

## **DISPOSAL OF MECHANICAL DRILLING MACHINES**

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The Board of Directors (the “**Board**”) of Eucon Holding Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the disposal of its 66 sets of mechanical drilling machines (the “**Disposal**”) by its subsidiary, Shanghai Lian Han Xin Electronic Technology Co., Ltd (“**Lian Han Xin**”). Lian Han Xin had entered into 2 Sale and Purchase Agreements (collectively, the “**Agreements**”), both dated 16 November 2016 with 深圳市天勤达电路科技有限公司 and 深圳市润力达线路板设备有限公司 (collectively, the “**Purchasers**”) for the sale of 6 mechanical drilling machines and 60 mechanical drilling machines respectively.

### **Rationale for Disposal of 66 Mechanical Drilling Machines**

Located in Shanghai, Lian Han Xin’s principal activity is provision of mechanical drilling services to PCB manufacturers. The Group’s mechanical drilling operation orders are based on sub-contracts and there has been a decline in orders received over the years. Lian Han Xin has been loss-making since financial year 2011. Utilization rate of mechanical drilling machines averages at 18% for 2016 (2015: 40%). As of 30 September 2016, loss from Lian Han Xin amounted to S\$2.3 million.

The Board is of the view that with increased competition in the mechanical drilling industry over the years, the outlook for this segment is not positive for the Group. The Disposal of un-utilized mechanical drilling machines would allow the Group to operate more efficiently.

Upon the Disposal, there will be 35 mechanical drilling machines left in the Group.

### **Information on the Agreements**

The total consideration for the Disposal amounted to approximately S\$2.1 million (“**Consideration**”). The Consideration was arrived at on a willing buyer and willing seller basis after arm’s length negotiations between Lian Han Xin and the Purchasers. The Consideration will be satisfied in cash and the proceeds will be used for the Group’s operational cashflow.

**Computation of Rule 1006 of listing manual of the Singapore Exchange Securities Trading Limited (“SGX-ST Listing Manual”)**

The relative figures of Rule 1006 of the SGX-ST Listing Manual based on the unaudited financials of mechanical drilling operation of Lian Han Xin and the Group’s consolidated financial statements for the nine months ended 30 September 2016 are as follows:

<b>Rule</b>	<b>Bases</b>	<b>Relative Figures</b>
1006(a)	The Net Asset Value (“NAV”) of the mechanical drilling machines to be disposed of is S\$636,708, compared to the Group’s latest announced consolidated net asset value (excluding goodwill) of S\$5,284,000 as at 30 September 2016.	12.1%
1006(b)	The net loss (before income tax, minority interests and extraordinary items) attributable to 66 mechanical drilling machines to be disposed of is S\$2,335,204, compared to the Group’s latest announced consolidated net loss of S\$12,574,930 as at 30 September 2016. Please refer to Note (i) below.	18.6%.
1006(c)	The value of the consideration to be received is S\$2,071,512 compared with the Group’s market capitalization of S\$118,560,000 (based on the weighted average price of the Group’s shares transacted on the market day preceding the date of the Agreements) based on the number of issued shares (excluding treasury shares), being 3,120,000,000 ordinary shares.	1.7%
1006(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
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group’s proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Note (i): Had the disposal gain of 66 mechanical drilling machines of S\$1.4 million been factored in, the net profit (before income tax, minority interests and extraordinary items) attributable to 66 mechanical drilling machines to be disposed of compared to the Group’s latest announced consolidated net loss would be 8.1%.

As the computation under Rule 1006(c) of the SGX-ST Listing Manual exceed 5% but do not exceed 20%, the Disposal is a discloseable transaction but not a major transaction within the meaning of Chapter 10 of the SGX-ST Listing Manual. Therefore, the Company is not required to seek shareholders' approval for the Disposal.

### **Financial Effect on the Disposal**

Based on the unaudited financials of Lian Han Xin, the net book value attributable to the 66 mechanical drilling machines is S\$636,708. Lian Han Xin is expected to record a gain of S\$1,434,804 from the Disposal.

For illustration purpose only, assuming (as per Rule 1010(8) of the SGX-ST Listing Manual) that the Disposal had been effected as at 31 December 2015 and based on the audited accounts of the Group for the financial year ended 31 December 2015 ("FY2015"), the Disposal would have increased the net asset value per share of the Group of 12.5 cents to 14.9 cents.

For illustration purpose only, assuming (as per Rule 1010(9) of the SGX-ST Listing Manual) that the Disposal had been effected as at 1 January 2015 and based on the audited accounts of the Group for FY2015, the Disposal would have reduced the loss per share of the Group from 3.8 cents to 3.6 cents.

None of the director or controlling shareholder has any interest, direct or indirect, in the Disposal.

BY ORDER OF THE BOARD

Ji Zenghe  
Executive Chairman and Chief Executive Officer

16 November 2016