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/
	30/6/2011	30/6/2010	(Unfav)	30/6/2011	30/6/2010	(Unfav)
	$'000	$'000	%	$'000	$'000	%
Revenue	**52,854**	**55,760**	(5)	**28,212**	**31,599**	(11)
Cost of sales	(43,678)	(45,937)	5	(22,611)	(24,741)	9
Gross profit	**9,176**	**9,823**	(7)	**5,601**	**6,858**	(18)
Gross margin	*17.4%*	*17.6%*		*19.9%*	*21.7%*	
Other income (including interest income)	250	314	(20)	104	212	(51)
Administrative expenses	(5,030)	(5,047)	-	(2,612)	(2,735)	4
Distribution costs	(2,195)	(1,645)	(33)	(1,116)	(959)	(16)
Other expenses	(369)	(615)	40	(262)	(371)	29
Finance costs	(874)	(1,107)	21	(444)	(565)	21
Profit before income tax	**958**	**1,723**	(44)	**1,271**	**2,440**	(48)
Income tax expense	(693)	(131)	(429)	(693)	(131)	(429)
Profit for the period	**265**	**1,592**	(83)	**578**	**2,309**	(75)
Attributable to:						
Equity holders of the parent	82	1,462	(94)	290	2,177	(87)
Minority interest	183	130	41	288	132	118
	265	**1,592**		**578**	**2,309**	
Statement of comprehensive income						
Profit for the period	265	1,592	(83)	578	2,309	(75)
Other comprehensive income:						
Foreign currency translation	(1,848)	(366)	(404)	(399)	(160)	(149)
Gain on cash flow hedge	-	249	(100)	-	89	(100)
Other comprehensive loss for the period	**(1,848)**	**(117)**		**(399)**	**(71)**	
Total comprehensive (loss) profit for the period	**(1,583)**	**1,475**	NM	**179**	**2,238**	(92)
Total comprehensive (loss) profit attributable to:						
Equity holders of the parent	(1,561)	1,367	NM	(7)	2,092	NM
Minority interest	(22)	108	NM	186	146	27
	(1,583)	**1,475**	NM	**179**	**2,238**	(92)
NM: Not meaningful						
Profit for the period as a percentage of revenue	0.5%	2.9%		2.1%	7.3%	
Profit for the period is arrived at after charging (crediting) the following:						
Allowance for bad debts	-	863		-	863	
Depreciation of property, plant and equipment	7,213	9,014		3,516	4,466	
Amortisation of land use rights	143	58		121	17	
Fixed assets written off	-	21		-	21	
Foreign exchange loss (gain)	559	(55)		63	106	
Fair value (gain) loss on derivative financial instrument	19	(143)		19	(89)	
Gain on disposal of property, plant and equipment	(48)	-		(35)	-	
Interest income	(30)	(22)		(19)	(7)	
Interest expense	874	1,107		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

	Group		Company	
	As at 30/6/2011	As at 31/12/2010	As at 30/6/2011	As at 31/12/2010
	$'000	$'000	$'000	$'000
Current assets				
Cash and bank balances	14,482	14,579	102	1,062
Pledged bank deposits	523	628	-	-
Trade receivables	37,161	39,740	-	-
Other receivables and prepayments	3,121	1,477	10,273	11,978
Financial assets at fair value through profit & loss	733	752	-	-
Land use rights	88	90	-	-
Inventories	8,756	7,688	-	-
Total current assets	64,864	64,954	10,375	13,040
Non-current assets				
Investment in subsidiaries	-	-	65,693	67,308
Land use rights	3,903	4,044	-	-
Property, plant and equipment	77,581	85,021	706	731
Other receivables	1,423	1,697	-	-
Goodwill	2,226	2,226	-	-
Deferred tax asset	859	1,469	-	-
Total non-current assets	85,992	94,457	66,399	68,039
Total assets	**150,856**	**159,411**	**76,774**	**81,079**
Current liabilities				
Trade payables	27,260	27,292	-	-
Other payables	6,815	10,535	10,443	9,429
Short-term bank loans	17,066	17,287	-	-
Current portion of long-term bank loans	1,427	1,336	59	59
Current portion of finance leases	1,450	1,473	-	-
Current portion of notes payable	1,221	3,439	1,221	3,439
Due to shareholders	11,780	12,284	11,780	12,284
Total current liabilities	67,019	73,646	23,503	25,211
Non-current liabilities				
Long-term bank loans	8,148	8,552	129	164
Finance leases	1,491	1,432	-	-
Total non-current liabilities	9,639	9,984	129	164
Capital, reserves and minority interests				
Share capital	56,127	56,127	56,127	56,127
Reserves	9,634	11,195	(2,985)	(423)
Equity attributable to equity holders of the company	65,761	67,322	53,142	55,704
Minority interest	8,437	8,459	-	-
Total equity	74,198	75,781	53,142	55,704
Total liabilities and equity	**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
	$'000	$'000	$'000	$'000
	19,943	1,221	20,096	3,439

The amount repayable after one year	As at 30/6/2011		As at 31/12/2010	
	Secured	Unsecured	Secured	Unsecured
	$'000	$'000	$'000	$'000
	9,639	-	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) Statement of Cash Flows for period ended 30 June

	Group		Group	
	6 months ended		3 months ended	
	30/6/2011	30/6/2010	30/6/2011	30/6/2010
	$'000	$'000	$'000	$'000
Operating Activities:				
Profit before income tax:	958	1,723	1,271	2,440
Adjustments for:-				
Depreciation of property, plant and equipment	7,213	9,014	3,516	4,466
Amortisation of land use rights	143	58	121	17
Fair value gain (loss) on derivative financial instrument	19	(143)	19	(89)
Fixed assets written off	-	21	-	21
Interest income	(30)	(22)	(19)	(7)
Interest expense	874	1,107	444	565
Net foreign exchange loss (gain)	559	(55)	63	106
Gain on disposal of property, plant and equipment	(48)	-	(35)	-
Operating profit before working capital changes	9,688	11,703	5,380	7,519
Changes in working capital:-				
Trade receivables	2,579	(7,357)	(1,896)	(10,003)
Other receivables and prepayments	(1,370)	289	(1,185)	616
Inventories	(1,068)	(3,312)	(610)	(1,999)
Trade payables	(32)	6,473	2,548	6,760
Other payables	(3,720)	(2,120)	(1,294)	(1,770)
Cash generated from operations	6,077	5,676	2,943	1,123
Net interest paid	(844)	(1,085)	(425)	(558)
Income tax paid	(83)	(124)	(119)	(123)
Cash flows from operating activities	**5,150**	**4,467**	**2,399**	**442**
Investing Activities:				
Purchase of plant and equipment	(2,438)	-	(1,689)	-
Proceeds on disposal of plant and equipment	378	-	284	-
Cash flows used in investing activities	**(2,060)**	**-**	**(1,405)**	**-**
Financing Activities:				
Increase (Decrease) in cash subjected to restriction	105	(913)	3	(773)
New bank loans raised	11,547	21,456	9,394	16,383
Repayment of bank loans	(12,081)	(24,007)	(4,098)	(16,865)
Decrease in notes payable	(2,218)	(1,360)	(1,249)	(325)
Due to shareholders	(504)	967	(293)	635
New finance lease obligations raised	1,220	-	-	-
Repayment of finance lease obligations	(1,184)	(1,665)	(506)	(788)
Cash flows (used in) generated from financing activities	**(3,115)**	**(5,522)**	**3,251**	**(1,733)**
Net (decrease) increase in cash and bank balances	**(25)**	**(1,055)**	**4,245**	**(1,291)**
Cash and bank balances at beginning of period	14,579	8,748	10,244	8,974
Effect of exchange rate changes on the balances of cash held in foreign currencies	(72)	(26)	(7)	(16)
Cash and bank balances at end of period	**14,482**	**7,667**	**14,482**	**7,667**

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	Total $'000
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.

	As at 30/6/2011	As at 31/12/2010
The total number of issued shares excluding treasury shares	570,000	570,000

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		Group	
	6 months ended		3 months ended	
	30/6/2011	30/6/2010	30/6/2011	30/6/2010
Earnings per ordinary share for the year				
(i) Based on the weighted average number of ordinary shares in issue (cts); and	0.01 570,000,000	0.26 570,000,000	0.05 570,000,000	0.38 570,000,000
(ii) On a fully diluted basis (cts)	0.01 570,000,000	0.26 570,000,000	0.05 570,000,000	0.38 570,000,000

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 30/6/2011	As at 31/12/2010	As at 30/6/2011	As at 31/12/2010
Net asset value per ordinary share (cts)	11.15	11.42	9.32	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 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 1H11. PCB revenue improved by 4% from $39.4 million in 1H10 to $41.0 million in 1H11. 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 2Q10 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 1H10 to $4.4 million in 1H11. 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 2Q10 to $2.7 million in 2Q11.

Laser Drilling
Revenue from laser drilling services dropped by 10% from $8.3 million in 1H10 to $7.5 million in 1H11. 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 1H10 to $9.2 million in 1H11, 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 1H11.

Administrative Expenses
Administrative expenses remained constant for 1H10 and 1H11.

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 1H10 to $2.2 million in 1H11. 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 1H10 to $0.4 million in 1H11 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 1H10 to $0.9 million in 1H11. 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 4Q10 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 1H11, 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 4Q10 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 4Q10 to $2.2 million in 2Q11. This was mainly due to generation of $5.2 million cashflow from operating activities in 1H11.

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 1H10 and 1H11. 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 1H11 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 1Q11 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

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 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 30.06.2011: S$47.4 million Amount outstanding as at 30.06.2011: S$28.1 million	-
Loan from Sunny Worldwide Int'l Ltd (Amount outstanding as at 30.06.2010 is S$6.9 million)	Interest for the 6 months ended 30.06.2011: S$0.12 million	-
Loan from Mr Wen Yao-Long (Amount outstanding as at 30.06.2011 is S$4.9 million)	Interest -free loan	-

BY ORDER OF THE BOARD

Wen Yao-Long
Executive Chairman & CEO
3 August 2011