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			Group		
	6 months ended		Fav/	3 months ended		Fav/
	30/6/2015	30/6/2014	(Unfav)	30/6/2015	30/6/2014	(Unfav)
	$'000	$'000	%	$'000	$'000	%
Revenue	**29,915**	**26,562**	13	**12,885**	**13,674**	(6)
Cost of services	(26,832)	(23,846)	(13)	(12,057)	(11,967)	(1)
Gross profit	**3,083**	**2,716**	14	**828**	**1,707**	(51)
Gross margin	*10.3%*	*10.2%*		*6.4%*	*12.5%*	
Other income (including interest income)	1,244	459	171	27	199	(86)
Administrative expenses	(4,965)	(5,602)	11	(2,464)	(2,660)	7
Distribution costs	(873)	(804)	(9)	(436)	(406)	(7)
Other expenses	(45)	(729)	94	(21)	129	NM
Finance costs	(683)	(545)	(25)	(339)	(254)	(33)
Loss before income tax	**(2,239)**	**(4,505)**	50	**(2,405)**	**(2,213)**	(9)
Income tax expense	-	-	-	-	-	-
Net loss for the period	**(2,239)**	**(4,505)**	50	**(2,405)**	**(2,213)**	(9)
Attributable to:						
Equity holders of the parent	(2,068)	(4,342)	52	(2,252)	(2,169)	(4)
Non-controlling interest	(171)	(163)	(5)	(153)	(44)	(248)
	(2,239)	**(4,505)**		**(2,405)**	**(2,213)**	
Statement of comprehensive income						
Net loss for the period	(2,239)	(4,505)	50	(2,405)	(2,213)	(9)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation	751	(1,184)	NM	(437)	(161)	(171)
Other comprehensive loss for the period	**751**	**(1,184)**		**(437)**	**(161)**	
Total comprehensive loss for the period	**(1,488)**	**(5,689)**	74	**(2,842)**	**(2,374)**	(20)
Total comprehensive loss attributable to:						
Equity holders of the parent	(1,584)	(5,013)	68	(2,457)	(2,187)	(12)
Non-controlling interest	96	(676)	NM	(385)	(187)	(106)
	(1,488)	**(5,689)**	74	**(2,842)**	**(2,374)**	(20)

NM: Not meaningful

Net loss for the period as a percentage of revenue	-7.5%	-17.0%	-18.7%	-16.2%

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

Reversal of impairment of property, plant and equipment	-	(832)	-	(832)
Depreciation of property, plant and equipment	3,210	4,115	1,590	1,762
Amortisation of land use rights	44	44	22	22
Foreign exchange difference	(1,443)	240	(834)	953
Fixed assets written off	-	4	-	4
(Gain) Loss on disposal of property, plant and equipment	(167)	(167)	297	297
Interest income	(48)	(48)	(5)	(5)
Interest expense	683	545	339	254

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 30/6/2015	As at 31/12/2014	As at 30/6/2015	As at 31/12/2014
	$'000	$'000	$'000	$'000
Current assets				
Cash and cash equivalents	9,301	6,916	2,070	404
Pledged bank deposits	327	363	-	-
Structured deposits	20,973	20,220	-	-
Trade receivables	14,905	20,925	-	-
Other receivables and prepayments	1,653	2,652	594	4,816
Land use rights	100	98	-	-
Inventories	4,248	4,668	-	-
Total current assets	51,507	55,842	2,664	5,220
Non-current assets				
Investment in subsidiaries	-	-	46,296	45,339
Investment in associate	-	-	-	-
Land use rights	4,046	4,012	-	-
Property, plant and equipment	31,456	33,719	758	751
Other receivables	675	794	-	-
Goodwill	82	82	-	-
Deferred tax asset	33	33	-	-
Total non-current assets	36,292	38,640	47,054	46,090
Total assets	**87,799**	**94,482**	**49,718**	**51,310**
Current liabilities				
Trade payables	11,843	14,108	-	-
Other payables	5,254	5,135	8,601	8,178
Provisions	11,193	11,193	11,193	11,193
Derivative financial instruments	90	88	-	-
Short-term bank loans	7,345	7,632	-	-
Current portion of long-term bank loans	4,124	3,667	-	-
Current portion of finance leases	6	21	-	-
Due to shareholders	3,350	5,311	3,350	5,311
Total current liabilities	43,205	47,155	23,144	24,682
Non-current liabilities				
Retirement benefit obligations	620	589	-	-
Due to shareholders	10,872	10,684	10,872	10,684
Long-term bank loans	6,983	8,447	-	-
Total non-current liabilities	18,475	19,720	10,872	10,684
Capital, reserves and non-controlling interests				
Share capital	56,127	56,127	56,127	56,127
Reserves	(37,088)	(35,504)	(40,425)	(40,183)
Equity attributable to equity holders of the company	19,039	20,623	15,702	15,944
Non-controlling interest	7,080	6,984	-	-
Total equity	26,119	27,607	15,702	15,944
Total liabilities and equity	**87,799**	**94,482**	**49,718**	**51,310**

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 30/6/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
11,475	3,350	11,320	5,311

The amount repayable after one year

As at 30/6/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
6,983	10,872	8,447	10,684

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 30 June

	Group		Group	
	6 months ended		3 months ended	
	30/6/2015	30/6/2014	30/6/2015	30/6/2014
	$'000	$'000	$'000	$'000
Operating Activities:				
Loss before Income Tax:	(2,239)	(4,505)	(2,405)	(2,213)
Adjustments for:-				
Depreciation of property, plant and equipment	3,210	4,115	1,590	1,762
Amortisation of land use rights	44	44	22	22
Reversal of impairment of property, plant and equipment	-	(832)	-	(832)
Property, plant and equipment written off	-	4	-	4
Interest income	(48)	(48)	(5)	(5)
Interest expense	683	545	339	254
Net foreign exchange (gain) loss	(1,443)	240	(834)	953
(Gain) Loss on disposal of property, plant and equipment	(167)	(167)	297	297
Operating profit (loss) before working capital changes	40	(604)	(996)	242
Changes in working capital:-				
Trade receivables	6,020	6,433	6,871	1,955
Other receivables and prepayments	1,118	464	(416)	333
Inventories	420	(647)	(10)	(846)
Trade payables	(2,265)	(2,480)	(1,246)	315
Other payables	119	(3,784)	(588)	(2,667)
Cash generated from operations	5,452	(618)	3,615	(668)
Net interest paid	(635)	(497)	(334)	(249)
Income tax paid	-	-	-	-
Cash flows generated from (used in) operating activities	**4,817**	**(1,115)**	**3,281**	**(917)**
Investing Activities:				
(Increase) Decrease in investment in structured deposits	(327)	-	715	-
Proceeds on disposal of property, plant and equipment	620	4,389	150	2,970
Purchase of property, plant and equipment	(583)	(1,140)	(550)	(891)
Cash flows (used in) generated from investing activities	**(290)**	**3,249**	**315**	**2,079**
Financing Activities:				
Decrease in pledged bank deposits	36	609	50	103
Repayment of bank loans	(6,694)	(7,267)	(5,013)	(3,341)
New bank loans raised	5,974	5,392	4,451	3,171
Repayment to shareholders	(2,330)	(993)	(1,244)	(715)
New loans from shareholders	873	2,815	184	2,815
Repayment of finance lease obligations	(15)	(17)	(7)	(9)
Cash flows (used in) generated from financing activities	**(2,156)**	**539**	**(1,579)**	**2,024**
Net increase in cash and cash equivalents	**2,371**	**2,673**	**2,017**	**3,186**
Cash and cash equivalents at beginning of period	6,916	18,997	7,295	18,477
Effect of exchange rate changes on the balances of cash held in foreign currencies	14	(22)	(11)	(15)
Cash and cash equivalents at end of period	**9,301**	**21,648**	**9,301**	**21,648**

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 30 June

	Share capital $'000	Currency translation 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 April 2014	**56,127**	**(8,238)**	**7,781**	**(2,993)**	**(23,890)**	**28,787**	**6,818**	**35,605**
Loss for the period	**-**	-	-	-	(2,169)	**(2,169)**	(44)	**(2,213)**
Other comprehensive loss for the period	**-**	(12)	-	**-**	(6)	**(18)**	(143)	**(161)**
Total	**-**	(12)	-	**-**	(2,175)	**(2,187)**	(187)	**(2,374)**
At 30 June 2014	**56,127**	**(8,250)**	**7,781**	**(2,993)**	**(26,065)**	**26,600**	**6,631**	**33,231**
At 1 April 2015	**56,127**	**(7,987)**	**7,912**	**(2,993)**	**(31,563)**	**21,496**	**7,465**	**28,961**
Loss for the period	-	-	-	-	(2,252)	**(2,252)**	(153)	**(2,405)**
Other comprehensive loss for the period	**-**	(205)	-	**-**	-	**(205)**	(232)	**(437)**
Total	**-**	(205)	-	**-**	(2,252)	**(2,457)**	(385)	**(2,842)**
At 30 June 2015	**56,127**	**(8,192)**	**7,912**	**(2,993)**	**(33,815)**	**19,039**	**7,080**	**26,119**
Company								
At 1 April 2014	**56,127**	**322**	**-**	**-**	**(13,482)**	**42,967**	**-**	**42,967**
Loss for the period	-	-	-	-	(1,157)	**(1,157)**	-	**(1,157)**
Other comprehensive loss for the period	-	(484)	-	-	-	**(484)**	-	**(484)**
Total	**-**	(484)	**-**	**-**	(1,157)	**(1,641)**	**-**	**(1,641)**
At 30 June 2014	**56,127**	**(162)**	**-**	**-**	**(14,639)**	**41,326**	**-**	**41,326**
At 1 April 2015	**56,127**	**2,018**	**-**	**-**	**(41,198)**	**16,947**	**-**	**16,947**
Loss for the period	-	-	-	-	(946)	**(946)**	-	**(946)**
Other comprehensive loss for the period	-	(299)	-	-	-	**(299)**	-	**(299)**
Total	**-**	(299)	**-**	**-**	(946)	**(1,245)**	**-**	**(1,245)**
At 30 June 2015	**56,127**	**1,719**	**-**	**-**	**(42,144)**	**15,702**	**-**	**15,702**

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 April 2015 to 30 June 2015, 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 30/6/2015	As at 31/12/2014
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 Group has adopted the same accounting policies and methods of computation for the current year consistent with those of the audited financial statements for the year ended 31 December 2014. In the current financial year, the Group has adopted all the new and revised Financial Reporting Standards ("FRSs") that are relevant to its operations and effective for annual periods beginning on 1 January 2015.

The adoption of these new and revised FRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

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		Group	
	6 months ended		3 months ended	
	30/6/2015	30/6/2014	30/6/2015	30/6/2014
Earnings per ordinary share for the year based on net profit/(loss) for the period:				
(i) Based on the weighted average number of ordinary shares in issue (cts); and	(0.36)	(0.76)	(0.40)	(0.38)
Weighted average number of shares	570,000,000	570,000,000	570,000,000	570,000,000
(ii) On a fully diluted basis (cts)	(0.36)	(0.76)	(0.40)	(0.38)
Weighted average number of shares	570,000,000	570,000,000	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 30/6/2015	As at 31/12/2014	As at 30/6/2015	As at 31/12/2014
Net asset value per ordinary share (cts)	3.33	3.60	2.75	2.80
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 six months ended 30 June 2015 ("1H15"), the Group reported revenue of $30 million, an increase of 13% from $26.6 million from the corresponding period in 2014 ("1H14"). It is due to an increase in revenue for PCB operations and Routing segments, with PCB operations segment showing the largest percentage increase of 15%. This increase is in line with the Group's renewed focus in strengthening sales and marketing of products to improve revenue.

However, for the three months ended 30 June 2015 ("2Q15"), the Group reported revenue of $12.9 million, a decrease of 6% from $13.7million from the corresponding period in 2014 ("2Q14"). This decrease across the Board is due to weaker business environment as compared to prior period.

PCB Operations

PCB operations continue to be the major contributor accounting for 90% of our Group's revenue in 1H15. Revenue from PCB operations improved by 15% from $23.5 million in 1H14 to $27.0 million 1H15. This increase is due to Group's focus in improving sales volume.

On a quarterly basis, revenue from PCB operations decreased by 4% from $11.7 million in 2Q14 to $11.2 million in 2Q15.

Mechanical Drilling and Routing

Revenue from Mechanical drilling and Routing segment decrease by 6% from $3.1 million in 1H14 to $2.9 million in 1H15. Mechanical drilling and routing segments are mainly made up of sub-contracted sales which are volatile to any fluctuations in market demands.

On a quarterly basis, revenue from mechanical drilling and routing segment decreased by 15% from $2.0 million in 2Q14 to $1.7 million in 2Q15.

Geographical Markets

China operations remained as the key contributor to Group's revenue in 2Q15 at 81%. There is a decrease of 18% from 97% in 2Q14 to 81% in 2Q15 due to improvements in Taiwan operations in 2015.

Since the cessation of laser drilling operation in Taiwan in 2014, Taiwan operation underwent a series of restructurings to convert into PCB operations. Its revenue had been steadily improved since second half of 2014. For 2Q15, Taiwan operation contributed $2.5 million to the Group's revenue.

Profitability

Gross Profit

Gross profit improved from $2.7 million in 1H14 to $3.1 million in 1H15. PCB operations posted a gross profit of $3.3 million which was partially offsetted by Mechanical drilling and Routing segment's gross loss of $0.2 million. The gross loss from Mechanical drilling and Routing arises from fixed manufacturing expenses such as labour cost, electricity and depreciation.

On a quarterly basis, gross profit decreased from $1.7 million in 2Q14 to $0.8 million in 2Q15.

Expenses

Other Income

The increase in other income mainly is due to interest income received from structured deposits. Structured deposits earn a higher interest and Eucon starts investing in it since 2Q14.

Administrative Expenses

The slight decrease in administrative expenses was mainly due to decrease in labour costs, depreciation and research and development costs.

Distribution Costs

Distribution costs remained constant at $0.8 million and $0.9 million in 1H14 and 1H15. Distribution costs pertains to sales commission payable to sales representatives in processing sales for PCB manufacturing.

Other Expenses

Disposal gain or loss from sale of plant and machinery and exchange difference are classified accordingly between other income or other expenses based on the net effect in that financial period.

For 1H15, there is a net gain in disposal of plant and machinery as well as exchange difference. Thus all are reclassified under other income. However, in 1H14, the other expenses are mainly made up of net exchange loss.

Finance Costs

The increase in finance cost is due to higher interest expense incurred in 2Q15. In 2Q14, there is a time gap of 2 months after bank loan repayment before it was re-taken up.

Balance Sheet

There is an increase in the Group's cash and bank balances from $6.9 million at 4Q14 to $9.3 million at 2Q15. Pledged bank deposits remained constant at $0.4 million while restructured deposits increased slightly from $20.2 million to $21.0 million. Structured deposits attract higher interest returns.

Trade receivables decreased significantly by $6 million from $21 million as at 4Q14 to $15 million as at 2Q15. Similarly, trade receivables turnover days improved from 132 days to 106 days from 4Q14 to 2Q15. Trade receivable's credit period ranges from 45 days to 150 days. The decrease is mainly due to repayment.

Other receivables and prepayments decreased by $1.1 million from $3.4 million at 4Q14 to $2.3 million at 2Q15. 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 decrease in inventory level from $4.7 million at 4Q14 to $4.2 million at 2Q15 was mainly due to better cost control.

The decrease in property, plant and equipment arises mainly from depreciation.

Trade and other payables decreased by $1.9 million from $19 million at 4Q14 to $17.1 million at 2Q15. The decrease in trade payable is due to a reduction in purchase of inventory as a result of lower sales forecasted. Inventory purchases are generally made 1 month in advance.

Other payables remained constant between 4Q14 and 2Q15.

Derivative financial statements pertain to estimated liability on the fair value of the forward foreign exchange contracts.

Amount due to shareholders decreased by $1.8 million from $16.0 million as at 4Q14 to $14.2 million as at 2Q15.

Total gross borrowings decreased slightly from $19.8 million at 4Q14 to $18.5 million at 2Q15.

The Group's net working capital position decreased by $0.4 million from a $8.7 million net asset position for 4Q14 to a $8.3 million net asset position for 2Q15.

As at 2Q15, the Group's current ratio (current assets/current liabilities) and debt/equity ratio are 1.19 and 3.2 respectively. The Group's equity (net assets) stands at $26.1 million.

Cash Flow

Cash flow generated from operating activities of $3.3 million in 2Q15 was mainly due to increase in collection from trade receivables.

Cash flow generated from investing activities of $0.3 million in 2Q15 was mainly due to decrease in structured deposits and partially offsetted by replacement of machineries due to wear and tear.

Cash flow used in financing activities of $1.6 million in 2Q15 was mainly due to repayment of loan borrowings and repayments to shareholders.

Cash and bank balances decreased by $12.3 million from $21.6 million in 2Q14 to $9.3 million in 2Q15 due to reclassification of $21.0 million of restructured deposits.

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.

Eucon Group had seen improvements in cost control after focusing on cost restructuring. Going forward, Eucon Group will focus on strengthening its sales and marketing aspects. FY2015 will be the last financial year for Eucon Group to exit from watchlist status and Eucon Group is working towards fulfilling the exit requirements. Any updates will be announced via SGX portal.

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 second quarter ended 30 June 2015.

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

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

During the financial year, there were related parties transactions based on terms agreed between the parties as follows:-

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 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 30.6.2015: $14.8 million Amount outstanding as at 30.6.2015: $13.6 million	-
Loan from Sunny Worldwide Int'l Ltd (Amount outstanding as at 30.6.2015 is $10.8 million)	Interest for the 6 months ended 30.6.2015: $0.19 million	-
Loan from Mr Wen Yao-Long (Amount outstanding as at 30.6.2015 is $3.4 million)	Interest -free loan	-

Except for the above, there was no other interested person transaction, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into the Group or by the Company during the financial period ended 30 June 2015.

BY ORDER OF THE BOARD

Wen Yao-Long
Executive Chairman & CEO
4 August 2015