EUCON HOLDING LIMITED

Quarterly Financial Statement And Dividend Announcement

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

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

	Group		
	3 months ended		Fav/
	31/3/2011	31/3/2010	(Unfav)
	$'000	$'000	%
Revenue	**24,642**	**24,161**	2
Cost of sales	(21,067)	(21,196)	1
Gross profit	**3,575**	**2,965**	21
Gross margin	*14.5%*	*12.3%*	
Other income (including interest income)	146	102	43
Administrative expenses	(2,418)	(2,312)	(5)
Distribution costs	(1,079)	(686)	(57)
Other expenses	(107)	(244)	56
Finance costs	(430)	(542)	21
Loss before income tax	**(313)**	**(717)**	56
Income tax expense	-	-	-
Net loss for the period	**(313)**	**(717)**	56
Attributable to:			
Equity holders of the parent	(208)	(715)	71
Minority interest	(105)	(2)	NM
	(313)	**(717)**	
<u>Statement of comprehensive income</u>			
Net loss for the period	(313)	(717)	56
Other comprehensive income:			
Foreign currency translation	(1,449)	(206)	(602)
Gain (Loss) on cash flow hedge	-	160	NM
Other comprehensive loss for the period	**(1,449)**	**(46)**	
Total comprehensive loss for the period	**(1,762)**	**(763)**	(131)
Total comprehensive loss attributable to:			
Equity holders of the parent	(1,554)	(725)	(114)
Minority interest	(208)	(38)	(443)
	(1,762)	**(763)**	(131)

NM: Not meaningful

Net profit for the period as a percentage of revenue	-1.3%	-3.0%

Loss before income tax is arrived at after charging(crediting) the following:

Depreciation of property, plant and equipment	3,697	4,548
Amortisation of land use rights	22	41
Foreign exchange loss (gain)	(11)	228
Fair value gain on derivative financial instrument	-	(54)
Gain on disposal of property, plant and equipment	(13)	-
Interest income	(11)	(15)
Interest expense	430	542

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

Balance sheet

	Group		Company	
	As at 31/3/2011	As at 31/12/2010	As at 31/3/2011	As at 31/12/2010
	$'000	$'000	$'000	$'000
Current assets				
Cash and bank balances	10,244	14,579	156	1,062
Pledged bank deposits	526	628	-	-
Trade receivables	35,265	39,740	-	-
Other receivables and prepayments	1,924	1,477	11,702	11,978
Financial assets at fair value through profit & loss	739	752		-
Land use rights	88	90	-	-
Inventories	8,146	7,688	-	-
Total current assets	56,932	64,954	11,858	13,040
Non-current assets				
Investment in subsidiaries	-	-	66,174	67,308
Land use rights	3,953	4,044	-	-
Property, plant and equipment	80,196	85,021	716	731
Other receivables	1,435	1,697	-	-
Goodwill	2,226	2,226	-	-
Deferred tax asset	1,433	1,469	-	-
Total non-current assets	89,243	94,457	66,890	68,039
Total assets	**146,175**	**159,411**	**78,748**	**81,079**
Current liabilities				
Trade payables	24,712	27,292	-	-
Other payables	8,109	10,535	9,758	9,429
Short-term bank loans	12,016	17,287	-	-
Current portion of long-term bank loans	1,295	1,336	59	59
Current portion of finance leases	1,596	1,473	-	-
Current portion of notes payable	2,470	3,439	2,470	3,439
Due to shareholders	12,073	12,284	12,073	12,284
Total current liabilities	62,271	73,646	24,360	25,211
Non-current liabilities				
Long-term bank loans	8,034	8,552	144	164
Finance leases	1,851	1,432	-	-
Total non-current liabilities	9,885	9,984	144	164
Capital, reserves and minority interests				
Share capital	56,127	56,127	56,127	56,127
Reserves	9,641	11,195	(1,883)	(423)
Equity attributable to equity holders of the company	65,768	67,322	54,244	55,704
Minority interest	8,251	8,459	-	-
Total equity	74,019	75,781	54,244	55,704
Total liabilities and equity	**146,175**	**159,411**	**78,748**	**81,079**

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

Amount repayable in one year or less, or on demand

As at 31/3/2011		As at 31/12/2010	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
14,907	2,470	20,096	3,439

The amount repayable after one year

As at 31/3/2011		As at 31/12/2010	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
9,885	-	9,984	-

Details of any collaterals

The group’s borrowings are primarily secured by personal guarantees from directors, pledged bank deposits, property, plant and equipment, land use rights and trade receivables.

1 (c) **Cash Flow Statement for period ended 31 March**

	Group	
	3 months ended	
	31/3/2011	31/3/2010
	$'000	$'000
Operating Activities:		
Loss before Income Tax:	(313)	(717)
Adjustments for:-		
Depreciation of property, plant and equipment	3,697	4,548
Amortisation of land use rights	22	41
Fair value gain on derivative financial instrument	-	(54)
Interest income	(11)	(15)
Interest expense	430	542
Net foreign exchange loss (gain)	496	(161)
Gain on disposal of property, plant and equipment	(13)	-
Operating profit before working capital changes	4,308	4,184
Changes in working capital:-		
Trade receivables	4,475	2,646
Other receivables and prepayments	(185)	(327)
Inventories	(458)	(1,313)
Trade payables	(2,580)	(287)
Other payables	(2,426)	(350)
Cash generated from operations	3,134	4,553
Net interest paid	(419)	(527)
Income tax paid	36	(1)
Cash flows from operating activities	**2,751**	**4,025**
Investing Activities:		
Proceeds on disposal of property, plant and equipment	94	-
Purchase of property, plant and equipment	(749)	-
Cash flows used in investing activities	**(655)**	**-**
Financing Activities:		
Decrease (Increase) in cash subjected to restriction	102	(140)
Decrease in bank loans	(5,830)	(2,069)
Decrease in notes payable	(969)	(1,035)
Due to shareholders	(211)	332
Increase (Decrease) in finance lease obligations	542	(877)
Cash flows used in financing activities	**(6,366)**	**(3,789)**
Net (decrease) increase in cash and bank balances	**(4,270)**	**236**
Cash and bank balances at beginning of period	14,579	8,748
Effect of exchange rate changes on the balances of cash held in foreign currencies	(65)	(10)
Cash and bank balances at end of period	**10,244**	**8,974**

1(d)(i) A statement for the issuer and the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity for the financial year ended 31 March

	Share capital $'000	Currency translation reserves $'000	Hedging reserves $'000	Statutory reserves $'000	Other reserves $'000	Accumulated profits (losses) $'000	Total attributable to equity holders of the company $'000	Minority interests $'000	Total $'000
Group									
At 1 January 2010	**56,127**	**(5,602)**	**(456)**	**5,735**	**-**	**15,192**	**70,996**	**5,761**	**76,757**
Total comprehensive income (loss) for the period	-	(169)	160	(5)	-	(711)	(725)	(38)	(763)
At 31 March 2010	**56,127**	**(5,771)**	**(296)**	**5,730**	**-**	**14,481**	**70,271**	**5,723**	**75,994**
At 1 January 2011	**56,127**	**(7,660)**	**-**	**7,494**	**(2,993)**	**14,354**	**67,322**	**8,459**	**75,781**
Total comprehensive income (loss) for the period	-	(959)	-	(77)	-	(518)	(1,554)	(208)	(1,762)
At 31 March 2011	**56,127**	**(8,619)**	**-**	**7,417**	**(2,993)**	**13,836**	**65,768**	**8,251**	**74,019**
Company									
At 1 January 2010	**56,127**	**1,549**	**(456)**	**-**	**-**	**6,103**	**63,323**	**-**	**63,323**
Total comprehensive income (loss) for the period	-	(352)	160	-	-	(542)	(734)	-	(734)
At 31 March 2010	**56,127**	**1,197**	**(296)**	**-**	**-**	**5,561**	**62,589**	**-**	**62,589**
At 1 January 2011	**56,127**	**(1,489)**	**-**	**-**	**-**	**1,066**	**55,704**	**-**	**55,704**
Total comprehensive income (loss) for the period	-	(936)	-	-	-	(524)	(1,460)	-	(1,460)
At 31 March 2011	**56,127**	**(2,425)**	**-**	**-**	**-**	**542**	**54,244**	**-**	**54,244**

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.

During 1 January 2011 to 31 March 2011, the Company did not issue any shares.

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.

	As at 31/3/2011	As at 31/12/2010
The total number of issued shares excluding treasury shares	570,000,000	570,000,000

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 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.

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 Company has adopted the same accounting policies and methods of computation as compared to the most recent audited financial statements as at 31 December 2010.

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 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	
	3 months ended	
	31/3/2011	31/3/2010
Earnings per ordinary share for the		
(i) Based on the weighted average	(0.04)	(0.13)
Weighted average number of shares	570,000,000	570,000,000
(ii) On a fully diluted basis (cts)	(0.04)	(0.13)
Weighted average number of shares	570,000,000	570,000,000

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

	Group		Company	
	As at 31/3/2011	As at 31/12/2010	As at 31/3/2011	As at 31/12/2010
Net asset value per ordinary share (cts)	11.15	11.42	9.52	9.77
Number of shares	570,000,000	570,000,000	570,000,000	570,000,000

8. Review of the Group's performance

Revenue

For the three months ended 2011 ("1Q11"), the Group reported revenue of $24.6 million, a slight improvement of 2% from $24.2 million from the corresponding period in 2010 ("1Q10"). The increase in revenue was brought about by increasing orders from laser drilling and PCB operations segment, partially offset by sales decrease in mechanical drilling and routing segment.

PCB Operations

PCB operations continue to be the major contributor accounting for 79% of our Group's revenue in 1Q11.

PCB revenue improved by 7% from $18.2 million in 1Q10 to $19.5 million in 1Q11. This revenue growth was attributed to increasing orders from existing customers and new customers secured.

Mechanical Drilling and Routing

Revenue from Mechanical Drilling and Routing segment decreased by 49% from $3.3 million in 1Q10 to $1.6 million in 1Q11. Unlike 1Q10, the period of recovery from financial crisis, there was no clearing of order backlogs extending into the first quarter of 2011.

Laser Drilling

Revenue from Laser Drilling segment increased by 29% from $2.7 million in 1Q10 to $3.4 million in 1Q11. In relation to increasing market demand for sophisticated technology devices, Laser Drilling segment has been experiencing increasing orders since 2010. Going forward, our Group is well-prepared to further benefit from this trend with our capital expenditure on 6 sets of laser drilling machines. They are expected to be in operation by mid 2011.

Geographical Markets

China operations remained as the key contributor to Group's revenue in 1Q11. Proportion of revenue from China operations increased by 3% from 87% in 4Q10 to 90% in 1Q11. This was due to a more active approach in sourcing for new customers and increasing sales for existing customers adopted by China operations.

Profitability

Gross Profit

Gross Profit increased from $3.0 million in 1Q10 to $3.6 million in 1Q11 with an improved gross margin from 12.3% in 1Q10 to 14.5% in 1Q11. This improvement was due to successful internal restructuring, coupled with increase in sales under Laser Drilling segment.

Internal restructuring includes changing the Group's sales model to engage in direct sales with Original Equipment Manufacturer and improving on production line in terms of efficiency and effectiveness. External consultants were engaged to better our production line. As a result, gross profit margin for Shanghai Zhuo Kai improved from 8.2% in 1Q10 to 12.2% in 1Q11.

In addition, Laser Drilling segment commands the highest profit margin among all segments. With an increase in sales under Laser Drilling segment, increase in gross profit is within expectation.

Expenses

Other Income

The increase in other income was mainly due to increase in scrap sales income and workmanship fees charged.

Administrative Expenses

The slight increase in administrative expenses was in line with the increase in sales.

Distribution Costs

Distribution costs comprise mainly sales commission payable to sales representatives in processing sales for PCB manufacturing and related delivery costs.

Distribution costs increased by 57% from $0.7 million in 1Q10 to $1.1 million in 1Q11. This increase was due to increase in sales commission payable to sales representatives in processing sales for PCB manufacturing.

Other Expenses

Other expense decreased by $0.2 million in 1Q10 to $0.1 million in 1Q11 mainly due to decrease in exchange loss arising from depreciation of USD and JPY against RMB.

Finance Costs

Finance costs decreased by 21% from $0.5 million in 1Q10 to $0.4 million in 1Q11. This was due mainly to the repayment of bank borrowings and lower interest rates.

Balance Sheet

The Group's cash and bank balances decreased from $14.6 million at 4Q10 to $10.2 million at 1Q11. Pledged bank deposits decreased from $0.6 million in 4Q10 to $0.5 million in 1Q11.

The decrease in trade receivables was mainly due to comparative decrease in quarterly sales from $27.1 million in 4Q10 to $24.6 million in 1Q11, coupled with stringent credit collection procedures.

Other receivables and prepayments increased by $0.4 million from $1.5 million at 4Q10 to $1.9 million at 1Q11. It is the norm for our China subsidiaries for expenses to be prepaid at the beginning of each financial year, prior to expensing it on a monthly basis. Other receivables and prepayments mainly comprise of prepaid operating expenses, such as utilities, insurance, maintenance expense, etc.

The slight increase in inventory level from $7.7 million at 4Q10 to $8.1 million at 1Q11 was mainly due to more sales orders expecting in 2nd quarter of 2011. Cost effective inventory management has been one of the management focus, striving to keep inventory level at the minimum required level.

The decrease of $2.6 million in trade payables was due to repayments made in 1Q11.

Other payables decreased by $2.4 million was mainly due to refund of deposit placed by customer in prior years, coupled with payout of accrued staff bonus in 1Q11.

Total gross borrowings had also reduced by $6.5 million from $45.8 million at 4Q10 to $39.3 million at 1Q11. This was due to repayments of bank loans, finance leases and notes payable.

The Group's net current liabilities position improved from $8.7 million at 4Q10 to $5.3 million in 1Q11. This was mainly due to generation of $2.7 million cashflow from operating activities in 1Q11.

As at 1Q11, the Group's current ratio (current assets/current liabilities) and debt/equity ratio are 0.91 and 1.1 respectively. The Group's equity (net assets) stands at $65.8 million.

Cash Flow

Cash flow generated from operating activities was lower for 1Q11 at $2.7 million compared to $4.0 million in 1Q10. Despite increase in trade receivables collection in 1Q11, payments to trade payables and other payables increased significantly, resulting in a lower cashflow generated from operating activities for 1Q11.

Cash flow used in investing activities mainly due to deposit made for purchase of 6 sets of laser drilling machines by our Taiwan subsidiary, LGANG Optronics Technology Co., Ltd.

Cash flow used in financing activities of $6.4 million in 1Q11 was mainly due to repayment of loan borrowings, notes payables and amount due to shareholders.

Cash and bank balances improved to $10.2 million as at 1Q11 as compared to 1Q10 of $9.0 million.

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

No forecast or prospect statement was disclosed to shareholders previously.

10. A commentary at the date of 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.

We envisage an upcoming growth in market demand for laser drilling service. As such, the Group had placed an order for 6 sets of laser drilling machineries in 2010. The capital outlay amounts to $5.2 million and is partly funded by external loans. These machineries are expected to be in operation by mid-2011.

The Japanese earthquake situation has not affected us in a significant manner but management will watch the situation closely as it unfolds. Management will continue to monitor the fluctuations of material cost (such as copper) and currency fluctuations, adopting any precautionary actions when required.

11. Dividend

11(a) Any dividend declared for the current financial period reported on?

None

11(b) Any dividend declared for the corresponding period of the immediately preceding financial year?

None

11(c) Date payable

Not applicable

11(d) Books closure date

Not applicable

12. If no dividend has been declared/ recommended, a statement to that effect.

No dividend has been declared for the first quarter ended 31 March 2011.

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

13. 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.

Not applicable

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by business or geographical segments.

Not applicable

15. A breakdown of sales as follows:

Not applicable

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-

Not applicable

17. Interested party transactions

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Loan and finance leases guarantees provided by Mr Wen Yao-Long, Mr Wen Yao-Chou, Ms Chan Hui-Chung to various financial institutions to secure credit facilities for the Group	Total facilities granted as at 31.03.2011: S$38.9 million Amount outstanding as at 31.03.2011: S$23.6 million	-
Loan from Sunny Worldwide Int'l Ltd (Amount outstanding as at 31.03.2011 is S$6.8 million)	Interest for the 3 months ended 31.03.2011: S$0.06 million	
Loan from Mr Wen Yao-Long (Amount outstanding as at 31.03.2011 is S$5.0 million)	Interest -free loan	-

BY ORDER OF THE BOARD

Wen Yao-Long
Executive Chairman & CEO
27 April 2011