EUCON HOLDING LIMITED

(Company Registration No.: 200107762R)
(Incorporated in the Republic of Singapore)

MATERIAL DIFFERENCE BETWEEN THE UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the "**Board**") of Eucon Holding Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the unaudited full year results announcement for the financial year ended 31 December 2016 released on 23 February 2017 (the "**Unaudited Financial Statements**").

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board wishes to highlight that subsequent to the release of the Unaudited Financial Statements, there were certain material differences between the audited financial statements of the Group for financial year ended 31 December 2016 ("**Audited Financial Statements**") and the Unaudited Financial Statements following the finalisation of the audit.

Please refer to pages 2 to 7 of this announcement for details and clarifications of the differences.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016

	Unaudited Financial Statements	Audited Financial Statements	Difference	Note
	$'000	$'000	$'000	
Continuing Operations				
Revenue	**-**	**-**	-	
Cost of services and sales	-	-	-	
Gross profit	**-**	**-**	-	
Gross margin	*0.0%*	*0.0%*		
Other income (including interest income)	-	14	(14)	(a)
Administrative expenses	-	(1,620)	1,620	(a)
Distribution costs	-	-	-	
Other expenses	-	(2,230)	2,230	(a)
Finance costs	-	-	-	
Loss before income tax	**-**	**(3,836)**		
Income tax expense	-	-	-	
Net loss for the year from continuing operations	**-**	**(3,836)**		
Discontinued Operations				
Loss for the year from discontinued operations	(11,336)	(5,904)	(5,432)	(a), (b)
(Loss) Profit for the year	**(11,336)**	**(9,740)**		
Attributable to:				
Equity holders of the parent	(9,849)	(8,367)	(1,482)	(c)
Non-controlling interest	(1,487)	(1,373)	(114)	(c)
	(11,336)	**(9,740)**		
Statement of comprehensive income				
Net loss for the year	(11,336)	(9,740)		
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Measurement of defined benefits obligations	6	(6)	12	#
Foreign currency translation	1,302	1,219	83	#
Other comprehensive income for the year	**1,308**	**1,213**		
Total comprehensive loss for the year	**(10,028)**	**(8,527)**		
Total comprehensive loss attributable to:				
Equity holders of the parent	(5,374)	(6,565)	1,191	(d)
Non-controlling interest	(4,654)	(1,962)	(2,692)	(d)
	(10,028)	**(8,527)**		

#: No explanation provided as difference is not material.

Statement of Financial Position as at 31 December 2016

	Unaudited Financial Statements	Audited Financial Statements	Difference	Note
	$'000	$'000	$'000	
Current assets				
Cash and cash equivalents	46,047	46,047	-	
Restricted cash	-	-	-	
Structured deposits	-	-	-	
Trade receivables	-	-	-	
Other receivables and prepayments	-	-	-	
Assets classified as held for sale	61,496	62,684	(1,188)	(b)
Land use rights	-	-	-	
Inventories	-	-	-	
Total current assets	107,543	108,731		
Non-current assets				
Investment in subsidiaries	-	-	-	
Land use rights	-	-	-	
Property, plant and equipment	-	-	-	
Other receivables	-	-	-	
Deferred tax asset	-	-	-	
Total non-current assets	-	-		
Total assets	**107,543**	**108,731**		
Current liabilities				
Trade and other payables	391	391	-	
Provisions	-	-	-	
Liabilities classified as held for sale	73,739	73,739	-	
Derivative financial instruments	-	-	-	
Short-term bank loans	-	-	-	
Current portion of long-term bank loans	-	-	-	
Due to shareholders	-	-	-	
Total current liabilities	74,130	74,130		
Non-current liabilities				
Retirement benefit obligations	-	-	-	
Due to shareholders	-	-	-	
Long-term bank loans	-	-	-	
Total non-current liabilities	-	-		
Capital, reserves and non-controlling interests				
Share capital	102,027	100,287	1,740	(e)
Reserves	(68,614)	(65,686)	(2,928)	(d), (e)
Equity attributable to equity holders of the company	33,413	34,601		
Non-controlling interest	-	-		
Total equity	33,413	34,601		
Total liabilities and equity	**107,543**	**108,731**		

Cash Flow Statement for year ended 31 December 2016

	Unaudited Financial Statements	Audited Financial Statements	Difference	Note
	$'000	$'000	$'000	
Operating Activities:				
Loss before income tax:	(11,320)	(9,710)	(1,610)	
Adjustments for:-				
Depreciation of property, plant and equipment	4,086	1,807	2,279	(b)
Deferred tax written off	33	-	33	#
Allowance for doubtful debts - net	255	255	-	
Reversal of provision for inventory obsolescence	(583)	(120)	(463)	(f)
Defined benefit obligations	(54)	1	(55)	#
Loss on fair value of financial derivatives	(252)	(252)	-	
Amortisation of land use rights	96	74	22	#
Share-based payment expense	1,870	1,870	-	
Interest income	(29)	(29)	-	
Interest expense	1,101	1,101	-	
Net foreign exchange loss (gain)	(1,852)	2,016	(3,868)	(g)
(Gain) Loss on disposal of property, plant and equipment	(3,294)	(70)	(3,224)	(h)
Operating loss before working capital changes	(9,943)	(3,057)		
Changes in working capital:-				
Trade receivables	(6,086)	(6,086)	-	
Other receivables and prepayments	376	376	-	
Inventories	(2,256)	(2,719)	463	(f)
Trade and other payables	6,762	4,663	2,099	(g)
Cash used in operations	(11,147)	(6,823)		
Net interest (paid) received	(1,072)	(701)	(371)	(i)
Contribution to defined benefit plan	-	(7)	7	#
Income tax paid	-	-	-	
Cash flows used in operating activities	**(12,219)**	**(7,531)**		
Investing Activities:				
Decrease in investment in structured deposits	11,133	11,133	-	
Proceeds on disposal of property, plant and equipment	5,119	2,512	2,607	(j)
Purchase of property, plant and equipment	(2,047)	(2,047)	-	
Cash flows generated from investing activities	**59,205**	**11,598**		
Financing Activities:				
Acquisition of non-controlling interests in a subsidiary	-	(2,081)	2,081	(k)
Proceeds from issuance of share capital	45,000	45,000	-	
Decrease (Increase) in restricted cash	1,711	1,711	-	
Repayment of bank loans	(19,133)	(19,133)	-	
New bank loans raised	19,871	19,871	-	
Repayment to shareholders	(1,018)	(1,018)	-	
New loans from shareholders	2,277	2,277	-	
Cash flows generated from financing activities	**3,708**	**46,627**		
Net increase in cash and cash equivalents	**50,695**	**50,694**		
Cash and cash equivalents at beginning of year	6,355	6,355		
Effect of exchange rate changes on the balances of cash held in foreign currencies	38	38		
Cash and cash equivalents at end of year	**57,088**	**57,087**		

#: No explanation provided as difference is not material.

Notes:

a) Reclassification of operating costs of the Company under continuing operations.

b) The differences are due to:
   (i) Adjustment to reverse out over-depreciation of plant and machineries that had been impaired in prior years; and
   (ii) Adjustment to account for exchange differences on the additional amount payable to Hongta Innovation Partners ("**Hongta**") in relation to the return of shareholdings by Hongta (as explained in Note (c) below).

Notes (*continued*):

c) Due to return of shareholdings in Zhuo Kai Technology Co., Ltd by Hongta (Non-Controlling Interest "**NCI**") on 18 October 2016, management apportioned the net loss attributable to NCI starting from 1 November 2016. The adjustment was to reverse NCI share of losses from 18 October 2016 to 31 October 2016.

d) Adjustment in the Statement of Comprehensive Income related to the changes as explained in Note (a), (b) and (c) above.

e) The Share Subscription approved via an Extraordinary General Meeting on 12 October 2016, pursuant to which Oriental Straits Fund III was granted 279,764,726 Option Shares of the Company, after subscribing to the Tranche 1 shares for an amount of $45 million. The adjustment is to account for the value of Option Shares as a credit to Capital Reserve, with a corresponding debit to Share Capital.

f) Adjustment on overstatement of movement in allowance for inventories with corresponding adjustment on inventories.

g) Adjustment to correct movement relating to payables for buy back of NCI shares from Hongta that were previously allocated to exchange differences in the Statement of Cash Flows.

h) Adjustment on overstatement of gain on disposal of plant and machineries.

i) Adjustment to exclude unpaid interest to Sunny Worldwide.

j) Adjustment to reflect actual proceeds on disposal of plant and machineries.

k) Adjustment to reflect actual payment made to Hongta during the year.

Restatement of Comparative Figures in the Audited Financial Statements

In 2007, the Company entered into an agreement with Hongta for the divestment of 12.5% equity interest of Shanghai Zhuo Kai Electronic Technology Co., Ltd ("**Zhuo Kai**") which also holds 55% shareholdings of other subsidiaries in the People's Republic of China ("**subsidiary group**"). Pursuant to the sale, the Company had also granted Hongta the option to require the company to purchase back its investment during the 3-year period ended October 2011 if this subsidiary group did not achieve certain stipulated milestone and profit targets.

In September 2010, the Company entered into a supplementary agreement with Hongta which amends the buy-back option clause in the initial agreement. Under the supplementary agreement, the Company will transfer an additional 7% of its shareholding in Zhuo Kai to Hongta. In addition, Hongta has the option to require the Company to purchase back its investment if Zhuo Kai fails to meet the milestone by the end of a 5-year period ending October 2015.

In July 2015, the Company entered into a supplementary agreement with Hongta to buy back the 19.5% equity shares of a subsidiary for a consideration of RMB108.5 million ($22.6 million; 2015 : $23.6 million) in August 2016.

Management has restated the obligation in respect of the option to require the Company to purchase back Hongta's investment in Zhuo Kai to recognise a gross obligation at an amount equal to the present value of the amount that could be required to be paid to Hongta on initial recognition of the put option.

The restatements are as follows:

	Group	
	Previously reported	**After restatement**
	$'000	**$'000**
December 31, 2015		
Group		
Statements of financial position		
Obligation under put option	12,747	23,642
Reserves	(53,628)	(64,523)
Consolidated of statement of profit or loss and other comprehensive income		
Other expenses	(14,518)	(12,964)
Finance costs	(1,296)	(4,016)
Loss for the year	(21,672)	(22,838)
Statements of changes in equity		
Other reserves	(2,993)	(19,164)
Accumulated losses	(50,419)	(45,143)

	Group	
	Previously reported	**After restatement**
	$'000	**$'000**
January 1, 2015		
Group		
Statements of financial position		
Obligation under put option	11,193	20,922
Reserves	(35,504)	(45,233)
Statements of changes in equity		
Other reserves	(2,993)	(19,164)
Accumulated losses	(31,747)	(25,305)

BY ORDER OF THE BOARD

Ji Zenghe
Executive Chairman and Chief Executive Officer

5 April 2017