

SECOND QUARTER AND FIRST HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

Consolidated statement of comprehensive income for the quarter ended 30 June 2016. These figures have not been audited.

	Group			Group		
	6 months ended	6 months ended	%	3 months ended	3 months ended	%
	30/06/2016 US\$'000	30/06/2015 US\$'000	Increase/ (Decrease)	30/06/2016 US\$'000	30/06/2015 US\$'000	Increase/ (Decrease)
Revenue	5,064	11,958	(57.65)	2,901	5,650	(48.65)
Cost of sales	(5,552)	(10,089)	(44.97)	(3,084)	(4,691)	(34.26)
Gross (loss)/profit	(488)	1,869	NM	(183)	959	NM
Other income	113	222	(49.10)	82	36	NM
Other (losses)/gains - net	(620)	31	NM	(317)	(343)	(7.58)
Expenses						
- Distribution and marketing	(497)	(631)	(21.24)	(264)	(295)	(10.51)
- Administrative	(2,143)	(1,952)	9.78	(1,055)	(1,007)	4.77
- Finance	(827)	(617)	34.04	(415)	(356)	16.57
Loss before income tax	(4,462)	(1,078)	NM	(2,152)	(1,006)	NM
Income tax expense	(117)	(40)	NM	(9)	-	NM
Net loss	(4,579)	(1,118)	NM	(2,161)	(1,006)	NM
Other comprehensive income/(losses):						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Currency translation differences arising from consolidation						
- (Losses)/gains	(398)	(15)	NM	61	171	(64.33)
	(398)	(15)		61	171	
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Revaluation gain on property, plant and equipment	521	-	NM	-	-	NM
Other comprehensive income/(losses), net of tax	123	(15)	NM	61	171	(64.33)
Total comprehensive losses	(4,456)	(1,133)	NM	(2,100)	(835)	NM
Loss attributable to:						
Equity holders of the Company	(4,451)	(1,118)	NM	(2,035)	(1,006)	NM
Non-controlling interests	(128)	-	NM	(126)	-	NM
	(4,579)	(1,118)	NM	(2,161)	(1,006)	NM
Total comprehensive losses attributable to:						
Equity holders of the Company	(4,295)	(1,133)	NM	(1,990)	(835)	NM
Non-controlling interests	(161)	-	NM	(110)	-	NM
	(4,456)	(1,133)	NM	(2,100)	(835)	NM
Loss per share for net loss attributable to equity holders of the Company (cents per share)						
- Basic and diluted	(0.47)	(0.14)	NM	(0.19)	(0.13)	47.41

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

Profit/(loss) for the quarter ended 30 June is arrived at after (charging)/crediting the following:

	6 months ended 30/06/2016 US\$'000	Group 6 months ended 30/06/2015 US\$'000	% Increase/ (Decrease)
Amortisation of intangible assets	(6)	(5)	20.00
Depreciation of property, plant and equipment	(982)	(1,048)	(6.30)
Foreign exchange (loss)/gain, net	(78)	22	NM
Finance expenses	(827)	(695)	18.99
Gain on disposal of intangible assets	-	87	(100.00)
Loss on disposal of property, plant and equipment	(542)	-	NM
Interest income	-	7	(100.00)

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	
	30/06/2016 US\$'000	31/12/2015 US\$'000	30/06/2016 US\$'000	31/12/2015 US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	1,320	582	3	16
Available-for-sale financial assets	1	1	1	1
Trade and other receivables	8,248	9,610	144	2,378
Inventories	4,559	3,977	-	-
	14,128	14,170	148	2,395
Non-current assets				
Investments in subsidiaries	-	-	13,307	13,800
Investment properties	2,912	2,994	-	-
Property, plant and equipment	32,247	38,446	-	-
Intangible assets	142	152	-	-
	35,301	41,592	13,307	13,800
Total assets	49,429	55,762	13,455	16,195
LIABILITIES				
Current liabilities				
Trade and other payables *	24,884	23,722	11,447	13,589
Financial guarantee contracts	7,080	6,856	7,080	6,856
Borrowings	14,052	15,668	-	-
	46,016	46,246	18,527	20,445
Non-current liabilities				
Borrowings	94	1,641	-	-
Deferred income tax liabilities	6,356	7,056	-	-
	6,450	8,697	-	-
Total liabilities	52,466	54,943	18,527	20,445
NET (LIABILITIES)/ASSETS	(3,037)	819	(5,072)	(4,250)
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	1,400	66	66
Currency translation reserve	(1,168)	(740)	3,228	3,228
Asset revaluation reserve	17,308	20,451	-	-
Share option reserve	132	132	132	132
Accumulated losses	(68,356)	(67,620)	(54,613)	(53,791)
	(4,431)	(262)	(5,072)	(4,250)
Non-controlling interests	1,394	1,081	-	-
Total equity	(3,037)	819	(5,072)	(4,250)

* 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 30/06/2016		As at 31/12/2015	
	Secured	Unsecured	Secured	Unsecured
	US\$'000	US\$'000	US\$'000	US\$'000
(a) Amount repayable in one year or less, or on demand	14,052	-	15,668	-
(b) Amount repayable after one year	94	-	1,641	-

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, the leasehold property of Europtronic (Suzhou) Co., Ltd and personal guarantees provided by Mr Huang Shih An, Mrs Huang Chuang Shueh Ou and Mr Huang Chien Hung.

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 ended	6 months ended	3 months ended	3 months ended
	30/06/2016 US\$'000	30/06/2015 US\$'000	30/06/2016 US\$'000	30/06/2015 US\$'000
Cash flows from operating activities:				
Total loss	(4,579)	(1,118)	(2,161)	(1,006)
Adjustments for:				
- Income tax expenses	117	40	9	-
- Amortisation of intangible assets	6	5	4	3
- Depreciation of property, plant and equipment	982	1,048	483	485
- Gain on disposal of intangible assets	-	(87)	-	(1)
- Loss on disposal of property, plant and equipment	542	-	30	-
- Interest income	-	(7)	-	(3)
- Finance expense	827	695	415	404
- Write back of allowance for inventories obsolescence	(11)	-	(11)	-
- Currency exchange differences	110	(2)	396	(66)
	(2,006)	574	(835)	(184)
Changes in working capital, net of effects from disposal of subsidiaries:				
- Inventories	(571)	318	(92)	369
- Trade and other receivables	1,362	(2,278)	342	(1,263)
- Trade and other payables	1,072	(737)	(332)	(1,305)
Cash used in operations	(143)	(2,123)	(917)	(2,383)
Interest received	-	7	-	3
Interest paid	(19)	(41)	(10)	(20)
Income tax paid	(117)	(102)	(9)	(40)
Net cash used in operating activities	(279)	(2,259)	(936)	(2,440)
Cash flows from investing activities:				
Additions of property, plant and equipment	(42)	(63)	(34)	(35)
Disposal of intangible assets	-	253	-	-
Disposal of property, plant and equipment	3,751	-	(229)	-
Net cash provided by/(used in) investing activities	3,709	190	(263)	(35)
Cash flows from financing activities:				
Proceeds from/(repayment of) advances from Directors	243	(62)	201	-
Proceeds from financial guarantee contracts	224	(516)	132	(539)
Proceeds from borrowings	8,640	26,091	4,371	16,461
Repayment of borrowings	(11,195)	(25,549)	(3,387)	(15,604)
Repayment of finance lease liabilities	(243)	(254)	(94)	(98)
Proceeds from issuance of ordinary share, net	-	2,165	-	2,165
Proceeds from partial disposal of a subsidiary without loss of control	600	-	-	-
Interest paid	(808)	(654)	(405)	(384)
Repayment of non trade amount due to related party transaction	(153)	-	-	-
Net cash (used in)/provided by financing activities	(2,692)	1,221	818	2,001
Net increase/(decrease) in cash and cash equivalents	738	(848)	(381)	(474)
Cash and cash equivalents				
Beginning of financial period	582	3,227	1,701	2,853
End of financial period	1,320	2,379	1,320	2,379

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 April 2016	46,115	132	1,538	(1,213)	17,308	(66,321)	(2,441)	1,504	(937)
Loss for the year	-	-	-	-	-	(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)
Balance at 1 April 2015	43,950	132	1,652	176	21,884	(63,418)	4,376	(71)	4,305
Loss for the year	-	-	-	-	-	(1,006)	(1,006)	-	(1,006)
Other comprehensive income/ (losses) for the period	-	-	-	171	-	-	171	-	171
Total comprehensive income/ (losses) for the period	-	-	-	171	-	(1,006)	(835)	-	(835)
Share issued	2,165	-	-	-	-	-	2,165	-	2,165
Balance at 30 June 2015	46,115	132	1,652	347	21,884	(64,424)	5,706	(71)	5,635
Company									
Balance at 1 April 2016	46,115	132	66	3,228	-	(54,261)	(4,720)	-	(4,720)
Loss for the year	-	-	-	-	-	(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)
Balance at 1 April 2015	43,950	132	66	3,228	-	(52,544)	(5,168)	-	(5,168)
Loss for the year	-	-	-	-	-	(296)	(296)	-	(296)
Total comprehensive loss for the period	-	-	-	-	-	(296)	(296)	-	(296)
Share issued	2,165	-	-	-	-	-	2,165	-	2,165
Balance at 30 June 2015	46,115	132	66	3,228	-	(52,840)	(3,299)	-	(3,299)

- 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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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**

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 30/06/2016	6 months ended 30/06/2015
Number of issued shares	943,732,154	786,444,154
Number of issued shares excluding treasury shares	943,732,154	786,444,154

- 1(d)(iv) A statement showing all sales transfers, disposal, cancellation and/or use of treasury shares as at the 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 2015.

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	
	30/06/2016	30/06/2015
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	(0.47 cents)	(0.14 cents)
(ii) On a fully diluted basis	(0.47 cents)	(0.14 cents)

(i) EPS for quarter ended 30 June 2016 on existing issued share capital is computed based on the weighted average number of shares issued during the year, amounted to 943,732,154 (30/06/2015 : 803,824,044) 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		
	30/06/16	31/12/15	Increase / (Decrease)	30/06/16	31/12/15	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	(0.47) cents	0.08 cents	(687.50%)	(0.54) cents	(0.45) cents	(20.00%)

Note:

NAV per ordinary share is computed based on 943,732,154 (31/12/2015 : 943,732,154) ordinary shares as at 30 June 2016.

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 2016 ("1H 2016") vs First Half ended 30 June 2015 ("1H 2015"))

Group revenue decreased by 57.65% or US\$6.89 million from US\$11.96 million to US\$5.06 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").

Gross profit decreased by US\$2.36 million from profit of US\$1.87 million to loss of US\$0.49 million due mainly to lower sales generated from CMBU that was not sufficient to cover the fixed cost of sales.

Other income decreased by US\$0.11 million from US\$0.22 million to US\$0.11 million due mainly to no disposal of scrap materials from CMBU.

Other gains decreased by US\$0.65 million from gain of US\$0.03 million to loss of US\$0.62 million due mainly to loss on disposal of office premises in Taiwan and loss on exchange difference.

Distribution and marketing expenses decreased by 21.24% or US\$0.13 million from US\$0.63 million to US\$0.50 million due mainly to reduction in staff headcount and marketing costs.

Administrative expenses increased by 9.78% or US\$0.19 million from US\$1.95 million to US\$2.14 million due mainly to higher professional fee in the Group and commission payable to the agent for the disposal of office premises in Taiwan.

Finance expenses increased by 34.04% or US\$0.21 million from US\$0.62 million to US\$0.83 million due mainly to the additional provision for the loan interest that incurred by a disposal subsidiary but guaranteed by the Group.

Overall, the Group reported a loss after tax and before minority interests of US\$4.58 million in 1H 2016 compared to a loss after tax and before minority interests of US\$1.12 million in 1H 2015.

Balance Sheet

Cash and cash equivalents increased by US\$0.74 million to US\$1.32 million in 1H 2016 due mainly to deposit received from the potential buyer, Nantong Jianghai Power Electronics Co Ltd ("Jianghai") for the proposed sale by the Group of its entire equity interest in Europronic Suzhou.

Trade and other receivables decreased by US\$1.36 million to US\$8.25 million in 1H 2016 due mainly to lower sales generated.

Inventories increased by US\$0.59 million to US\$4.56 million in 1H 2016 due mainly to lower sales generated.

Property, plant and equipment decreased by US\$6.20 million to US\$32.25 million in 1H 2016 due mainly to disposal of office premises in Taiwan.

Trade and other payables increased by US\$1.16 million to US\$24.88 million in 1H 2016 due mainly to deposit received from Jianghai for the proposed sale by the Group of its entire equity interest in Europronic Suzhou.

Current and non-current borrowings decreased by US\$3.16 million to US\$14.15 million in 1H 2016 due mainly to repayment of bank loans.

Deferred income tax liabilities decreased by US\$0.70 million to US\$6.36 million in 1H 2016 due mainly to the disposal of office premises in Taiwan.

Cash Flow Statement

Cash flow used in operating activities decreased from US\$2.26 million in 1H 2015 to US\$0.28 million in 1H 2016 due mainly to more settlement of accounts payable to suppliers in 1H 2016 and lower sales generated in 1H 2016.

Cash flow provided by investing activities increase from US\$0.19 million in 1H 2015 to US\$3.71 million in 1H 2016 due mainly to disposal of office premises in Taiwan.

Cash flow used in financing activities increased from a deficit of US\$1.22 million in 1H 2015 to US\$2.69 million in 1H 2016 due mainly to repayment of bank loans.

Overall, the Group recorded a net decrease in cash and cash equivalent of US\$1.06 million in 1H 2016 compared to 1H 2015.

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

The Company together with the other shareholders of Europtronic Suzhou Co Ltd (“Europtronic Suzhou”) had on 4 July 2016 entered into a definitive sale and purchase agreement with Nantong Jianghai Power Electronics Co. Ltd for the proposed sale of their entire interest in Europtronic Suzhou.

The Sale will enable the Company to raise funds and the net proceeds arising from the Sale will be used by the Company to settle all of the Group’s liabilities and the excess, if any, will be distributed to the shareholders of the Company.

In the meanwhile, pending the completion of the sale of their entire interest in Europtronic Suzhou, the Company is working actively with Jianghai to increase the production capacity level and improve the sales of the manufacturing business.

The Board and management is doing its best to facilitate the completion of the above transactions but wish to highlight that there is uncertainty in both the final proceeds that the Company can receive and the successful execution to complete the deals.

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 2016.

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.

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. Negative confirmation 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 second quarter and first half year financial statements for the financial period ended 30 June 2016 set out above to be false or misleading in any material aspect.

By Order of the Board
of Eurotronic Group Ltd

Huang Shih An
Non-Executive Chairman
14 August 2016

Huang Chuang Shueh Ou
Vice Chairman