



Eucon Holding Limited
RCB REG NO: 200107762R

REPLY TO SGX QUERY

We refer to your email query on 21 November 2007.

SGX Query

"There isnt sufficient disclosure on increase prices of raw materials such as copper which caused the GP to fall by 19%. Please disclose via an SGX Net announcement a commentary on this and Eucon's assessment of the impact of copper increase, whether Eucon believes it is short term and whether it is taking any steps to mitigate such further increases, if any."

Group's reply

The decrease in gross margin was due to a combination of factors. As stated previously in Section 8 of the third quarter financial statement, the gross profit for 3Q07 were affected by the higher depreciation expenses set off by our machines as well as the increase in cost of sales mainly due to rise in prices of raw materials.

For the nine months ended 30 September 2007, the decrease in gross margin by 19% was mainly due the drop in sales for our laser drilling business and the rise in prices for raw materials.

Laser drilling, compared to our other business segments, has higher profit margin as it does not require any raw materials. The first three quarters of FY2007 saw a weaker demand in laser drilling as compared to that of FY2006. Sales declined by 32% and gross margin declined by 28%. As a result, the Group's gross margin was adversely affected.

For the nine months ended 30 September 2007, costs of sales include raw materials (54%), depreciation (12%) and other overheads. The increase in prices of raw materials such as copper is more imperative to the PCB manufacturing business. Copper constitutes an average of 82% of the total raw materials costs for this year, relative to 75% for the previous year. The price of copper has risen approximately 9-16% in the nine months ended 3Q07 compared to the previous year.¹ Therefore this increase contributed to the decline in Group's gross margin.

¹ The figures reflected in this statement are based on the Group's observations of its previous transactions

Copper prices have over the last few years experienced drastic fluctuations. Any fluctuation in demand and supply will affect the purchase prices of copper in our business. The Group believes that the impact of increase in copper prices is inevitable. However, the rise in prices will be gradually passed to the customers.

The Group may also look into increasing its stockholding level of copper, aligning itself with market trends and conditions.

We will continue to find ways to improve our operational efficiency and to exercise prudence in expenditures and investments.

BY ORDER OF THE BOARD

Wen Yao-Long
Executive Chairman & CEO
23 November 2007