESPL Adjusted Net Asset Value is set out in paragraph 2.3 of this announcement.

The Consideration has been satisfied by the Purchaser in cash on Completion.

Under the Sale and Purchase Agreement, the Purchaser had acknowledged and confirmed to the Company that he had completed his due diligence on ESPL and is aware and has full knowledge of the financial and business positions of ESPL (including but not limited to the assets (whether tangible or intangible), liabilities, businesses, operations, records, financial position, accounts and results of ESPL) and he had acquired the Sale Shares based on the present state and condition of ESPL on an “as is” basis.

2.2 Conditions Precedent and Warranties

The Sale is not subject to any conditions precedent and/or material conditions.

Under the Sale and Purchase Agreement, the Company had warranted to the Purchaser that it is the registered and beneficial owner of the Sale Shares and that the Sale Shares are free from all encumbrances whatsoever and are sold to the Purchaser with all rights and benefits attaching thereto as at the date of Completion.

Save for the above warranty, the Company had not provided any other warranties, representations and undertakings to the Purchaser in respect of the Sale Shares and/or ESPL.

2.3 Bank loans of ESPL

As at 30 June 2014 and as at the date of the Sale and Purchase Agreement, ESPL has the following bank loans which are guaranteed by the Company:-

- (a) a loan (the “**UOB Loan**”) extended by United Overseas Bank Limited (“**UOB**”) and the principal outstanding amount of the UOB Loan, as at 30 June 2014 and as at the date of the Sale and Purchase Agreement, was US\$5,895,169.89; and
- (b) a loan (the “**FCB Loan**” and together with the UOB Loan, the “**Bank Loans**”) extended by First Commercial Bank, Singapore (“**FCB**” and together with UOB, the “**Banks**”) and the principal outstanding amount of the FCB Loan, as at 30 June 2014 and as at the date of the Sale and Purchase Agreement, was US\$1,399,101.41.

It was agreed between the Company and the Purchaser that the Company will continue to act as the guarantor for the Bank Loans notwithstanding that Completion has taken place.

The Company confirms that ESPL would not be able to further drawdown or utilise the Bank Loans for the following reasons:-

- (a) ESPL has been informed by FCB that the FCB Loan is no longer a revolving bank facility; and
- (b) the Company and ESPL have been in discussion with UOB relating to the repayment of the UOB Loan. Based on the nature of the discussion, ESPL would no longer be able to further drawdown on the UOB Loan.

Notwithstanding that ESPL would no longer be able to drawdown on the Bank Loans, ESPL had, following Completion, executed a deed of undertaking dated 26 September 2014 pursuant to which ESPL had unconditionally and irrevocably warranted and undertaken to the Company that ESPL will not further drawdown or utilise the Bank Loans for whatsoever reasons.

In addition, under the Sale and Purchase Agreement, the Purchaser had:-

- (a) irrevocably warranted and undertaken to the Company that the Purchaser will procure ESPL not to further drawdown or utilise the Bank Loans for whatsoever reasons; and

- (b) unconditionally and irrevocably guaranteed, agreed and undertaken to the Company that the Purchaser shall become the primary obligor to the Company in place of ESPL in the event that there has been any further drawdown or utilisation of the Bank Loans by ESPL and the Purchaser shall pay such amount as used by ESPL together with all interests accrued thereon immediately on demand by the Company.

Accordingly, the Company's liability as the guarantor for the Bank Loans will be limited to the aggregate principal outstanding amount of the Bank Loans which have been utilised by ESPL as its working capital when it was a wholly owned subsidiary of the Company together with interest accrued thereon.

The aggregate principal outstanding amount of the Bank Loans, together with interest accrued thereon, was approximately US\$7.5 million as at 30 June 2014 and approximately US\$7.6 million as at the date of the Sale and Purchase Agreement.

The Company intends to, regardless whether the Sale has taken place or not, fully repay, on behalf of ESPL, the Bank Loans together with interest accrued thereon by 31 December 2014. Such repayment of the Bank Loans will be funded from shareholders' loans to be provided by the controlling shareholders of the Company, Mr Huang Shih-An and Mrs Huang Chuang Shueh-Ou, who are also Directors of the Company.

As the Company would be settling the Bank Loans on behalf of ESPL, the ESPL Adjusted Net Asset Value of US\$(1.4) million was thus determined by setting-off such amount of the Bank Loans with interest accrued thereon as at 30 June 2014 of US\$7.5 million against ESPL's negative net asset value of US\$(8.8) million as at 30 June 2014.

Solely for illustration purposes only, based on the negative net asset value of ESPL of approximately US\$(8.8) million as at 30 June 2014 and assuming that the Bank Loans were fully repaid prior to 30 June 2014, ESPL would record a negative net asset value of approximately US\$(1.4) million.

3. Information on ESPL

3.1 Background

ESPL, a wholly owned subsidiary of the Company, is a private limited company incorporated in Singapore on 8 February 1991.

As at the date of the Sale and Purchase Agreement, ESPL has an issued and paid-up share capital of S\$8,800,000 comprising 8,800,000 ordinary shares (being the Sale Shares).

ESPL is principally engaged in the trading of electronic components and the provision of handling services.

3.2 Financial Information

Based on the audited financial statements of ESPL for its financial year ended 31 December 2013, the negative net asset value of ESPL was approximately US\$(8.2) million and it recorded a net loss before tax of approximately US\$(1.6) million.

Based on the unaudited financial statements of ESPL for its six-month period ended 30 June 2014 (“HY2014”), the negative net asset value of ESPL was approximately US\$(8.8) million and it recorded a net loss before tax of approximately US\$(0.6) million.

The negative net book value of ESPL was approximately US\$(8.8) million as at 30 June 2014.

4. Rationale for the Sale

The Group has been facing increasing challenges in the electronic components market and had recorded net loss before tax of approximately US\$(11.2 million) and US\$(20.2 million) in its financial years ended 31 December 2012 and 31 December 2013 respectively. The Group had also reported unaudited net loss before tax of approximately US\$(3.4 million) for HY2014.

ESPL had recorded net losses before tax since its financial year ended 31 December 2011 and for the last three financial years, its recorded net loss before tax was approximately US\$(7.3 million), US\$(10.4 million) and US\$(1.6 million) for the respective financial year ended 31 December 2011, 31 December 2012 and 31 December 2013.

The Sale is in line with the Group’s strategy of streamlining its non-performing business and to reduce the Group’s operating costs as well as to improve its operational efficiencies.

The Board is also of the view that the Sale is in the interests of the Company in view that ESPL has a negative net asset value and it has been loss-making since its financial year ended 31 December 2011.

5. Relative Figures computed pursuant to Rule 1006 of the Listing Manual

Based on the latest published unaudited consolidated financial statements of the Company for HY2014, the relative figures for the Sale, computed on the bases of assessment pursuant to Rule 1006 of the Listing Manual, are as follows:-

Rule 1006		The Sale ('000)	The Group ('000)	
(a)	The net asset value of the assets to be disposed of compared with the Group’s net asset value as at 30 June 2014	US\$(1,377) ⁽¹⁾	US\$26,243	(5.25)%
(b)	The net losses ⁽²⁾ attributable to the assets disposed of compared with the Group’s net losses ⁽²⁾ for HY2014	US\$(638)	US\$(3,453)	18.48% ⁽³⁾
(c)	The aggregate value of the consideration received compared with the Company’s market capitalisation as at 25 September 2014 (being the market day immediately preceding the date of the Sale and Purchase Agreement)	S\$1.00	S\$15,729 ⁽⁴⁾	N.M. ⁽⁵⁾

Rule 1006		The Sale ('000)	The Group ('000)	
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable		
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of compared with the Group's proved and probable reserves	Not Applicable		

Notes:-

- (1) For illustration purposes, the net asset value of the Sale Shares was based on ESPL Adjusted Net Asset Value of approximately US\$(1.4) million.

Based on the unaudited financial statements of ESPL for HY2014, ESPL had, as at 30 June 2014, reported a negative net asset value of approximately US\$(8.8) million and the aggregate principal outstanding amount of the Bank Loans, together with interest accrued thereon, was approximately US\$7.5 million.

The ESPL Adjusted Net Asset Value was determined by off-setting the aggregate Bank Loans with accrued interest of approximately US\$7.5 million against the reported negative net asset value of ESPL of approximately US\$(8.8) million.

As the Company would be repaying the Bank Loans together with interest accrued thereon on behalf ESPL, the relative figure under Rule 1006(a) of the Listing Manual was computed by dividing the ESPL Adjusted Net Asset Value against the Group's net asset value as at 30 June 2014.

- (2) Net losses means losses before income tax, minority interests and extraordinary items.
- (3) The relative figure under Rule 1006(b) of the Listing Manual became a positive number as both the Group and ESPL reported net losses for HY2014.
- (4) The market capitalisation of the Company of approximately S\$15,728,883 was determined by multiplying the existing number of issued shares of 786,444,154 shares by the weighted average price of the shares of S\$0.02 per share transacted on 25 September 2014, being the last market day immediately preceding the date of the Sale and Purchase Agreement.
- (5) A comparison under Rule 1006(c) of the Listing Manual is not meaningful due to the nominal Consideration for the Sale Shares.

In accordance with Rule 1007 and paragraph 4.2 of Practice Note 10.1 of the Listing Manual, the Company had consulted the SGX-ST as to whether the Sale is to be subject to shareholders' approval.

The SGX-ST had advised the Company that the Sale does not require the approval of shareholders pursuant to Rule 1014 of the Listing Manual.

6. Financial Effects of the Sale

The proforma financial effects of the Sale are presented for illustration purposes only and are not intended to reflect the actual future financial position of the Group after completion of the Sale.

For purposes of illustrating the financial effects of the Sale, the financial effects have been prepared, where relevant, based on ESPL Adjusted Net Asset Value.

6.1 Net Tangible Assets (“NTA”)

Assuming that the Sale had been completed on 31 December 2013 and based on the latest audited consolidated financial statements of the Company for its financial year ended 31 December 2013, the proforma financial effects of the Sale on the consolidated NTA of the Company are as follows:-

	Before the Sale	After the Sale
NTA as at 31 December 2013 (US\$'000)	30,157	31,534
Number of issued shares	786,444,154	786,444,154
NTA per share as at 31 December 2013 (US cents)	3.83	4.01

6.2 Earnings per share (“EPS”)

Assuming that the Sale had been completed on 1 January 2013 and based on the latest audited consolidated financial statements of the Company for its financial year ended 31 December 2013, the proforma financial effects of the Sale on the consolidated EPS of the Company are as follows:-

	Before the Sale	After the Sale
Loss attributable to shareholders (US\$'000)	(11,467)	(10,090)
Weighted average number of issued shares	786,444,154	786,444,154
Loss per share (US cents)	(1.46)	(1.28)

6.3 Expected gain on the Sale

Assuming that the Sale had been completed on 30 June 2014 and based on the negative Adjusted Net Asset Value of ESPL of US\$(1.4) million as at 30 June 2014, the expected gain on the Sale is approximately US\$1.4 million.

7. **Interests of Directors and Controlling Shareholders**

As at the date of this announcement, save for their shareholdings in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Sale.

8. No Service Agreement

No person will be appointed to the Board in connection with the Sale and no service contracts in relation thereto will be entered into by the Company.

9. Document for Inspection

A copy of the Sale and Purchase Agreement is 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 a period of three (3) months from the date of this announcement.

10. Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Sale, the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement 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 announcement in its proper form and context.

By Order of the Board
Europtronic Group Ltd

HUANG SHIH-AN
Chairman
26 September 2014