## 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.

## Revenue

Cost of sales
Gross profit
Gross margin
Other income (including interest income)
Administrative expenses
Distribution costs
Other expenses
Finance costs

## Profit before income tax

Income tax expense

## Profit for the period

Attributable to:
Equity holders of the parent
Minority interest

| Group |  |  |
| :---: | :---: | :---: |
| 6 months ended |  | Fav/ (Unfav) |
| 30/6/2011 | 30/6/2010 |  |
| \$'000 | \$'000 | \% |
| 52,854 | 55,760 | (5) |
| $(43,678)$ | $(45,937)$ | 5 |
| 9,176 | 9,823 | (7) |
| 17.4\% | 17.6\% |  |
| 250 | 314 | (20) |
| $(5,030)$ | $(5,047)$ | - |
| $(2,195)$ | $(1,645)$ | (33) |
| (369) | (615) | 40 |
| (874) | $(1,107)$ | 21 |
| 958 | 1,723 | (44) |
| (693) | (131) | (429) |
| 265 | 1,592 | (83) |
| 82 | 1,462 | (94) |
| 183 | 130 | 41 |
| 265 | 1,592 |  |
| 265 | 1,592 | (83) |
| $(1,848)$ | (366) | (404) |
| - | 249 | (100) |
| $(1,848)$ | (117) |  |
| $(1,583)$ | 1,475 | NM |
| $(1,561)$ | 1,367 | NM |
| (22) | 108 | NM |
| $(1,583)$ | 1,475 | NM |

## Statement of comprehensive income

Profit for the period
Other comprehensive income:
Foreign currency translation
Gain on cash flow hedge
Other comprehensive loss for the period

Total comprehensive (loss) profit for the period

Total comprehensive (loss) profit attributable to:
Equity holders of the parent
Minority interest

NM: Not meaningful
Profit for the period as a percentage of revenue
0.5\%
2.9\%

Profit for the period is arrived at after charging (crediting) the following:

Allowance for bad debts
Depreciation of property, plant and equipment
Amortisation of land use rights
Fixed assets written off
Foreign exchange loss (gain)
Fair value (gain) loss on derivative financial instrument
Gain on disposal of property, plant and equipment
Interest income
Interest expense

| - | 863 |
| ---: | ---: |
| 7,213 | 9,014 |
| 143 | 58 |
| - | 21 |
| 559 | $(55)$ |
| 19 | $(143)$ |
| $(48)$ | - |
| $(30)$ | $(22)$ |
| 874 | 1,107 |


| - | 863 |
| ---: | ---: |
| 3,516 | 4,466 |
| 121 | 17 |
| - | 21 |
| 63 | 106 |
| 19 | $(89)$ |
| $(35)$ | - |
| $(19)$ | $(7)$ |
| 444 | 565 |

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.

## Statement of Financial Position

## Current assets

Cash and bank balances
Pledged bank deposits
Trade receivables
Other receivables and prepayments
Financial assets at fair value through profit \& loss
Land use rights
Inventories
Total current assets

## Non-current assets

Investment in subsidiaries
Land use rights
Property, plant and equipment
Other receivables
Goodwill
Deferred tax asset
Total non-current assets

## Total assets

## Current liabilities

Trade payables
Other payables
Short-term bank loans
Current portion of long-term bank loans
Current portion of finance leases
Current portion of notes payable
Due to shareholders
Total current liabilities

## Non-current liabilities

Long-term bank loans
Finance leases
Total non-current liabilities
Capital, reserves and minority interests
Share capital
Reserves
Equity attributable to equity holders
of the company
Minority interest
Total equity
Total liabilities and equity

| Group |  | Company |  |
| :---: | :---: | :---: | :---: |
| $\begin{gathered} \text { As at } \\ 30 / 6 / 2011 \end{gathered}$ | $\begin{gathered} \text { As at } \\ 31 / 12 / 2010 \end{gathered}$ | $\begin{gathered} \text { As at } \\ 30 / 6 / 2011 \end{gathered}$ | $\begin{gathered} \text { As at } \\ 31 / 12 / 2010 \end{gathered}$ |
| \$'000 | \$'000 | \$'000 | \$'000 |
| 14,482 | 14,579 | 102 | 1,062 |
| 523 | 628 | - | - |
| 37,161 | 39,740 | - | - |
| 3,121 | 1,477 | 10,273 | 11,978 |
| 733 | 752 | - |  |
| 88 | 90 | - | - |
| 8,756 | 7,688 | - |  |
| 64,864 | 64,954 | 10,375 | 13,040 |
| - | - | 65,693 | 67,308 |
| 3,903 | 4,044 | - | - |
| 77,581 | 85,021 | 706 | 731 |
| 1,423 | 1,697 | - | - |
| 2,226 | 2,226 | - |  |
| 859 | 1,469 | - |  |
| 85,992 | 94,457 | 66,399 | 68,039 |
|  |  |  |  |
| 150,856 | 159,411 | 76,774 | 81,079 |
| 27,260 | 27,292 | - | - |
| 6,815 | 10,535 | 10,443 | 9,429 |
| 17,066 | 17,287 | - | - |
| 1,427 | 1,336 | 59 | 59 |
| 1,450 | 1,473 | - |  |
| 1,221 | 3,439 | 1,221 | 3,439 |
| 11,780 | 12,284 | 11,780 | 12,284 |
| 67,019 | 73,646 | 23,503 | 25,211 |
| 8,148 | 8,552 | 129 | 164 |
| 1,491 | 1,432 | - | - |
| 9,639 | 9,984 | 129 | 164 |
| 56,127 | 56,127 | 56,127 | 56,127 |
| 9,634 | 11,195 | $(2,985)$ | (423) |
| 65,761 | 67,322 | 53,142 | 55,704 |
| 8,437 | 8,459 | - | - |
| 74,198 | 75,781 | 53,142 | 55,704 |
| 150,856 | 159,411 | 76,774 | 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 30/6/2011 |  | As at 31/12/2010 |  |
| :---: | :---: | :---: | :---: |
| Secured | Unsecured | Secured | Unsecured |
| $\$^{\prime} 000$ | $\$^{\prime} 000$ |  | $\$^{\prime} 000$ |
| 19,943 |  | 1,221 | 20,096 |

The amount repayable after one year

| As at 30/6/2011 |  | As at 31/12/2010 |  |
| :---: | :---: | :---: | :---: |
| Secured | Unsecured | Secured | Unsecured |
| $\$^{\prime} 000$ | $\$ ' 000$ | $\$^{\prime} 000$ |  |
|  | 9,639 |  | - |

## 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) Statement of Cash Flows for period ended 30 June

## Operating Activities:

Profit before income tax:
Adjustments for:-
Depreciation of property, plant and equipment
Amortisation of land use rights
Fair value gain (loss) on derivative financial instrument
Fixed assets written off
Interest income
Interest expense
Net foreign exchange loss (gain)
Gain on disposal of property, plant and equipment Operating profit before working capital changes

Changes in working capital:-
Trade receivables
Other receivables and prepayments
Inventories
Trade payables
Other payables
Cash generated from operations
Net interest paid
Income tax paid
Cash flows from operating activities
Investing Activities:
Purchase of plant and equipment
Proceeds on disposal of plant and equipment

## Cash flows used in investing activities

## Financing Activities:

Increase (Decrease) in cash subjected to restriction
New bank loans raised
Repayment of bank loans
Decrease in notes payable
Due to shareholders
New finance lease obligations raised
Repayment of finance lease obligations
Cash flows (used in) generated from financing activities
Net (decrease) increase in cash and bank balances
Cash and bank balances at beginning of period
Effect of exchange rate changes on the balances of cash held in foreign currencies
Cash and bank balances at end of period


## 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 period ended 30 June

|  | 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 | $\begin{aligned} & \text { Total } \\ & \$ ' 000 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Group |  |  |  |  |  |  |  |  |  |
| At 1 April 2010 | 56,127 | $(5,771)$ | (296) | 5,730 | - | 14,481 | 70,271 | 5,723 | 75,994 |
| Total comprehensive income (loss) for the period | - | (175) | 89 | - | - | 2,177 | 2,091 | 146 | 2,237 |
| At 30 June 2010 | 56,127 | $(5,946)$ | (207) | 5,730 | - | 16,658 | 72,362 | 5,869 | 78,231 |
| At 1 April 2011 | 56,127 | $(8,619)$ | - | 7,417 | $(2,993)$ | 13,836 | 65,768 | 8,251 | 74,019 |
| Total comprehensive income (loss) for the period | - | (296) | - | - | - | 289 | (7) | 186 | 179 |
| At 30 June 2011 | 56,127 | $(8,915)$ | - | 7,417 | $(2,993)$ | 14,125 | 65,761 | 8,437 | 74,198 |
| Company |  |  |  |  |  |  |  |  |  |
| At 1 April 2010 | 56,127 | 1,197 | (296) | - | - | 5,561 | 62,589 | - | 62,589 |
| Total comprehensive income (loss) for the period | - | 87 | 89 | - | - | (798) | (622) | - | (622) |
| At 30 June 2010 | 56,127 | 1,284 | (207) | - | - | 4,763 | 61,967 | - | 61,967 |
| At 1 April 2011 | 56,127 | $(2,425)$ | - | - | - | 542 | 54,244 | - | 54,244 |
| Total comprehensive loss for the period | - | (397) | - | - | - | (705) | $(1,102)$ | - | $(1,102)$ |
| At 30 June 2011 | 56,127 | $(2,822)$ | - | - | - | (163) | 53,142 | - | 53,142 |

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 30 June 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.

The total number of issued shares excluding treasury shares


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.

Earnings per ordinary share for the year (i) Based on the weighted average number of ordinary shares in issue (cts); and
(ii) On a fully diluted basis (cts)

| Group |  | Group |  |
| ---: | ---: | ---: | ---: |
| $\mathbf{6}$ months ended |  | 3 months ended |  |
| $\mathbf{3 0 / 6 / 2 0 1 1}$ | $\mathbf{3 0 / 6 / 2 0 1 0}$ | $\mathbf{3 0 / 6 / 2 0 1 1}$ | $\mathbf{3 0 / 6 / 2 0 1 0}$ |
| 0.01 | 0.26 | 0.05 | 0.38 |
| $570,000,000$ | $570,000,000$ | $570,000,000$ | $570,000,000$ |
|  |  |  | 0.05 |
| 0.01 | 0.26 | $570,000,000$ | $570,000,000$ |
| $570,000,000$ | $570,000,000$ |  |  |

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.

Net asset value per ordinary share (cts) Number of shares

| Group |  | Company |  |
| ---: | ---: | ---: | ---: |
| As at <br> $\mathbf{3 0 / 6 / 2 0 1 1}$ | As at | As at <br> $\mathbf{3 1 / 1 2 / 2 0 1 0}$ |  |
| $\mathbf{3 0 / 6 / 2 0 1 1}$ | $\mathbf{3 1 / 1 2 / 2 0 1 0}$ |  |  |
| 11.15 | 11.42 | 9.32 |  |
| $570,000,000$ | $570,000,000$ | $570,000,000$ | $570,000,000$ |

## 8. Review of the Group's performance

## Revenue

For the six months ended 2011 ("1H11"), the Group reported revenue of $\$ 52.9$ million, a slight drop of $5 \%$ from $\$ 55.8$ million from the corresponding period in 2010 ("1H10"). This was mainly due to decrease in revenue from mechanical drilling services and laser drilling services.

For the second quarter of 2011 ("2Q11"), the Group reported revenue of $\$ 28.2$ million, a decrease of $11 \%$ from $\$ 31.6$ million from the corresponding period in 2010 ("2Q10")

## PCB Operations

PCB operations continue to be the major contributor accounting for $77.5 \%$ of our Group's revenue for 1 H 11 . PCB revenue improved by $4 \%$ from $\$ 39.4$ million in 1 H 10 to $\$ 41.0$ million in 1 H 11 . This revenue growth was attributed to increasing orders from existing customers and new customers secured.

On a quarterly basis, PCB revenue improved by $1 \%$ from $\$ 21.2$ million in 2 Q10 to $\$ 21.5$ million in 2Q11.

## Mechanical Drilling and Routing

Revenue from mechanical drilling and routing services decreased by $45 \%$ from $\$ 8.0$ million in 1 H 10 to $\$ 4.4$ million in 1 H 11 . Unlike 2010, the period of recovery from financial crisis, there was no clearing of order backlogs extending into the first half of 2011.

On a quarterly basis, mechanical drilling and routing services dropped by $44 \%$ from $\$ 4.8$ million in 2 Q10 to $\$ 2.7$ million in 2 Q11.

## Laser Drilling

Revenue from laser drilling services dropped by $10 \%$ from $\$ 8.3$ million in 1 H 10 to $\$ 7.5$ million in 1 H 11 . This is due to lesser subcontracting work received from customers in 2Q11.

On a quarterly basis, laser drilling services dropped by $30 \%$ from $\$ 5.7$ million in 2Q10 to $\$ 4.0$ million in 2Q11.

## Geographical Markets

China operations remained as the key contributor to Group's revenue in 2011. Proportion of revenue from China operations decreased by 3\% from $90 \%$ in 1Q11 to $87 \%$ in 2Q11. Since 2010, revenue growth of the Taiwan operations has been comparable with revenue growth of the China operation.

## Profitability

## Gross Profit

Gross Profit showed a decline from $\$ 9.8$ million in 1 H 10 to $\$ 9.2$ million in 1 H 11 , with a drop in profit margin from $17.6 \%$ to $17.4 \%$. This is mainly due to factors such as electricity rationing, increasing labour costs and increasing cost of raw materials faced our China subsidiaries in recent months.

On a quarterly basis, gross profit dropped from $\$ 6.9$ million in 2Q10 to $\$ 5.6$ million in 2Q11.

## Expenses

## Other Income

The drop in other income was due to lesser gain on disposal of plant and equipment in 1 H 11 .

## Administrative Expenses

Administrative expenses remained constant for 1 H 10 and 1 H 11 .
At a quarterly basis, the slight decrease in administrative expenses was in line with lower 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 $33 \%$ from $\$ 1.6$ million in 1 H 10 to $\$ 2.2$ million in 1 H 11 . This increase was due to increase in percentage of sales commission payable to sales representatives.

## Other Expenses

Other expense decreased by $\$ 0.6$ million in 1 H 10 to $\$ 0.4$ million in 1 H 11 mainly due to decrease in exchange loss arising from slowdown in depreciation of JPY against RMB.

On a quarterly basis, the drop in other expenses was also due to foreign exchange difference.

## Finance Costs

Finance costs decreased by $21 \%$ from $\$ 1.1$ million in 1 H 10 to $\$ 0.9$ million in 1 H 11 . This was due mainly to the repayment of bank borrowings and lower interest rates.

## Balance Sheet

The Group's cash and bank balances remained constant around the $\$ 14.5$ million mark for 4Q10 and 2Q11.
A slight drop of $\$ 0.1$ million was also observed for pledged bank deposits as bank borrowings requiring pledged bank deposits were being repaid.

The decrease in trade receivables was mainly due to more stringent credit collection procedures. It was observed that quarterly sales had increase from $\$ 27.1$ million in 4Q10 to $\$ 28.2$ million in 2Q11.

Other receivables and prepayments increased by $\$ 1.3$ million from $\$ 3.2$ million at $4 Q 10$ to $\$ 4.5$ million at 2Q11. Other receivables and prepayments mainly comprise of prepaid operating expenses, such as rental, utilities, insurance, maintenance expense, etc.

Inventory management is constantly reviewed and inventory will be kept at the minimum required level. Inventory increased by $\$ 1.1$ million from $\$ 7.7$ million at 4Q10 to $\$ 8.8$ million at 2Q11 due to higher cost of materials coupled with higher sales forecasted going forward.

Trade payables remained constant at $\$ 27.3$ million for 4Q10 and 2Q11.
Other payables decreased by $\$ 3.7$ million were mainly due to refund of sales deposit placed by customer in 1 H 11 , coupled with payout of accrued staff bonus in 1Q11.

Total gross borrowings had also been reduced by $\$ 3.2$ million from $\$ 45.8$ million at 4 Q 10 to $\$ 42.6$ million at 2Q11. 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 $4 Q 10$ to $\$ 2.2$ million in 2Q11. This was mainly due to generation of $\$ 5.2$ million cashflow from operating activities in 1 H 11 .

The Group's current ratio (current assets/current liabilities) and debt/equity ratio are 0.97 and 1.2 respectively. The Group's equity (net assets) stands at $\$ 65.8$ million as at 2Q11.

## Cash Flow

Cash flow generated from operating activities was similar between 1 H 10 and 1 H 11 . Looking at a quarterly basis, higher cashflow generated in 2Q11 was due to increase in receipts collection from trade receivables.

Cash flow used in investing activities mainly due to purchase of 3 sets of laser drilling machines by our Taiwan subsidiary, LGANG Optronics Technology Co., Ltd.

Cash flow used in financing activities of $\$ 3.1$ million in 1 H 11 was mainly due to repayment of loan borrowings, notes payables and finance leases. For 2Q11, net cash flow generated from financing activities of $\$ 3.3$ million was mainly due to re-financing of existing bank loans. Out of which, $\$ 2.5$ million relates to bank loans repaid in 1 Q11 and re-financed in 2Q11, and another $\$ 0.6$ million relates to a new bank loan raised under Taiwan subsidiary, LGANG Optronics Technology Co., Ltd, for purpose of capital expenditures.

Cash and bank balances stood at $\$ 14.5$ million as at 2Q11 as compared to $\$ 7.7$ million as at 2Q10.
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.

Our China subsidiaries had been subjected to various uncertainties such as increasing labour and materials costs and tightening of monetary policy. Despite the seasonal trend where demand is higher in later half of the year, the increase is expected to be marginal. Keeping in mind these factors, management remains vigilant and conservative in its outlook for later half of 2011.
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 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

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 guarantees provided by Mr Wen YaoLong, Mr Wen Yao-Chou, Ms Chan HuiChung to various financial institutions to secure credit facilities for the Group | Total facilities granted as at 30.06.2011: S $\$ 47.4$ million <br> Amount outstanding as at 30.06.2011: <br> S\$28.1 million | - |
| Loan from <br> Sunny Worldwide Int'I Ltd (Amount outstanding as at 30.06.2010 is $\mathbf{S} \$ 6.9$ million) | Interest for the 6 months ended 30.06.2011: S $\$ 0.12$ million | - |
| Loan from <br> Mr Wen Yao-Long (Amount outstanding as at 30.06.2011 is $\mathrm{S} \$ 4.9$ million) | Interest -free loan | - |

## BY ORDER OF THE BOARD

## Wen Yao-Long

Executive Chairman \& CEO
3 August 2011

