EUCON HOLDING LIMITED

Keeping On Track

ANNUAL REPORT 2009

VISION

To be recognised as the market leader in offering outsourced high quality turnkey PCB related services to the PCB manufacturing industry

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MISSION

To provide technologically advanced high-quality one-stop PCB solutions to fulfill our customers' evolving needs and create value for our stakeholders

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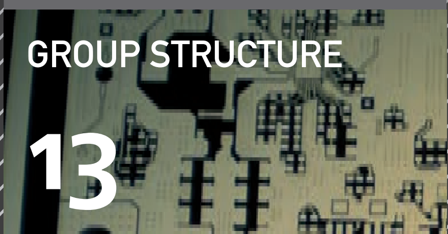
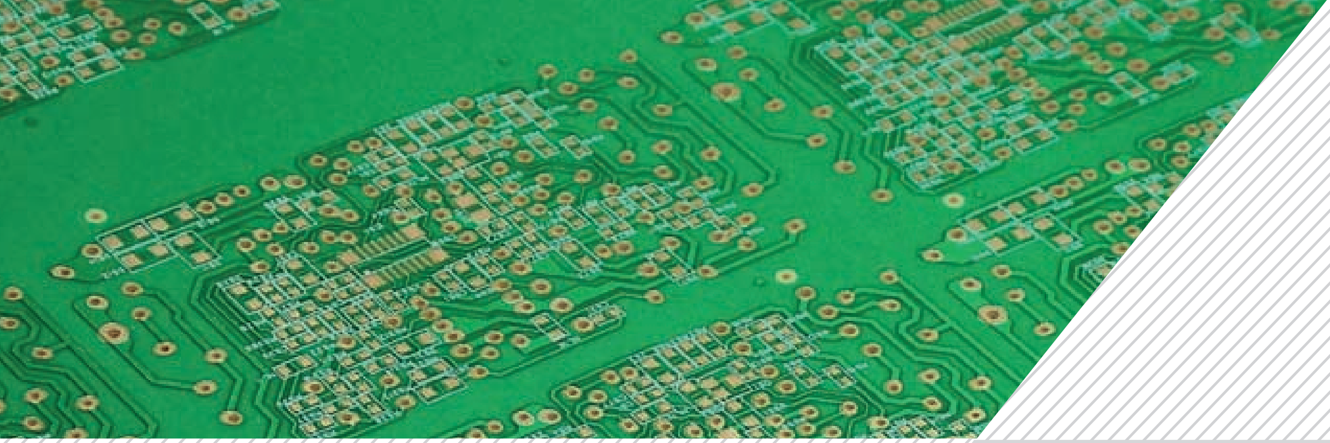
DRIVING A DIFFERENCE

Using electric car as our concept this year signifies Eucon's goal of accelerating its growth forward. Concurrently, this concept indicates the booming electric car industry as a potential avenue for new opportunities.



CORPORATE PROFILE

One of the largest independent PCB drilling service providers in Taiwan and China.



Eucon became one of the first few companies in Taiwan to offer laser drilling which is more precise and accurate for high-end products such as laptops, smart phones and Ebook.

SGX Mainboard-listed Eucon Holding Limited is an integrated PCB service provider and one of the largest independent PCB drilling service providers in Taiwan and China.

The Group offers four outsourcing services, namely, PCB manufacturing, laser drilling, mechanical drilling and routing to leading PCB manufacturers through its six subsidiaries. It has six manufacturing plants, one based in Taiwan and the other five are located in Shanghai.

The Group's business origins can be traced back to Taiwan where it first provided outsourced mechanical drilling services in 1988. Keeping ahead of market trends, Eucon became one of the first few companies in Taiwan to offer laser drilling which is more precise and accurate for high-end products such as laptops, smart phones and Ebook. Currently, its Taiwan plant specialises in laser drilling.

The five Shanghai plants offer a suite of services for PCB manufacturing, which include production of inner-layer boards and outer-layer boards, mechanical drilling, laser drilling, routing and mass lamination.

CHAIRMAN'S MESSAGE

THE ROAD AHEAD

Dear Shareholders,

The past year has been very challenging. The Group was subjected to tremendous stress both on the operation and financial fronts. Although we were not alone in this economic crisis, it was no comfort to us, and you, as our valued shareholder. We took it in our stride and leveraged on our strengths and remained nimble, managing reduced business while seeking new avenues for revenue. For FY2009, our revenue was $78.0 million and we suffered net loss of $12.8 million. We are cautiously optimistic that the worst is over but cash flow management still remains on top of our watch-list.

KEEPING ON TRACK WITH NEW VENTURES

We are constantly on the look-out for higher margin and higher value-added product lines. As global market developments trend towards pro-environment, alternative energy products and rapidly developing 3G network products, we will leverage on our unique strengths as a PCB and specialized drilling services company to capitalize on these budding opportunities.

According to the New York Times in April 2009[1], the Chinese Government recently adopted a massive plan aimed at turning China into one of the leading producers of hybrid and all-electric vehicles within three years, and ideally turning it into a world leader in electric cars and buses thereafter. Subsidies of up to US$8,800 are being offered to taxi fleets and local government agencies in 13 Chinese cities for each hybrid or all-electric vehicle they purchase. The state electric grid has also been ordered to establish electric car charging stations in Beijing, Shanghai and Tianjin. In addition, government research subsidies for electric car designs are increasing while an inter-agency panel is planning tax credits for consumers who buy alternative energy vehicles.

As China develops her alternative energy market, we anticipate opportunities in the developing Chinese electric car market. During FY2009, we had ventured into the automotive market through developing of automotive electrical components.

1 "China vies to be world leader in electric cars." By Keith Bradsher, New York Times. April 2, 2009.

Moving forward, we will continue our overall strategy for sales and profit growth with strong emphasis on cash management so as to ensure the continued viability of our core businesses, which remain fundamentally sound.

The network communication industry is another area which we have made inroads in during the year. With the development of new gadgets in the industry such as LED panels, Consumer Ultra Low Voltage (CULV) notebooks, smart phones and EBooks, and China's development of a wide-ranging 3G network, we are optimistic that our development in precision drilling services which cater to these new products will enable us to gain a competitive edge.

The markets for automotive electrical components and network communications are in relative infancy in their product development cycles, and our ventures into these green fields will command early mover advantage, and possibly secure better margins going forward. With that in mind, we will focus our energies in these two new areas in 2010 and beyond.

COST CONTAINMENT

We undertook several cost containment measures during the year, including debt repayment to reduce financing costs. We also improved our inventory management system resulting in lower inventory, better co-ordination with fluctuating demand, and lowering trade risk.

With the operating environment improving towards the second half of the year, we saw signs of recovery in our businesses. As such, we decided to re-adjust our operating hours and reinstate partially salary cuts that were made in October 2008 to maintain staff morale.

STRATEGY AND OUTLOOK 2010

As most of our products and services are used in consumer electronics, we are inevitably affected by the cyclical demand in the electronics industry.

The prevailing economic outlook for the global economy in 2010 seems to be for stronger but uneven economic growth. The International Monetary Fund (IMF) predicts global GDP growth to be 3.9%[2]. The Asian Development Bank (ADB) forecasts Asia's growth to register 6.8%[3]. This will be led by China, which is projected to reach 8.9% growth, propelled by massive economic stimulus. China, and Taiwan where most of our markets are, is experiencing steady recovery at the start of 2010. Nonetheless, the high unemployment, significant sovereign debt and weak financial sectors of the developed economies of the US, EU and Japan will place a macro-economic damper on business prospects. As such, given the uneven recovery of the global economy, we remain cautiously optimistic on our outlook for the year ahead.

LEVERAGING ON OUR STRENGTHS

While the broader operating environment is beyond our control, we will continue to capitalise on our corporate strengths. Being one of the more established players in the industry, we have built strong partnerships with our clients, which are willing to support the Group. With China's emphasis on environmentalism and land rental rates gradually increasing, it is harder for new entrants to establish factories in Shanghai, where we are located. This scenario will likewise boost our competitive advantage in the industry, as we will be better able to service our customers, most of which are within the vicinity.

Moving forward, we will continue our overall strategy for sales and profit growth with strong emphasis on cash management so as to ensure the continued viability of our core businesses, which remain fundamentally sound. We will also be exploring new business opportunities, while making concerted efforts to streamline our businesses.

ACKNOWLEDGEMENTS

On behalf of the Board and the management, I would like to express my deepest appreciation to our employees for their dedication during the past year. We would also like to thank our customers and business associates for their continuing support and our valued shareholders for their loyal support during this challenging year past. With your continued support, we look forward to the year ahead.

WEN YAO-LONG
Executive Chairman and CEO

2 "IMF sharply raises global economic growth forecast." By Lesley Wroughton, Reuters Business News. January 26, 2010.

3 "ADB sees higher Asia growth" The Economic Times. December 15, 2009.

OPERATIONS REVIEW

PCB OPERATIONS

During the year in review, PCB operations remained the main driver of the Group's revenue, accounting for approximately 77% of total Group revenue. PCB sales, however, decreased by 26% to $60.4 million from $81.6 million in FY2008.

The business environment was bearish with the global recession dampening consumer spending and sales of consumer electronic products. Market analysts Frost & Sullivan noted that Chinese market demand for Printed Circuit Boards (PCB) decreased 18.2% in 2009 from 2008.

MECHANICAL DRILLING AND ROUTING SERVICES

In FY2009, mechanical drilling and routing services sales amounted to 11% of Group revenue. Our mechanical drilling services business decreased by 53% to $8.3 million from $17.5 million in FY2008. This decrease is due to the corresponding decrease for consumer electronic products caused by the global recession.

LASER DRILLING

Similarly, laser drilling services sales decreased 55%, to $9.2 million in FY2009, from $20.4 million in FY2008. During the latter part of the year, the Group secured more orders for laser drilling services for new generation electronic consumer products such as EBooks.

Moving ahead, we recognise the potential in this area and intend to continue leveraging on our laser drilling capabilities to manufacture the High Density Interconnect (HDI) PCBs and Integrated Circuits (IC) substrates that used in these sophisticated new generation electronics products.

GEOGRAPHICAL MARKETS

China operations remained the key contributor to Group revenue, contributing 93% of FY2009 total revenue. The balance of the revenue is from Taiwan operations. Revenue from China operations decreased by 30% to $72.2 million from $103.4 million in FY2008 while revenue from Taiwan operations, which specialise in laser drilling, decreased by 64% to $5.8 million compared to $16.1 million in FY2008.

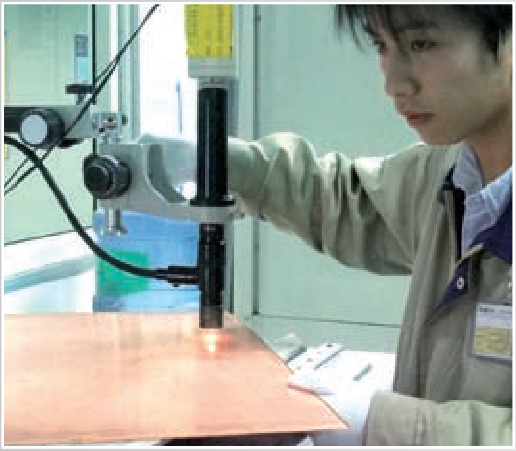
KEEPING ON TRACK

In the face of challenging market conditions, the Group has taken a cautious approach in its business operations. During the year in review, the Group adopted stringent cost control measures, while diligently managing financial and credit risk and looking for new business opportunities. This will keep us right on track for long-term growth.

ADOPTING STRINGENT COST CONTROL

In FY2009, the Group focused on reducing operational expenses while improving the Group's operational efficiency. Specifically, overheads such as utilities were closely monitored





and measures were put in place to reduce such costs. Consultants were engaged to review the business operation to improve operations in term of efficiency and effectiveness.

In early 2009, as a part of cost control measure, Shanghai Yaolong was re-located to Shanghai Lian Han Xin and the site occupied by Shanghai Yao Long was returned to the Chinese government.

IMPROVING CONDITIONS, DRIVING DYNAMISM

Since late FY2008, in order to better contain costs, the Group's executive directors and senior management voluntarily undertook salary adjustments. Our twelve-hour operating shift system was shortened to an eight-hour shift system to trim over-time remuneration.

However, as business conditions recovered towards the latter part of FY2009, we resumed normal operating conditions and re-adjusted salaries. We believe that fostering a dynamic enterprise requires pro-active management. In this regard, we will continue to undertake initiatives to retain and develop staff as we move forward.

MANAGING FINANCIAL & CREDIT RISK

As announced during FY2008, the Group has been fulfilling its repayment obligations to its banks and financial institutions. At the same time, the Group is currently taking steps to improve its liquidity position, which includes adopting cost-cutting measures and evaluating alternative sources of financing.

EXPLORING NEW BUSINESS OPPORTUNITIES

High energy costs and rising environmental concerns by consumers and governments are prompting the world's automakers to increase investment in alternative technologies that can substantially reduce fuel consumption and greenhouse gas emissions.

China's government has made inroads in this alternative energy area, announcing plans to be the world's largest producer of electric vehicles. The Group recognises opportunities in this new market and has ventured into the development of automotive electrical components.

With the popularity of 3G technologies and the enormous market demand for smartphones and netbooks, there is a growing demand for the more complex drilling services for the production of sophisticated PCBs used in these products. We have positioned the Group to tap into this emerging trend.

Additionally, in 2009, the Chinese government instituted the "Readjustment and Development Plan for the Electronic Information Industry" to manage the negative effects of the economic crisis and ensure the industry's healthy development. We believe this will further boost opportunities in the market space we are in.

In conclusion, with these strategic measures undertaken, we believe that we will be able to bring greater value to our customers and generate better long-term returns for our shareholders.

BOARD OF DIRECTORS

THE DRIVING FORCE

WEN YAO-LONG
Founder, Executive Chairman and Chief Executive Officer

Mr Wen has been instrumental in charting out business directions and spearheading the Company's growth. He is responsible for the overall management of the Group. He started the Company in 1988 when he seized the opportunity to provide outsourced mechanical drilling services to PCB manufacturers in Taiwan. Since then, he has been expanding the Group's business by moving into PCB manufacturing in China, and establishing plants to provide a suite of services including laser drilling, PCB operations, routing and mass lamination. A high school graduate, Mr Wen has more than 20 years of experience in the PCB industry.

WEN YAO-CHOU
Co-Founder and Executive Director

With more than 20 years of experience in the PCB industry, Mr Wen is responsible for the Group's business development and strategic planning. He heads the operations of the manufacturing plant in Taiwan, LGANG Optronics Technology Co., Ltd. He is also responsible for the sales and marketing functions of the Group. Mr Wen is a high school graduate.

CHEN MING-HSING
Non-Executive Director

Mr Chen has more than 20 years of experience in the electronic manufacturing services industry. His industry knowledge and invaluable advice has been useful in identifying the industry trends and forging the Group's business directions. Mr Chen is the Chairman of Allstar Tech. (Zhonshan) Co., Ltd, an electronic company incorporated in China since April 2006, and also the Chairman of Trendtronic Technology since January 2008. He holds a Bachelor of Arts Degree in Physical Education from the Chinese Culture University, Taiwan, and an Executive Master of Business Administration Degree from the National University of Singapore.






TOP: WEN YAO-LONG, WEN YAO-CHOU, CHEN MING-HSING **BOTTOM:** ONG SIM HO, SEOW HAN CHIANG, WINSTON, ER KWONG WAH

ONG SIM HO

Lead Independent Director

Mr Ong is a Director at Drew & Napier LLC where he heads the Tax & Private Client Services Group. He is the Non-Executive Chairman of TM Asia Life Singapore Ltd and a member of the Board of Emirates National Oil Company (Singapore) Pte Ltd, Innovalues Limited, Sunningdale Tech Limited and Tokio Marine Insurance Singapore Ltd. Mr Ong also serves as an Advisory Board Member of the School of Accountancy at the Singapore Management University. He is a member of the Investigation Committee and the Accounting Standards Council, of the Institute of Certified Public Accountants of Singapore. He is an Advocate and Solicitor of the Supreme Court of Singapore, Barrister-at-Law, Lincoln's Inn, a Certified Public Accountant in Singapore and a member of the Singapore Institute of Directors.

SEOW HAN CHIANG, WINSTON

Independent Director

Mr Seow is a partner of KhattarWong. He was called to the Singapore Bar in 1995 and has been a practising advocate and solicitor of the Supreme Court of Singapore since then. He holds a Bachelor of Law (Honours) degree from the National University of Singapore. Mr Seow is also an Independent Director of Fastube Limited and Epure International Ltd.

ER KWONG WAH

Independent Director

Mr Er is an Executive Director of East Asia Institute of Management. He is also an Independent Director for several public listed companies including China Essence Group Ltd, China Oilfield Technology Services Group Ltd, China Sky Chemical Fiber Co Ltd, COSCO Corporation (S) Ltd, Firstlink Investment Corporation Ltd, Van Der Horst Energy Ltd, Sun East Group Ltd, Thai Prime Fund Ltd, Unidux Electronics Ltd, Hartawan Holdings Ltd and ASA Group Holdings Ltd. A former Permanent Secretary in the Singapore Civil Service, he had served in various ministries before his retirement. He is currently a member of the Bishan-Toa Payoh Town Council. A Colombo Plan and Bank of Tokyo Scholar, he obtained a first class honours degree in Electrical Engineering at the University of Toronto, Canada, in 1970 and an MBA from the Manchester Business School, University of Manchester in 1978.

MANAGEMENT TEAM AT THE HELM

CHIEN WAN-HSIN
Chief Financial Officer

Mr Chien is responsible for the accounting, financial and taxation functions of the Group. Prior to joining LGANG as Finance Manager in June 2001, he was an audit partner with a public accounting firm in Taiwan. Mr Chien holds a Bachelor Degree in Business Administration from the National Taiwan University, Taiwan, and is a member of Taipei Certified Public Accountants Association.

CHAN HUI-CHUNG
Vice General Manager of Shanghai Zhuo Kai

Ms Chan is the spouse of our Chairman/ Chief Executive Officer, Mr Wen Yao-Long. She is responsible for the financial function at Shanghai Zhuo Kai and assists the General Manager in its operations. She also manages the financial functions for all China subsidiaries since November 2008. Before assuming her current responsibilities she was the Finance Manager of LGANG from 1993 to 2000, and Vice General Manager of LGANG from 2000 to 2003. Ms Chan is a high school graduate.

TAY AI LI
Group Accountant

Ms Tay's responsibilities include assisting the Chief Financial Officer on Group financial matters as well as managing Eucon's investor relations. She joined the Group in July 2009 and has over 4 years of auditing experiences in one of the Big 4 accounting firm. She is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore and holds a Bachelor Degree in Accountancy from Nanyang Technological University, Singapore.

LEE TUNG-CHEN

Vice General Manager of Shanghai Zhuo Kai and Shanghai Eu Ya

Mr Lee heads the operations of Shanghai Zhuo Kai and Shanghai Eu Ya. His responsibilities includes sales and marketing, as well as production functions. Prior to this, he was the Vice General Manager of Circuitech Electronics Inc and Ching Shi Technology Co. Ltd. Mr Lee holds a Diploma in Chemical Engineering from Lunghwa Junior College of Technology.

WU YUN-HAI

Operation Manager of Shanghai Yaolong, Shanghai Zeng Kang and Shanghai Lian Han Xin

Mr Wu heads the operations of Shanghai Yaolong, Shanghai Zeng Kang and Shanghai Lian Han Xin. His responsibilities includes sales and marketing, as well as production functions. He is one of the pioneers having joined Shanghai Yaolong in 2001 as the Assistant Operation Manager, and was involved in the setting up of Shanghai Yaolong. He was promoted to his current position in 2003. Since 2009, he is also the Operation Manager of Shanghai Zeng Kang and Shanghai Lian Han Xin. Mr Wu is a high school graduate.

SUBSIDIARIES

CHINA

Shanghai Zeng Kang Electronic Co., Ltd
Offers mechanical and routing services to customers in Northern Shanghai

Shanghai Eu Ya Electronic Technology Co., Ltd
Manufactures laminate boards for use in the production of PCBs

Shanghai Zhuo Kai Electronic Co., Ltd
Provides PCB manufacturing and laser drilling services

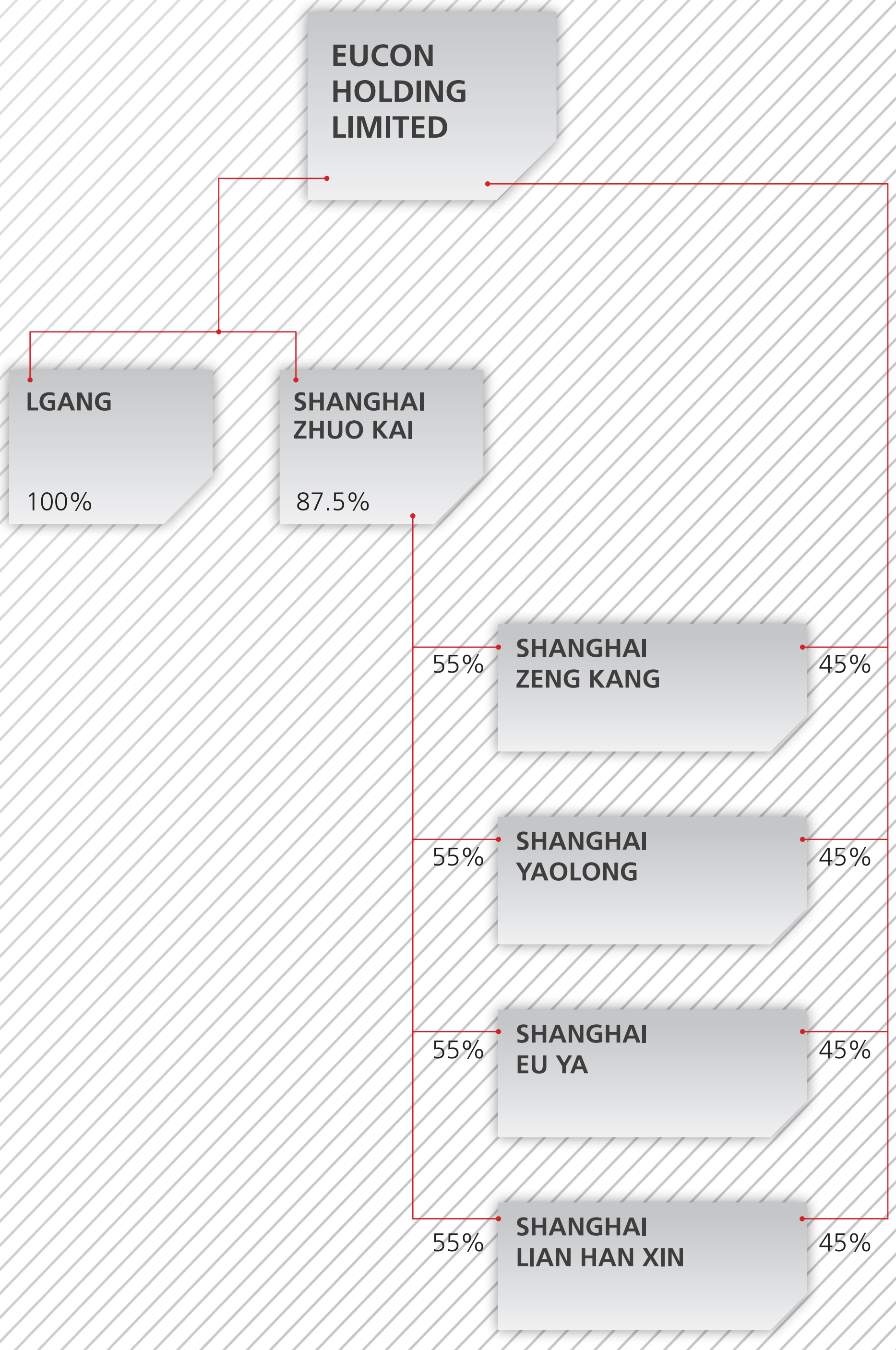
Shanghai Lian Han Xin Electronic Technology Co., Ltd
Offers mechanical drilling services

Shanghai Yaolong Electronic Co., Ltd
Offers mechanical drilling and routing services to customers in Southern Shanghai

TAIWAN

LGANG Optronics Technology Co., Ltd
Offers laser drilling services to PCB manufacturers in Taiwan

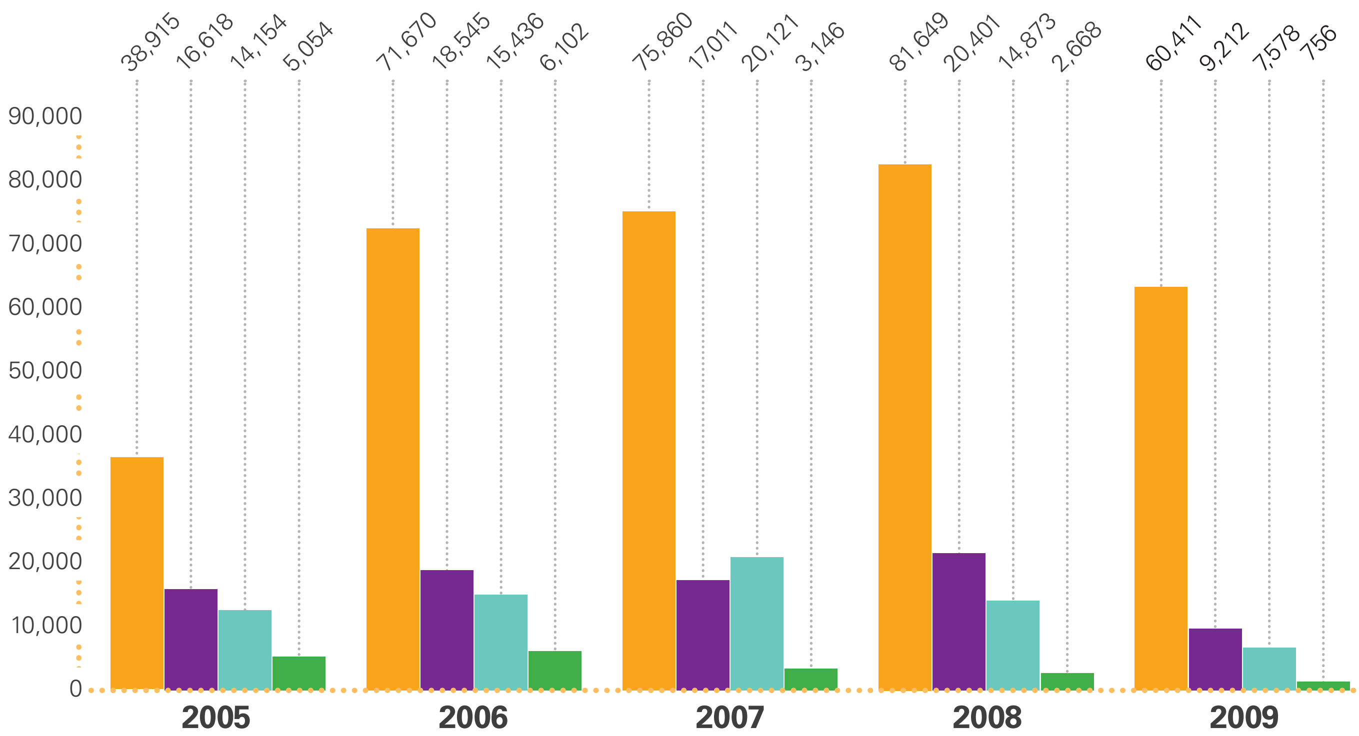
GROUP STRUCTURE



5 YEAR FINANCIAL HIGHLIGHTS

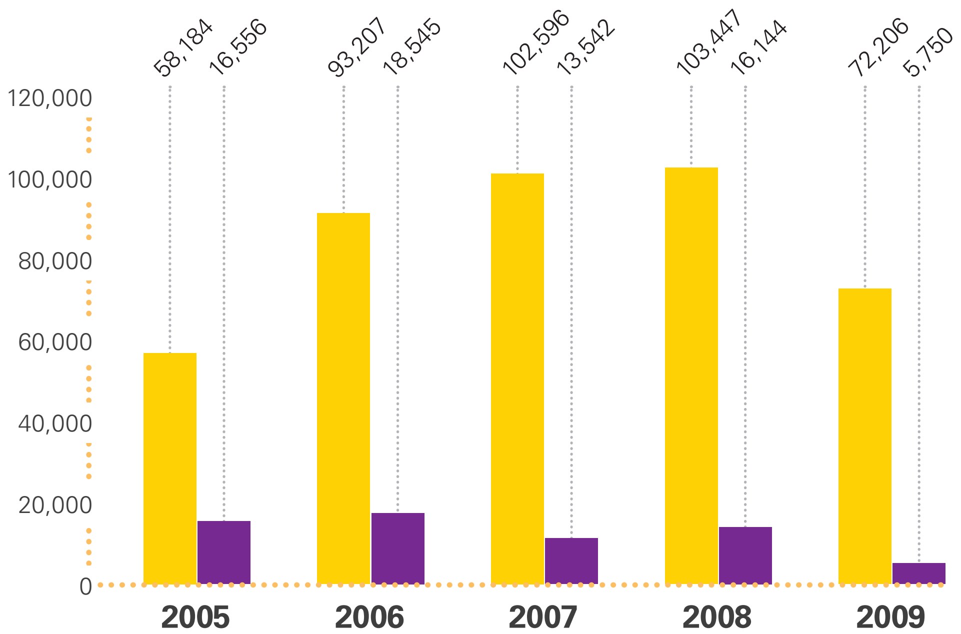
GROUP PROFIT & LOSS ($'M) (for the year ended December 31)	2009	2008	2007	2006	2005
Revenue	78.0	119.6	116.1	111.8	74.7
Gross profit	3.4	11.9	18.7	35.0	29.5
Profit (Loss) before tax	(13.1)	(11.1)	7.3	16.4	15.1
Profit (Loss) attributable to shareholders	(12.8)	(10.7)	6.6	15.3	12.6
GROUP BALANCE SHEET ($'M) (for the year ended December 31)					
Property, plant and equipment	103.9	125.9	129.4	117.3	90.4
Cash and bank	9.2	24.2	27.1	20.0	15.3
Other assets	52.8	52.2	78.9	55.5	47.5
Total assets	165.9	202.3	235.4	192.8	153.2
Shareholders' equity	71.0	84.9	92.8	91.0	83.0
Total borrowings	39.1	65.7	84.9	55.3	41.3
Other liabilities	50.0	45.4	51.3	46.5	28.9
Minority interest	5.8	6.3	6.4	-	-
Total liabilities and equity	165.9	202.3	235.4	192.8	153.2
FINANCIAL RATIOS					
Return on average shareholders' equity (%)	(18.5)	(13.1)	7.9	17.6	16.3
Return on average assets (%)	(7.7)	(5.3)	3.4	8.8	9.2
Net gearing ratio	0.5	0.5	0.6	0.4	0.3
Working capital ratio	0.6	0.7	0.9	0.8	1.0
PER SHARE DATA (CENTS)					
Earnings after tax	(2.20)	(1.88)	1.16	2.69	2.21
Net assets	12.06	14.50	15.60	15.28	13.87

FINANCIAL CHARTS



REVENUE MIX BY SEGMENT

PCB manufacturing | Laser drilling | Mechanical drilling | Routing



REVENUE MIX BY GEOGRAPHICAL

China

Taiwan

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Wen Yao-Long **(Chairman & CEO)**
Wen Yao-Chou

Non-Executive Director

Chen Ming-Hsing

Independent Directors

Ong Sim Ho **(Lead Independent Director)**
Seow Han Chiang, Winston
Er Kwong Wah

AUDIT COMMITTEE

Ong Sim Ho **(Chairman)**
Seow Han Chiang, Winston
Er Kwong Wah

NOMINATING COMMITTEE

Er Kwong Wah **(Chairman)**
Seow Han Chiang, Winston
Chen Ming-Hsing

REMUNERATION COMMITTEE

Seow Han Chiang, Winston **(Chairman)**
Ong Sim Ho
Er Kwong Wah

COMPANY SECRETARIES

Tan Cheng Siew
Chan Wai Teng, Priscilla

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

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SHARE REGISTRAR

Boardroom Corporate &
Advisory Services Pte Ltd
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Singapore 048623

AUDITORS

Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809

Partner-in-charge: Ng Peck Hoon
Date of Appointment: 29 April 2009

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of and is committed to setting and maintaining high standards of corporate governance to protect shareholders' interest and enhance shareholders' value and corporate transparency. This report outlines the Company's corporate governance processes and activities during the financial year, with specific reference to the Code of Corporate Governance (the "Code").

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Board of Directors is entrusted with the responsibility for the overall management of the business and affairs of the Company and its subsidiaries (the Group). It delegates day-to-day operations to management, while reserving certain key matters for its approval.

Key functions of the Board include providing entrepreneurial leadership, setting of strategic aims, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives; establishing a framework of prudent and effective controls which enables risk to be assessed and managed; reviewing management performance; setting the Group's values and standards, and ensuring that obligations to shareholders and others are understood and met. The Board regularly reviews the business plans and the financial performance of the Group.

The directors together with the company secretary are responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. The company secretary administers, attends and prepares minutes of all Board and specialised committee meetings. She assists the Chairman in ensuring that the Board procedures are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's Memorandum and Articles of Association and relevant rules and regulations, including requirements of the Companies Act and the Singapore Exchange, are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes with a view to enhance long-term shareholder value. She is also the primary channel of communication between the Company and the Singapore Exchange.

To facilitate effective management, the Board delegates certain functions to the various Board Committees (Nominating Committee, Remuneration Committee and Audit Committee), each of which is subject to the Board's approved terms of reference and whose actions are reported to and monitored by the Board.

The Board's approval is required for matters such as corporate strategy, mergers and acquisitions, announcements, approval of the Group's quarterly results, annual results and accounts, interested person transactions of a material nature, authorisation of major transactions, declaration of interim dividends and proposal of final dividends, appointment or removal of company secretary and auditors, and convening of shareholders' meetings.

All new directors appointed to the Board will have the opportunity to visit the Group's factories and facilities and will be briefed on the Group's business activities and its strategic direction. They will also be given all relevant corporate materials and documents such as latest Annual Report and Summary Financial Statements to assist them to better understand the structure and operations of the Group.

Directors and senior management are encouraged to attend training programmes organised by Singapore Exchange Limited, Singapore Institute of Directors and other external professional organizations to update them on relevant new laws and regulations relating to their duties and responsibilities as directors.

The Board meets at least 4 times a year regularly on a quarterly basis and as warranted. Ad hoc meetings are also convened to deliberate on urgent substantive matters. The Company's Articles of Association allows a board meeting to be conducted by way of telephone conference or videoconference. Details of the number of board meetings held in a year as well as the attendance of each board member at those meetings and meetings of the various Board Committees are disclosed below.

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Period covering January to December 2009

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name of Director	**No. Held**	**Attended**	**No. Held**	**Attended**	**No. Held**	**Attended**	**No. Held**	**Attended**
Wen Yao-Long	6	5	–	–	–	–	–	–
Wen Yao-Chou	6	5	–	–	–	–	–	–
Chen Ming-Hsing	6	4	–	–	1	–	–	–
Ong Sim Ho	6	5	7	6	–	–	1	1
Seow Han Chiang, Winston	6	5	7	7	1	1	1	1
Er Kwong Wah	6	6	7	5	1	1	1	1

Principle 2: Board Composition and Guidance

Currently, the Board has six directors comprising two executive directors, one non-executive director and three independent non-executive directors. They are Wen Yao-Long (Executive Chairman/CEO), Wen Yao-Chou, Chen Ming-Hsing, Ong Sim Ho, Seow Han Chiang, Winston and Er Kwong Wah respectively.

The independence of each director is reviewed annually by the Nominating Committee ("NC"). The NC is satisfied that one-third of the Board comprises independent directors.

The NC is of the view that the current Board size is appropriate, taking into account the nature and scope of the business and operations of the Group. The Board consists of high caliber members with a wealth of knowledge, expertise and experience. They contribute valuable direction and insight, drawing from their vast experience in matters relating to accounting, finance, law, business and general corporate matters.

The non-executive directors constructively challenge and help develop proposals on strategy and also review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance.

Principle 3: Chairman and Chief Executive Officer ("CEO")

Currently, Mr Wen Yao-Long serves as the Chairman of the Board and Group CEO. In the opinion of the Board, the scale of the business does not warrant a division of these positions. Further, the Company had appointed Mr Ong Sim Ho, an independent non-executive director, as lead independent director. The lead independent director is available to shareholders in circumstances where shareholders' concerns raised through normal channels to the Chairman/CEO or Chief Financial Officer has failed to resolve or where such contact is inappropriate.

The Chairman's principal role is to manage the business of the Board; lead the Board to ensure its effectiveness on all aspects of its role and set its agenda; ensure that the directors receive accurate, timely and clear information; ensure effective communication with shareholders; encourage constructive relations between the Board and management; facilitate the effective contribution of non-executive directors in particular; encourage constructive relations between executive directors and non-executive directors; and promote high standard of corporate governance. The Chairman also advises on the Group's business strategy.

The CEO bears executive responsibility for the day-to-day operations of the Group.

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership
Principle 5: Board Performance

Nominating Committee ("NC")

Currently, the members of the NC are Er Kwong Wah (Committee Chairman), Seow Han Chiang, Winston and Chen Ming-Hsing. All the members are non-executive directors, of whom a majority of the members, including the Chairman, are independent non-executive directors. Mr Er Kwong Wah is not, nor directly associated with, a substantial shareholder.

The Terms of Reference of the NC include:-

- making recommendations to the Board on all Board appointments and re-appointments,
- reviewing and determine the independence of each director and ensure that at least one-third of the Board comprises independent directors,
- reviewing and evaluating whether or not a director is able to and has been adequately carrying out his duties as director of the Company, when he has multiple board representations,
- reviewing the skills required by the Board, and the size of the Board annually,
- determining how the Board's performance may be evaluated, and proposing performance criteria to assess effectiveness of the Board as a whole and contribution of each director,
- formal assessment of the effectiveness of the Board as a whole and individual director, and
- formulating succession plan.

The NC has adopted internal guidelines to address competing time commitments faced by directors serving on multiple boards.

In the nomination and selection process for new directors, the NC identifies the key attributes that an incoming director should have based on the attributes of the existing Board and the requirement of the Group. Then, the NC taps on the resources of the Board's personal contacts and recommendations of potential candidates, and goes through a shortlisting process. Interviews are conducted with potential candidates to assist NC members to make their recommendation to the Board.

Article 89 of the Company's Articles of Association requires at least one-third of the directors to retire from office at the Company's Annual General Meeting. In addition, Article 88 of the Company's Articles of Association provides that a newly appointed director must submit himself for re-election at the Annual General Meeting following his appointment.

The dates of initial appointment and last re-election of each director are set out as follows:-

Name of Director	Current appointment	Date of initial appointment	Date of last re-election	Due for re-election at next AGM
Wen Yao-Long	Executive	2 January 2003	28 April 2008	NA
Wen Yao-Chou	Executive	2 January 2003	27 April 2007	Retirement by Rotation (Article 89)
Chen Ming-Hsing	Non-Executive	2 January 2003	29 April 2009	NA
Ong Sim Ho	Non-Executive/Independent	19 July 2004	29 April 2009	NA
Seow Han Chiang, Winston	Non-Executive/Independent	7 July 2005	28 April 2008	NA
Er Kwong Wah	Non-Executive/Independent	8 September 2006	27 April 2007	Retirement by Rotation (Article 89)

Other key information on the individual directors of the Company is set out in the "Board of Directors" section of this Annual Report. Their shareholdings in the Company are also disclosed in the Report of the Directors.

The NC has adopted a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each director. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, top management and standard of conduct. For individual director evaluation, the NC assessed whether the directors continue to contribute effectively and demonstrate commitment to their roles, including attendance at the Board and committee meetings, their industrial knowledge and/or functional expertise and any other duties. The NC has adopted an open discussion approach which has facilitated their cohesive approach towards a common goal and contributed well towards better performance of the Company.

Principle 6: Access to Information

Management provides adequate and timely information to the Board on the Group's affairs and business issues which require the Board's decision. Quarterly reports, as well as ongoing reports of the Group's financial and operational performance are also provided to the Board.

Prior to each board meeting, the management will prepare and send board papers to the Board so that the board members can better understand the matters before the board meeting. This also assists the Board to focus on relevant issues and concerns during the board meeting.

Where a physical board meeting is not possible, timely communication with members of the Board is effected through other means, such as electronic mail and teleconferencing.

The directors have separate and independent access to the Company's senior management and the company secretary at all times. The Company adopts a policy which welcomes directors to request for explanations and briefings from or informal discussions with management on any aspects of the Group's operations or business issues. The Chairman/CEO will make the necessary arrangements to accede to these requests.

The Board takes independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. Subject to the approval of the Chairman/CEO, directors, whether as a Group or individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

Remuneration Committee ("RC")

Currently, the members of the RC are Seow Han Chiang, Winston (Committee Chairman), Ong Sim Ho and Er Kwong Wah, all of whom are independent non-executive directors.

The RC has access to expert advice, inside and/or outside the Company, in the field of executive compensation where required.

CORPORATE GOVERNANCE REPORT

The RC meets at least once a year and when necessary. The Terms of Reference of the RC include:-

- recommending to the Board a framework of remuneration for the Board and the CEO with a goal to retain and motivate them through competitive compensation and progressive policies, and determining specific remuneration packages and terms of employment for each of the directors and the CEO, taking into consideration all aspects of remuneration (including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind) and remuneration packages within the industry and comparable companies,

- ensuring that remuneration packages for employees related to directors, CEO or substantial shareholders of the Company is in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes, levels of responsibilities and levels of performance,

- reviewing the remuneration of senior management, and

- recommending executives' and employees' share option scheme or any other long term incentive schemes which may be set up from time to time.

No director is involved in deciding his own remuneration. Directors' fees are recommended to the Board for approval at the Company's AGM.

The independent directors and non-executive director receive a basic fee and an additional fee for serving on any of the committees in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the directors and the need to pay competitive fees to attract, retain and motivate the directors. The total amount of directors' fees is subject to the approval of the shareholders at the AGM.

The executive directors do not receive directors' fees. The executive directors' service contracts were renewed on 1 July 2007 which comprises a basic salary component and incentive bonus based on the consolidated profit before tax of the Group, if it equals or exceeds S$10 million. The remuneration for the key senior executives comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

A breakdown, showing the level and mix of each individual director's remuneration payable for the financial year ended 31 December 2009, is as follows:-

Remuneration	**Directors' Fees (%)**	**Salary (%)**	**Variable Incentive Bonus (%)**	**Total (%)**
S$750,000 – S$999,999				
Wen Yao-Long**	–	100	–	100
S$250,000 – S$499,999				
Wen Yao-Chou**	–	100	–	100
Below S$250,000				
Ong Sim Ho	100	–	–	100
Seow Han Chiang, Winston	100	–	–	100
Chen Ming-Hsing	100	–	–	100
Er Kwong Wah	100	–	–	100

** Wen Yao-Long and Wen Yao-Chou are brothers.

Following the resignations of our two senior executives, Mr. Loo Ming-Chiang and Mr. Lin Kuo-Feng, there was no replacement. Our existing senior executives have taken up additional roles and responsibilities of our productions plants to streamline the management and control of these operations.

The remuneration of the senior key executives of the Group (who are not directors) for the financial year ended 31 December 2009 is shown in the following bands:-

Remuneration	Salary (%)	Bonus (%)	Post employment benefits (%)	Total (%)
Below S$250,000				
Chien Wan-Hsin	95	–	5	100
Chan Hui-Chung [(1)]	100	–	–	100
Lee Tung-Chen	100	–	–	100

(1) Chan Hui-Chung is the wife of Wen Yao-Long who is the Executive Chairman/CEO and substantial shareholder of the Company. Her remuneration for the financial year ended 31 December 2009 is S$165,900.

The RC also administers the Eucon Employee Share Option Scheme (the "ESOS"). Details of the ESOS are set out in the Report of the Directors. No options have been granted under the ESOS since listing. In evaluating long-term incentive schemes, the RC takes into consideration the costs and benefits of such schemes.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Company has adopted quarterly results reporting since its listing. The Company may hold media and analyst briefing of its quarterly and full-year results, when deemed fit. The press releases and the quarterly and full-year results will be published through the SGX-NET for the public and shareholders' information.

Principle 11: Audit Committee ("AC")

Currently, the members of the AC are Ong Sim Ho (Committee Chairman), Seow Han Chiang, Winston and Er Kwong Wah, all of whom are independent non-executive directors.

All members bring with them invaluable experience in the finance, legal and business management spheres. The Board is of the opinion that they have sufficient financial expertise to discharge the AC's functions.

The AC meets at least once every quarter and when necessary. The AC also meets with the external auditors and the respective internal assessment personnel, without the presence of the Company's management.

The AC is guided by the Terms of Reference, which include, amongst other responsibilities: reviewing quarterly and full year financial statements, audit plans of internal and external auditors, effectiveness of the internal audit function, adequacy of the internal controls and risk management policies and systems established by management, effectiveness and independence of external auditors, interested person transactions, potential conflict of interest; investigating suspected fraud or irregularity; and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors. The AC reviews the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance.

The AC has explicit authority to investigate any matters within its Terms of Reference and has full access to and co-operation from management, full discretion to invite any director or executive officer to attend its meetings, direct access to internal and external auditors and reasonable resources to enable it to discharge its functions.

CORPORATE GOVERNANCE REPORT

The AC conducted an annual review of the scope and results of the audit and its cost effectiveness, as well as the independence and objectivity of the external auditors and had also undertaken a review of the volume of non-audit services provided by the external auditors. The AC assessed whether the nature and extent of those services might prejudice the independence and objectivity of the external auditors before confirming its re-nomination. The AC was satisfied that such services did not affect the independence of the external auditors.

The AC has put in place a whistle-blowing policy and procedures by which staff of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The AC conducts annual review of the Whistle Blowing Policy.

Principle 12: Internal Controls

The Company's internal auditors have conducted an annual review in accordance with their audit plans, of the effectiveness and adequacy of the Company's material internal controls, including financial, operational and compliance controls, and risk management policies and procedures. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC has also reviewed the effectiveness of the actions taken by the management on the recommendations made by the external auditors and the respective internal assessment personnel in this respect.

The Board believes that, in the absence of any evidence to the contrary, the system of internal control maintained by the Company's management that was in place throughout the financial year and up to the date of this report, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and practice, and the identification and containment of business risk. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Principle 13: Internal Audit

The Board recognizes that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The effectiveness of the internal financial control systems and procedures are monitored by the management and the internal audit function performs regular monitoring and review to ensure compliance with the Group's policies and procedures designed to risk manage and safeguard the business and assets of the Group. The internal audit function reports primarily to the Chairman of the AC.

In 2009, the Group did not outsource its internal audit function. In place, the Company performed its internal audit function risk assessment on its internal control system. The AC reviewed the effectiveness of the internal audit assessment, including overseeing and monitoring the implementation of improvements required on identified internal control weaknesses. The AC ensured that there were adequate resources to conduct the internal assessment; and the Company's staff had appropriate experience and degree of authority within the Company to carry out the assigned tasks and are independent and suitably qualified for the task.

The AC has reviewed the Company's risk assessment and based on the internal audit assessment and external audit reports and management controls in place, it is satisfied that there are adequate internal controls in the Group, including financial, operational and compliance controls, and risk management policies and systems.

Principle 14: Communication with Shareholders
Principle 15: Encourage Greater Shareholders' Participation at General Meetings

Pursuant to SGX-ST's Listing Rules and the Companies Act, and in line with continuous disclosure obligations of the Company, the Board's policy is that shareholders should be informed promptly of all major developments that impact the Group.

Information is communicated to shareholders on a timely basis, through annual reports that are issued to all shareholders within the mandatory period, quarterly and full-year financial statements, notice of and explanatory memorandums for Annual General Meetings and Extraordinary General Meetings, press releases and disclosures to the SGX. The Company takes all reasonable efforts to ensure that it does not practice selective disclosure of material information. Material information is excluded from any briefing or is first publicly released, either before the Company meets with investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period and are available on the Company's website at www.euconholding.com.

The Board welcomes shareholders to raise issues at the shareholders' meetings or on an ad hoc basis. The Chairman of the AC, NC and RC as well as the external auditors will be available at the general meetings to address queries raised by shareholders.

The Articles of Association of the Company allow a shareholder to appoint one or two proxies to attend and vote on his/her behalf.

The company secretary prepares minutes or notes of general meetings which include the comments and queries from shareholders and responses from the Board and management, and these minutes or notes are available to shareholders upon their request. Separate resolutions are passed at general meetings on each substantial issue.

DEALING IN SECURITIES

The Company adopted an internal Code of Best Practices on Securities Dealings on 10 September 2004 which is modeled on the Listing Rule 1207(18) of the Listing Manual of the SGX-ST (formerly known as "The Best Practices Guide").

The Company implemented a policy prohibiting its officers from dealing in the Company's shares while in possession of unpublished material price sensitive information; on short-term considerations; and during the period commencing 2 weeks before the announcement of the Company's quarterly results and one month before the announcement of the full-year results, and ending on the date of the announcement of the results.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company has an internal policy in respect of interested person transactions of the Company ("IPT Policy"). All division heads are required to familiarize themselves with IPT Policy, and highlight any such transactions to the Company's finance department. The finance department is in charge of keeping a register of the Company's interested person transactions. The IPT Policy also sets out the levels and procedures to obtain approval for such transactions.

The aggregate value of all interested person transactions entered into during the financial year ended 31 December 2009 are tabulated hereunder pursuant to Rule 907 of the SGX-ST Listing Manual:

Name of interested person	Aggregate value of all interested person transactions during the financial year 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 and Ms Chan Hui-Chung to various financial institutions to secure credit facilities for the Group	Total facilities granted as at 31.12.2009: S$54.4 million Amount outstanding as at 31.12.2009: S$19.6 million	–
Loan from Sunny Worldwide Int'l Ltd (Amount outstanding as at 31.12.2009 is S$6.5 million)	Interest for the 12 months ended 31.12.2009: S$0.2 million	–
Loan from Mr Wen Yao-Long (Amount outstanding as at 31.12.2009 is S$6.0 million)	Interest-free loan	–

OTHER INFORMATION

Material Contract

No material contract to which the Company or any related company is a party which involve the interest of the directors or controlling shareholders subsisted at, or have been entered into since the previous financial year.

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2009.

1 DIRECTORS

The directors of the company in office at the date of this report are:

Wen Yao-Long
Wen Yao-Chou
Chen Ming-Hsing
Ong Sim Ho
Seow Han Chiang, Winston
Er Kwong Wah

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the name of the directors		**Shareholdings in which the directors are deemed to have interests**	
Name of directors and companies which interests are held	**At January 1, 2009**	**At December 31, 2009**	**At January 1, 2009**	**At December 31, 2009**
The company				
Ordinary shares				
Wen Yao-Long	24,224,747	24,224,747	108,362,000	108,362,000
Wen Yao-Chou	4,794,643	4,794,643	–	–
Chen Ming-Hsing	33,723,000	33,723,000	–	–
Ong Sim Ho	1,220,000	1,220,000	–	–

By virtue of Section 7 of the Singapore Companies Act, Wen Yao-Long is deemed to have an interest in all the related corporations of the company.

The directors' interests in the shares of the company as at January 21, 2010 were the same at December 31, 2009.

REPORT OF THE DIRECTORS

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

5 SHARE OPTIONS

a) At the Extraordinary Meeting held on July 14, 2004, the shareholders approved the adoption of the Eucon Employee Share Option Scheme (the "ESOS"). The ESOS is administered by the Remuneration Committee, comprising the following independent directors:

Seow Han Chiang, Winston	(Chairman)
Ong Sim Ho	
Er Kwong Wah	

b) Under the ESOS, an option entitles the option holder to subscribe for a specific number of new ordinary shares of the company comprised in the option at a subscription price per share determined with reference to the market price of the share at the time of grant of the option. The Remuneration Committee may at its discretion, fix that subscription price at a discount up to 20% off market price but not lower than $0.05. The consideration for the grant of an option is $1.00.

Options granted with the subscription price set at the market price shall only be exercised after the first anniversary but before the tenth anniversary (fifth anniversary for non-executive directors) of the date of grant of that option, subject to the following:

i) up to 50% only of the shares in respect of which that option is granted may be exercised after the first anniversary of the date of grant of that option; and

ii) the remaining 50% of the shares in respect of which that option is granted may be exercised after the second anniversary of the date of grant of that option.

Options granted with the market price set at a discount to the market price shall only be exercised after the second anniversary but before the tenth anniversary (fifth anniversary for non-executive directors) of the date of grant of that option, subject to the following:

i) up to 50% only of the shares in respect of which that option is granted may be exercised after the second anniversary of the date of grant of that option; and

ii) the remaining 50% of the shares in respect of which that option is granted may be exercised after the third anniversary of the date of grant of that option.

The shares under option may be exercised in whole or in part on the payment of the relevant subscription price. Options granted will lapse when the option holder ceases to be a full-time employee of the company or any company of the group subject to certain exceptions at the discretion of the company.

As at the date of this report, no options have been granted under the Scheme.

c) During the financial year, no option to take up unissued shares of the company or any subsidiaries was granted and there were no shares of the company or any subsidiaries issued by virtue of the exercise of an option to take up unissued shares.

d) At the end of the financial year, there were no unissued shares of the company or any subsidiaries under option.

6 AUDIT COMMITTEE

The Audit Committee of the company comprises three members, all of whom are non-executive independent directors. The members of the Audit Committee at the date of this report are:

Ong Sim Ho (Chairman)
Seow Han Chiang, Winston
Er Kwong Wah

The Audit Committee has met seven times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the company:

i. the external audit plans and evaluation of the group's system of internal accounting controls;

ii. the group's financial and operating results and accounting policies;

iii. the statement of financial position and statement of changes in equity of the company and the consolidated financial statements of the group before their submission to the directors of the company and the external auditors' report on those financial statements;

iv. the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the company and the group; and

v. the re-appointment of the external auditors of the company.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the group and the company at the forthcoming Annual General Meeting of the company.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Wen Yao-Long

Wen Yao-Chou

April 1, 2010

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on pages 39 to 76 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2009, and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Wen Yao-Long

Wen Yao-Chou

April 1, 2010

INDEPENDENT AUDITORS' REPORT

To The Members of Eucon Holding Limited

We have audited the accompanying financial statements of Eucon Holding Limited (the "company") and its subsidiaries (the "group") which comprise the statements of financial position of the group and the company as at December 31, 2009, and the profit and loss statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 76.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion:

a) the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2009 and of the results, changes in equity and cash flows of the group, and changes in equity of the company for the year ended on that date; and

b) the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

INDEPENDENT AUDITORS' REPORT

To The Members of Eucon Holding Limited

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the group incurred a net loss of $12,794,000 for the year ended December 31, 2009 and, as of that date, the group's and the company's current liabilities exceeded its current assets by $31,376,000 and $9,041,000 respectively. In addition, the group and the company have breached certain financial covenants on bank loans totalling $2,552,000. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties which may cast significant doubt about the group's and company's ability to continue as going concerns.

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

Ng Peck Hoon
Partner

Singapore
April 1, 2010

STATEMENTS OF FINANCIAL POSITION

December 31, 2009

	Note	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
ASSETS					
Current assets					
Cash and bank balances	6	8,748	23,152	165	1,463
Pledged bank deposits	7	460	1,007	–	–
Trade receivables	8	34,415	35,356	–	–
Other receivables and prepayments	9	1,558	824	19,499	4,464
Inventories	10	7,743	6,839	–	–
Land use rights	11	94	97	–	–
Total current assets		53,018	67,275	19,664	5,927
Non-current assets					
Other receivables	9	961	1,346	–	–
Land use rights	11	4,337	4,543	–	–
Investment in subsidiaries	12	–	–	73,873	63,257
Property, plant and equipment	13	103,886	125,861	781	835
Goodwill	14	2,226	2,226	–	–
Deferred tax assets	15	1,488	1,097	–	–
Total non-current assets		112,898	135,073	74,654	64,092
Total assets		165,916	202,348	94,318	70,019
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments	16	527	595	349	–
Trade and other payables	17	49,502	44,386	20,784	16,862
Current portion of borrowings	18	31,705	43,942	6,958	9,770
Current portion of finance leases	19	2,660	5,047	614	1,231
Income tax payable		–	103	–	–
Total current liabilities		84,394	94,073	28,705	27,863
Non-current liabilities					
Derivative financial instruments	16	–	444	–	444
Borrowings	18	4,367	13,597	2,290	4,846
Finance leases	19	398	3,104	–	631
Total non-current liabilities		4,765	17,145	2,290	5,921
Capital, reserves and minority interests					
Share capital	20	56,127	56,127	56,127	56,127
Reserves		14,869	28,749	7,196	(19,892)
Equity attributable to the owners of the company		70,996	84,876	63,323	36,235
Minority interests		5,761	6,254	–	–
Total equity		76,757	91,130	63,323	36,235
Total liabilities and equity		165,916	202,348	94,318	70,019

See accompanying notes to financial statements.

CONSOLIDATED PROFIT AND LOSS STATEMENT

Year Ended December 31, 2009

	Note	Group 2009 $'000	Group 2008 $'000
Revenue	22	77,956	119,591
Cost of service and sales		(74,572)	(107,664)
Gross profit		3,384	11,927
Other income	23	1,035	2,637
Distribution costs		(2,669)	(4,368)
Administrative expenses		(9,866)	(15,946)
Other expenses		(1,529)	(695)
Finance costs	24	(3,414)	(4,670)
Loss before income tax		(13,059)	(11,115)
Income tax credit (expense)	25	265	(555)
Loss for the year	26	(12,794)	(11,670)
Attributable to:			
Owners of the company		(12,539)	(10,693)
Minority interests		(255)	(977)
Loss for the year		(12,794)	(11,670)
Loss per share (cents):			
- Basic	27	(2.20)	(1.88)
- Diluted	27	(2.20)	(1.88)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2009

		Group	
	Note	**2009**	**2008**
		$'000	**$'000**
Loss for the year		(12,794)	(11,670)
Other comprehensive income:			
Foreign currency translation		(1,503)	2,869
(Loss) Gain on cash flow hedge	16	(76)	622
Other comprehensive (loss) income for the year		(1,579)	3,491
Total comprehensive loss for the year		(14,373)	(8,179)
Total comprehensive loss attributable to:			
Owners of the parent		(13,880)	(7,995)
Minority interest		(493)	(184)
		(14,373)	(8,179)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year Ended December 31, 2009

	Share capital $'000	Currency translation reserves $'000	Hedging reserves $'000	Statutory reserves $'000	Accumulated profits (losses) $'000	Attributable to equity holders of the company $'000	Minority interests $'000	Total $'000
Group								
Balance at January 1, 2008	56,127	(6,338)	(1,002)	4,855	39,229	92,871	6,438	99,309
Total comprehensive income (loss) for the year	–	2,076	622	–	(10,693)	(7,995)	(184)	(8,179)
Transfer to statutory reserves (Note 21)	–	–	–	880	(880)	–	–	–
Balance at December 31, 2008	56,127	(4,262)	(380)	5,735	27,656	84,876	6,254	91,130
Total comprehensive loss for the year	–	(1,340)	(76)	–	(12,464)	(13,880)	(493)	(14,373)
Balance at December 31, 2009	56,127	(5,602)	(456)	5,735	15,192	70,996	5,761	76,757

Company	Share capital $'000	Currency translation reserve $'000	Hedging reserves $'000	Accumulated profits (losses) $'000	Total $'000
Balance at January 1, 2008	56,127	–	(1,002)	18,328	73,453
Total comprehensive income (loss) for the year	–	3,262	622	(41,102)	(37,218)
Balance at December 31, 2008	56,127	3,262	(380)	(22,774)	36,235
Total comprehensive (loss) income for the year	–	(1,713)	(76)	28,877	27,088
Balance at December 31, 2009	56,127	1,549	(456)	6,103	63,323

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2009

	Group	
	2009	**2008**
	$'000	**$'000**
Operating activities		
Loss before income tax	(13,059)	(11,115)
Adjustments for:		
Depreciation expense	19,990	20,328
Allowance for doubtful receivables	1,468	2,241
Allowance for inventories	561	631
Amortisation of land use rights	98	93
Impairment of property, plant and equipment	–	2,278
Impairment of goodwill	–	1,730
Fair value (gain) loss on derivative financial instrument	(512)	824
Interest income	(86)	(312)
Interest expense	3,414	4,670
Net foreign exchange losses (gains)	644	(2,382)
Plant and equipment written off	184	17
Loss on disposal of property, plant and equipment	1,145	410
Operating profit before working capital changes	13,847	19,413
Trade receivables	(527)	15,618
Other receivables and prepayments	(349)	2,263
Inventories	(1,465)	2,976
Trade payables	(1,207)	(2,609)
Other payables	3,701	(1,271)
Cash generated from operations	14,000	36,390
Interest received	86	312
Interest paid	(3,414)	(4,670)
Income tax paid	(229)	(507)
Net cash from operating activities	10,443	31,525
Investing activities		
Purchase of property, plant and equipment (Note A)	(6,756)	(20,815)
Proceeds on disposal of property, plant and equipment	51	–
Net cash used in investing activities	(6,705)	(20,815)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2009

	Group	
	2009	**2008**
	$'000	**$'000**
Financing activities		
Decrease in pledged bank deposits	547	5,101
Decrease in bank loans	(16,969)	(9,971)
Repayment of finance lease obligations	(5,093)	(6,420)
Due to shareholders	3,619	2,879
Net cash used in financing activities	(17,896)	(8,411)
Net (decrease) increase in cash and bank balances	(14,158)	2,299
Cash and bank balances at beginning of year	23,152	20,983
Effect of exchange rate changes on the balances of cash held in foreign currencies	(246)	(130)
Cash and bank balances at end of year	8,748	23,152

Note to the consolidated statement of cash flows:

A. Property, plant and equipment:

During the financial year, the group acquired property, plant and equipment with aggregate cost of $1,261,000 (2008 : $13,798,000) of which $Nil (2008 : $2,068,000) was acquired by means of finance leases, of which $Nil (2008 : $997,000) remained unpaid as at year end (Note 17). Cash payment of $6,756,000 (2008 : $20,815,000) were made in respect of property, plant and equipment purchased.

See accompanying notes to financial statements.

1 GENERAL

The company (Registration No. 200107762R) is incorporated in Republic of Singapore with its principal place of business and registered office at 80 Marine Parade Road, #11-02 Parkway Parade, Singapore 449269. The company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

The principal activity of the company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

The group incurred a net loss of $12,794,000 (2008 : $11,670,000) for the financial year ended December 31, 2009 and the group's and company's current liabilities exceed its current assets by $31,376,000 (2008 : $26,798,000) and $9,041,000 (2008 : $21,936,000) respectively as at December 31, 2009. In addition, as disclosed in Note 18 to the financial statements, the company and group have been in breach of certain financial covenants as stipulated in the credit facility agreement since 2008 and consequently, the bank has the right to demand immediate repayment of the outstanding loan balances totalling $2,552,000 (2008 : $8,261,000). The group has been making timely monthly repayments in accordance with the repayment terms of the loan and the last monthly instalment is in November 2010. The bank has been accepting these monthly payments and has not required immediate repayment of the loan. The loan balance has already been classified as current liabilities at reporting date.

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and satisfaction of liabilities in the normal course of business. The ability of the group and company to continue as a going concern is much dependent on:

- continued revolving credit facilities from the group's lenders to be available over the next twelve months;
- ability of the group to continue to generate sufficient cash flow from its future operations to meet its day-to-day expenditure.

In lieu of the above, management has reviewed the business plans and outlook for the next twelve months and are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstance. Management believes that the revolving credit facilities will continue to be available to the group from its lenders and the group will be able to generate cash flows from future operations to meet its liabilities as and when they fall due. Should the group be unable to continue in operational existence in the foreseeable future, the group may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than in the amounts which they are currently recorded in the statements of financial position. In addition, the group and company may have to provide for further liabilities that may arise and to reclassify non-current assets and liabilities to current. No adjustments have been made in the financial statements in respect of this.

The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company for the year ended December 31, 2009 were authorised for issue by the Board of Directors on April 1, 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS - In the current financial year, the group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2009. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's and company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 1 – *Presentation of Financial Statements (Revised)*

FRS 1 (2008) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position at the beginning of the earliest comparative period presented if the entity applies new accounting policies retrospectively or makes retrospective restatements or reclassifies items in the financial statements.

Amendments to FRS 107 Financial Instruments : *Disclosures - Improving Disclosures about Financial Instruments*

The amendments to FRS 107 expand the disclosures required in respect of fair value measurements and liquidity risk. The group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

FRS 108 – *Operating Segments*

The group adopted FRS 108 with effect from January 1, 2009. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (FRS 14 Segment Reporting) required an entity to identify two sets of segments (Business and Geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 108, the identification of the group's reportable segments has changed (Note 30).

The comparatives have been restated to conform to the requirements of FRS 108.

At the date of authorisation of these financial statements, the following FRSs that are relevant to the group and company were issued but not effective:

FRS 27 - Consolidated and Separate Financial Statements (Revised)
FRS 39 - Financial Instruments: Recognition and Measurement (Amendments relating to Embedded Derivatives)
FRS 103 - Business Combinations (Revised)

Amendments arising from Improvements to FRSs (issued in June 2009)

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the group and of the company in the period of their initial application.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed off during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

In the company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *FRS 103 Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit and loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the group's and company's statements of financial position when the group and the company become a party to the contractual provisions of the instrument.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest rate basis for debt instruments other than those financial instruments "at fair value through profit and loss".

Financial assets

Investments are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

<u>Loans and receivables</u>

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance amount. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, if the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the assets and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or expired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 16 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the profit and loss statement immediately, except for those designated as hedging instruments (see below).

Hedge accounting

The group designates certain hedging instruments as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 16 to the financial statements contain details of the fair values of the derivative instruments used for hedging purposes and details of the movements in the hedging reserve.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses.

Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the profit and loss statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and when the forecast transaction is ultimately recognised in the profit or loss, such gains or losses are recognised in profit or loss, or transferred from equity and included in the initial measurement of the cost of the asset or liability as described above. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES - Inventories are measured at the lower of cost (weighted average method) and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss where the recoverable amount if the asset is estimated to be lower than its carrying amount.

Freehold land is carried at cost less any impairment loss.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold buildings and improvement	-	5 to 74 years
Fixtures and equipment	-	5 years
Plant and machinery	-	5 to 10 years
Motor vehicles	-	10 years

Depreciation is not provided on freehold land and construction-in-progress.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated assets still in use are retained in the financial statements.

GOODWILL - Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

LAND USE RIGHTS - Leasehold land premiums are up-front payments to acquire long term interest in lessee-occupied properties. The premiums are stated at cost and are amortised over the period of the lease of 50 years on a straight-line basis to the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS (EXCLUDING GOODWILL) - At the end of each reporting period, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

PROVISIONS - Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

<u>Rendering of services</u>

Revenue from provision of services for short duration is recognised when the services have been rendered.

<u>Dividend income</u>

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

<u>Interest income</u>

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the company is Chinese renminbi.

The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are presented in Singapore dollar. The choice of presentation currency is to present the consolidated financial statements in a currency that is more relevant and useful to its stakeholders, the majority who are based in Singapore.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

RESERVES - A subsidiary in Taiwan is required by established laws to set aside a certain percentage of its annual net profit after tax less prior years' losses, if any, as legal and special reserves until the accumulated reserves have reached an amount equal to the subsidiary's paid-up capital. These reserves can be used to offset accumulated losses. They may be transferred to capital when these reserves have reached a level equivalent to a certain percentage of the subsidiary's paid-up capital.

Pursuant to relevant laws and regulations in the PRC applicable to foreign investment enterprises and the Articles of Association of the PRC subsidiaries, the subsidiaries are required to maintain three statutory reserves, being a statutory surplus reserve fund, an enterprise fund and a staff welfare and bonus fund. Appropriations to such reserves are made out of profit after taxation of the statutory financial statements of the subsidiary. The subsidiaries are required to transfer 10% of its profit after taxation as reported in its PRC statutory financial statements to the statutory surplus reserve fund until the balance reach 50% of its registered capital. The statutory surplus reserve fund can be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital.

The subsidiaries are also required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to the enterprise expansion fund at rates determined by the Board of Directors. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital.

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

In the application of the group's accounting policies, which are described in Note 2, the following are the critical judgements, apart from those involving estimations (see below), that management has made that have a significant effect on the amounts recognised in the consolidated financial statements.

a) <u>Going concern assumption</u>

As highlighted in Note 1 to the financial statements, management has prepared the financial statements on a going concern basis and is able to obtain financing from lenders and to generate cash flows from future operations to meet its liabilities as and when they fall due.

b) <u>Accounting for right granted under Sale and Purchase agreement</u>

As highlighted in Note 12 to the financial statements, as part of the company's divestment of 12.5% equity interest of a subsidiary group in prior year, the company has granted a third party ("Hongta") the option to require the company to purchase back its investment during the 3 years period ending October 2010 if this subsidiary group did not achieve certain milestone and profit targets. Had Hongta exercised its rights at year end to require the company to buy back the 12.5% equity interest in the subsidiary group, the consideration payable is estimated to be RMB 70.65 million ($15 million).

Management, having discussed with Hongta and obtained their written confirmation, is of the view that as at reporting date, any settlement of the possible obligation is remote and accordingly no liability has been recognised.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

a) <u>Allowance for doubtful receivables</u>

The policy for allowance of doubtful receivables of the group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement based on past experience. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. The carrying amount of trade receivables at the end of the reporting period is disclosed in Note 8 to the financial statements:

b) <u>Allowance for inventories</u>

In determining the net realisable value of the group inventories, an estimation of the recoverable amount of inventories on hand is performed based on the most reliable evidence available at the time the estimates are made. These estimates made by management take into consideration the fluctuations of price or cost, or any inventories on hand that may not be realised, directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The carrying amount of inventories at the end of the reporting period is disclosed in Note 10 to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

c) Impairment of property, plant and equipment

The group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates. Based on the recoverable amounts determined, management concluded that there is no impairment charge required in respect of property, plant and equipment during the year (2008 : $2,278,000 impairment charge). The carrying amount of property, plant and equipment at the end of the reporting period is disclosed in Note 13 to the financial statements.

d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Based on the recoverable amounts determined from the same value-in-use calculations in (c) above, management concluded that there is no impairment charge required in respect of goodwill recorded during the year (2008 : $1,730,000 impairment charge). The carrying amount of goodwill at the end of the reporting period is disclosed in Note 14 to the financial statements.

e) Impairment for investments in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the recoverable amount of the investment in subsidiaries as at end of the reporting period. Management has estimated the recoverable amount based on the same value-in-use calculations in (c) above. The value-in-use calculations requires the company to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. The carrying amounts of the company's investments in subsidiaries are disclosed in Note 12 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Financial assets				
Loan and receivables (including cash and bank balances)	45,654	61,206	19,641	5,903
Financial liabilities				
Payables and borrowings at amortised cost	88,632	110,076	30,646	33,340
Derivative financial instruments	527	1,039	349	444

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives

The management of the group monitors and manages the financial risks relating to the operations of the group to ensure appropriate measures are implemented in a timely and effective manner. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The group's activities are exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Management monitors risks associated with changes in foreign currency exchanges rates and interest rates and will consider appropriate measures should the need arises.

There has been no significant change to the group's exposure to market risk or the manner in which it manages and measures the risk.

Foreign currency risk management

The group transacts business in various foreign currencies, including the United States dollar, New Taiwan dollar, Singapore dollar and Japanese yen and therefore is exposed to foreign exchange risk.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Group				
United States dollar	38,360	25,152	20,283	38,151
New Taiwan dollar	–	1,745	–	–
Singapore dollar	277	335	100	320
Japanese yen	6,419	19,992	4,231	10,862
Company				
United States dollar	14,934	11,894	12,401	10,006
New Taiwan dollar	–	1,745	–	–
Singapore dollar	277	335	100	320
Japanese yen	6,419	10,055	4,231	10,862

The group manages its foreign exchange exposure by matching revenue and costs in the relevant currencies to create a natural hedge and also through active currency management using derivatives such as forwards and currency options where necessary. Further details on the forward foreign currency exchange contracts and cross currency rate swap contracts are disclosed in Note 16 to the financial statements.

The company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. No hedge has been taken up to mitigate this exposure as it does not impact cash flows.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in foreign currencies against the functional currencies of the respective entities. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the relevant foreign currency strengthens or weakens against functional currencies of the respective entities by 5% (2008 : 5%) with all other variables held constant, profit or loss will increase (decrease) by:

	United States dollar		Japanese Yen	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Group				
Loss for the year	904	(650)	109	457
Company				
Loss for the year	(127)	(94)	(109)	40

This is mainly attributable to the exposure outstanding on receivables and payables at the end of the reporting period in the group.

Based on the same analysis in relation to New Taiwan dollar and Singapore dollar, any impact on profit or loss is not significant and hence sensitivity analysis is not performed.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. The foreign currency denominated sales and purchases are seasonal and can vary over time subject to the demands of the market.

Interest rate risk management

Summary quantitative data of the group's interest-bearing financial instruments can be found in the liquidity and interest risk analyses below. The group's policy is to maintain cash equivalents with reputable financial institutions.

The group and company has borrowings at variable rates totalling $8,587,000 (2008 : $16,722,000) and $2,829,000 (2008 : $4,862,000) respectively and is therefore exposed to interest rate risks arising from the variability of cash flows.

The group holds fixed-rate and variable-rate debt instruments which expose it to interest rate risks arising from changes in fair value and variability of cash flows respectively.

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the group's and company's loss for the year ended December 31, 2009 would increase/decrease by $106,000 (2008 : profit for the year decrease/increase by $201,000) and $40,000 (2008 : profit for the year decrease/increase by $38,000) respectively. This is mainly attributable to the group's and company's exposure to interest rates on its variable rate borrowings.

The group's sensitivity to interest rates has increased during the current period mainly due to the increased balances in variable rate debt instruments.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The group's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management annually.

The top 3 customers of the group accounted for approximately 41% (2008: 48%) of the total revenue of the group in 2009. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 9 to the financial statements respectively.

Liquidity risk management

As highlighted in Note 1 to the financial statements, the group and company have net current liabilities of $31,376,000 (2008 : $26,798,000) and $9,041,000 (2008 : $21,936,000) respectively as at December 31, 2009. Liquidity risk is managed by matching the payment and receipt cycle and by obtaining continual revolving credit facilities from financial institution (Note 18) to fund its working capital requirements.

Undrawn facilities are disclosed in Note 18 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statements of financial position.

	Effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
2009						
Non-interest bearing	–	43,403	–	–	–	43,403
Variable interest rate instruments	0.8 – 7.4	6,676	3,662	226	(1,976)	8,588
Fixed interest rate instruments	4.3 – 7.4	31,128	2,548	–	(93)	33,583
Finance lease liability (fixed rate)	5.2 – 10.0	2,660	434	–	(36)	3,058
		83,867	6,644	226	(2,105)	88,632
2008						
Non-interest bearing	–	39,276	423	–	–	39,699
Variable interest rate instruments	0.3 – 8.3	14,847	1,952	378	(457)	16,720
Fixed interest rate instruments	4.5 – 8.2	34,205	11,509	–	(208)	45,506
Finance lease liability (fixed rate)	2.2 – 10.0	5,047	3,255	–	(151)	8,151
		93,375	17,139	378	(816)	110,076
Company						
2009						
Non-interest bearing	–	14,251	–	–	–	14,251
Variable interest rate instruments	0.8 – 6.0	2,611	219	–	(1)	2,829
Fixed interest rate instruments	4.5	10,880	2,165	–	(93)	12,952
Finance lease liability (fixed rate)	9.0 – 9.4	614	–	–	–	614
		28,356	2,384	–	(94)	30,646
2008						
Non-interest bearing	–	10,578	–	–	–	10,578
Variable interest rate instruments	2.0 – 6.0	4,586	549	43	(316)	4,862
Fixed interest rate instruments	4.5	11,468	4,741	–	(171)	16,038
Finance lease liability (fixed rate)	2.2 – 9.4	1,231	653	–	(22)	1,862
		27,863	5,943	43	(509)	33,340

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December 31, 2009

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

Non-derivative financial assets

Other than the other receivables of the group amounting to $961,000 (2008: $Nil) due within 2 to 5 years which are non-interest bearing, the non-derivative financial assets of the group and company are all on demand or due within 1 year.

Derivative financial instruments

The derivative financial instruments are all due within 12 months and the maturity analysis are disclosed in Note 16 to the financial statements.

As disclosed in Note 18 to the financial statements, certain financial covenants as stipulated in the credit facilities agreements continued to be in breach during the year and consequently, the bank has the right to demand immediate repayment of the outstanding loan balances totalling $2,552,000 (2008 : $8,261,000). These balances are all classified as current liabilities at the end of the reporting period. As of the date of the report, the bank has not formally requested for such immediate repayment.

Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- the fair value of derivative instruments (Note 16) are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The group's and company's derivative financial instruments measured at fair value are all classified as Level 2.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Capital risk management policies and objectives

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to owners of the company, comprising paid-up capital, accumulated profits and other reserves.

The group monitors capital via the net gearing ratio which is calculated as the total liabilities less cash and cash equivalents divided by total liabilities and equity less cash and cash equivalents. Equity is the "equity attributable to owners of the company" as shown in the consolidated statement of financial position.

In addition, the group and company also specifically monitor the leverage ratio of its financial covenants stated in the agreement with the financial institution providing credit facilities to the group and company. The leverage ratio is calculated as the total liabilities and redeemable minority interests divided by total equity. Other financial ratios that the group and company is required to comply with includes the current ratio and interest coverage ratio. As disclosed in Note 18 to the financial statements, the group and company continued to be in breach of certain financial covenants during the year.

The group's management reviews the capital structure on an on-going basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The group's overall strategy remains unchanged from 2008.

5 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

The compensation of directors and key management personnel is disclosed in Note 26 to the financial statements.

6 CASH AND BANK BALANCES

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cash and bank balances	8,748	23,152	165	1,463

Singapore dollar

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6 CASH AND BANK BALANCES (cont'd)

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
United States dollar	1,741	6,339	81	243
Singapore dollar	76	295	76	295
Japanese yen	8	926	8	926

7 PLEDGED BANK DEPOSITS

As at December 31, 2009, the group has bank deposits amounting to $460,000 (2008 : $1,007,000) that were pledged to certain banks as security for banking facilities (Note 18). The deposits carry fixed interest rate from 0.10% to 1.98% (2008 : 1.71%) per annum with an original maturity of three months or less.

8 TRADE RECEIVABLES

	Group	
	2009	2008
	$'000	$'000
Outside parties	38,719	38,192
Less allowance for doubtful debts	(4,304)	(2,836)
Net	34,415	35,356

Movement in the allowance for doubtful debts:

	2009	2008
	$'000	$'000
Balance at beginning of the year	2,836	595
Increase in allowance recognised in profit and loss	1,468	2,241
Balance at end of the year	4,304	2,836

Certain receivables from outside parties amounting to $2,685,000 (2008 : $6,269,000) are pledged to secure banking facilities (Note 18).

The credit period on sales of goods ranges from 45 to 150 days (2008 : 45 to 150 days). No interest is charged on overdue trade receivables.

The allowance for doubtful debts has been determined by reference to past default experience.

Included in the group's trade receivable balance are debtors with a carrying amount of $9,635,000 (2008 : $8,216,000) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances.

8 TRADE RECEIVABLES (cont'd)

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

The table below is an analysis of trade receivables that are past due but not impaired as at December 31:

	Group	
	2009	2008
	$'000	$'000
Not past due and not impaired	24,780	27,140
Past due but not impaired (i)	9,635	8,216
	34,415	35,356
Impaired receivables – collectively assessed (ii)	4,304	2,836
Less: provision for impairment	(4,304)	(2,836)
	–	–
Total trade receivables – net	34,415	35,356

(i) Ageing of trade receivables that are past due but not impaired:

45 to 90 days	184	1,938
91 to 149 days	2,974	5,329
>150 days	6,477	949
Total	9,635	8,216

(ii) These amounts are stated before any deduction for impairment losses. These receivables are not secured by any collateral or credit enhancements.

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2009	2008
	$'000	$'000
United States dollar	5,754	22,049

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9 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Deposits	–	101	–	–
Deposits for acquisition of property, plant and equipment	1	1	1	1
Prepayments	488	479	23	24
Subsidiaries (Note 12)	–	–	19,475	22,955
Other receivables	2,030	1,589	–	–
Allowance for amounts due from subsidiaries	–	–	–	(18,516)
Total	2,519	2,170	19,499	4,464
Presentation in statements of fianancial position:				
Current assets	1,558	824	19,499	4,464
Non-current assets	961	1,346	–	–
Total	2,519	2,170	19,499	4,464

Movement in the allowance for amounts due from subsidiaries:

	2009	**2008**
	$'000	**$'000**
Balance at beginning of the year	18,516	–
(Decrease) Increase in allowance recognised in profit and loss	(18,516)	18,516
Balance at end of the year	–	18,516

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. During the year, management has made allowance for amounts due from subsidiaries amounting to $Nil (2008 : $18,516,000) reflecting the net recoverable amounts from the subsidiaries.

The other receivables and prepayments that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
United States dollar	12,788	9,673	12,320	9,763
Singapore dollar	24	25	24	25
Japanese yen	4,223	9,936	4,223	9,936

10 INVENTORIES

	Group 2009 $'000	Group 2008 $'000
Finished goods	1,848	1,922
Work in process	2,918	1,192
Raw materials and consumable supplies	2,977	3,725
Total	7,743	6,839
Movement in the allowance for inventories:		
Balance at beginning of the year	1,588	957
Increase in allowance recognised in profit and loss	561	631
Balance at end of the year	2,149	1,588

The cost of inventories recognised as an expense includes $561,000 (2008 : $631,000) in respect of write downs of inventories to net realisable value. The allowance for inventories as at December 31, 2009 is $2,149,000 (2008 : $1,588,000).

11 LAND USE RIGHTS

	Group 2009 $'000	Group 2008 $'000
Cost:		
At January 1	4,833	4,544
Exchange difference	(119)	289
At December 31	4,714	4,833
Accumulated amortisation:		
At January 1	193	91
Amortisation	98	93
Exchange difference	(8)	9
At December 31	283	193
Carrying amount	4,431	4,640
Presentation in balance sheet:		
Current assets	94	97
Non-current assets	4,337	4,543
Total	4,431	4,640

The land use rights are amortised over 50 years. The amortisation periods are in line with the business licence of each of the subsidiaries.

Land use rights with carrying amount of $3,995,000 (2008 : $4,183,000) are pledged to secure bank loans (Note 18).

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12 INVESTMENT IN SUBSIDIARIES

	Company 2009 $'000	Company 2008 $'000
Unquoted equity shares/capital, at cost	81,656	83,720
Impairment loss	(7,783)	(20,463)
Net	73,873	63,257

During the year, a reversal of impairment loss of $12,680,000 was recognised in the company's profit and loss statement in relation to the carrying values of certain investments in subsidiaries as the recoverable values of the underlying assets had improved. The information relating to the value-in-use calculations are disclosed in Note 14 to the financial statements.

Details of the company's subsidiaries are as follows:

Name of subsidiary	Proportion of ownership interest and voting power held by the group 2009 %	Proportion of ownership interest and voting power held by the group 2008 %	Cost of investment 2009 $'000	Cost of investment 2008 $'000	Principal activities/ Country of incorporation and operation
LGANG Optronics Technology Co., Ltd	100	100	10,819	11,092	Provision of laser drilling services to PCB manufacturers/ Taiwan
Shanghai Zeng Kang Electronic Co., Ltd	93.125	93.125	8,159	8,366	Provision of drilling and routing services to PCB manufacturers/ People's Republic of China
Shanghai Yaolong Electronic Technology Co., Ltd	93.125	93.125	5,906	6,055	Provision of drilling and routing services to PCB manufacturers/ People's Republic of China
Shanghai Zhuo Kai Electronic Technology Co., Ltd	87.5	87.5	39,516	40,515	Manufacturing of PCB boards and provision of related processing services on outsourced PCBs to PCB manufacturers/ People's Republic of China
Shanghai Eu Ya Electronic Technology Co., Ltd	93.125	93.125	9,907	10,157	Provision of processing laminating services on PCB boards/ People's Republic of China
Shanghai Lian Han Xin Electronic Technology Co., Ltd	93.125	93.125	7,349	7,535	Provision of drilling and routing services to PCB manufacturers/ People's Republic of China
			81,656	83,720	

The subsidiaries are audited by overseas practices of Deloitte Touche Tohmatsu for consolidation purposes.

In prior year, the company entered into an agreement with a third party ("Hongta") for the divestment of 12.5% equity interest of Shanghai Zhuo Kai Electronic Technology Co., Ltd 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 years period ending October 2010 if this subsidiary group did not achieve certain milestone and profit targets. Had Hongta exercised its rights at year end to require the company to buy back the 12.5% equity interest in the subsidiary group, the consideration payable is estimated to be RMB 70.65 million ($15 million).

13 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Leasehold buildings and improvement $'000	Fixtures and equipment $'000	Plant and machinery $'000	Motor vehicles $'000	Construction –in–progress $'000	Total $'000
Cost:							
At January 1, 2008	2,810	13,780	2,347	158,665	462	5,359	183,423
Additions	–	10,958	147	191	–	2,502	13,798
Transfer	–	251	38	7,422	–	(7,711)	–
Disposals	–	–	(320)	(285)	(323)	–	(928)
Exchange differences	(31)	1,058	118	6,651	7	56	7,859
At December 31, 2008	2,779	26,047	2,330	172,644	146	206	204,152
Additions	–	21	66	320	111	743	1,261
Transfer	–	(139)	32	988	(106)	(775)	–
Disposals	–	–	(146)	(1,809)	(103)	–	(2,058)
Exchange differences	(26)	(594)	(49)	(3,484)	–	(5)	(4,158)
At December 31, 2009	2,753	25,335	2,233	168,659	48	169	199,197
Accumulated depreciation:							
At January 1, 2008	–	4,057	1,139	48,549	305	–	54,050
Depreciation	–	1,981	365	17,914	68	–	20,328
Disposals	–	–	(244)	(4)	(253)	–	(501)
Exchange differences	–	234	53	1,846	3	–	2,136
At December 31, 2008	–	6,272	1,313	68,305	123	–	76,013
Depreciation	–	1,699	360	17,921	10	–	19,990
Disposals	–	–	(126)	(456)	(96)	–	(678)
Exchange differences	–	(536)	(34)	(1,664)	1	–	(2,233)
At December 31, 2009	–	7,435	1,513	84,106	38	–	93,092
Accumulated impairment:							
At January 1, 2008	–	–	–	–	–	–	–
Recognised during the year	–	–	–	2,278	–	–	2,278
At December 31, 2008	–	–	–	2,278	–	–	2,278
Exchange differences	–	–	–	(59)	–	–	(59)
At December 31, 2009	–	–	–	2,219	–	–	2,219
Carrying amount:							
At December 31, 2009	2,753	17,900	720	82,334	10	169	103,886
At December 31, 2008	2,779	19,775	1,017	102,061	23	206	125,861

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13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Leasehold buildings and improvement $'000	Fixtures and equipment $'000	Motor vehicles $'000	Total $'000
Cost:				
At January 1, 2008	824	112	314	1,250
Disposals	–	–	(323)	(323)
Exchange differences	52	8	9	69
At December 31, 2008	876	120	–	996
Exchange differences	(21)	(3)	–	(24)
At December 31, 2009	855	117	–	972
Accumulated depreciation:				
At January 1, 2008	45	70	194	309
Depreciation	14	23	54	91
Disposals	–	–	(253)	(253)
Exchange differences	2	7	5	14
At December 31, 2008	61	100	–	161
Depreciation	13	18	–	31
Exchange differences	–	(1)	–	(1)
At December 31, 2009	74	117	–	191
Carrying amount:				
At December 31, 2009	781	–	–	781
At December 31, 2008	815	20	–	835

The group prepares cash flow forecasts to determine the recoverable amounts of the cash generating units. The information relating to the value-in-use calculations are disclosed in Note 14 to the financial statements. In 2008, the group recorded an impairment loss for the year of $2,278,000 for property, plant and equipment.

For the group, property, plant and equipment with carrying amount of $51,443,000 (2008 : $82,333,000) are pledged to secure bank loans (Note 18).

At the end of the year, plant and machinery with carrying amount of $Nil (2008 : $11,583,000) and $Nil (2008 : $Nil) of the group and company respectively are purchased under finance leases.

14 GOODWILL

	Group	
	2009	2008
	$'000	$'000
At beginning of year	2,226	3,956
Impairment loss	–	(1,730)
At end of year	2,226	2,226

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	Group	
	2009	2008
	$'000	$'000
Drilling and routing services (comprise several CGUs)	2,144	2,144
Printed circuit board production (single CGU)	82	82
Total	2,226	2,226

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group prepares cash flow forecasts derived from the most recent financial budget approved by management for financial year ending December 31, 2010, derived from the average of the past 2 financial year results. The forecast is then projected at zero growth rate up to the expected end of lives of the key assets of each CGU.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rates used to discount the respective cash flows ranges from 5.90% to 8.79% (2008 : 6.12% to 7.18%) per annum.

As at December 31, 2009, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

Based on the cash flow forecasts prepared, management is of the view that no further impairment is required for the financial year ended December 31, 2009.

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15 DEFERRED TAX ASSETS

	Group	
	2009	**2008**
	$'000	**$'000**
Deferred tax assets	1,488	1,097

The following are the major deferred tax assets recognised by the group and movements thereon, during the current and prior reporting period:

	Investment tax credits $'000	**Tax losses $'000**	**Others $'000**	**Total $'000**
At January 1, 2008	1,313	198	89	1,600
(Charge) Credit to profit and loss	(824)	315	6	(503)
At December 31, 2008	489	513	95	1,097
Credit (Charge) to profit and loss	–	409	(18)	391
At December 31, 2009	489	922	77	1,488

As at reporting date, temporary differences associated with the undistributed earnings of one subsidiary for which deferred tax liabilities have not been recognised is $0.8 million (2008 : $1.7 million). No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

16 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
At fair value:				
Cross currency rate swap contracts	349	444	349	444
Forward foreign exchange contracts	178	595	–	–
Total	527	1,039	349	444
Presentation in balance sheet:				
Current	527	595	349	–
Non-current	–	444	–	444
Total	527	1,039	349	444

Forward foreign exchange contracts

The group utilises currency derivatives to hedge significant future transactions and cash flows. The group is a party to a variety of forward foreign exchange contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the group's principal markets.

16 DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

At the reporting date, the total notional amount of outstanding forward foreign exchange contracts to which the group is committed are as follows:

	Group	
	2009	2008
	$'000	$'000
Forward foreign exchange contracts		
- sell US$ (within one year)	18,001	29,549

Changes in the fair value of currency derivatives designated as a fair value hedge amounting to a loss of $512,000 (2008 : $824,000) have been charged to the profit and loss statement during the year.

Cross currency rate swap contracts

The group uses cross currency rate swap contracts to manage its exposure on interest rate movements and exchange rate exposures on its bank borrowings (denominated in United States dollar) by swapping those borrowings from floating rates to fixed rates. All of these cross currency rate swap contracts are designated and effective as cash flow hedges and the fair value thereof have been deferred in equity. An amount of $384,000 (2008 : $424,000) has been offset against hedged interest payments made in the year.

The following table details the notional principal amounts and remaining terms of cross currency rate swap contracts outstanding as at reporting date:

	Average contracted fixed interest rate	Group and Company	
		2009	2008
	%	$'000	$'000
Cross currency rate swap contracts	5.3	2,552	4,527
Analysed as follows:			
Within one year		2,552	1,975
After one but within two years		–	2,552
Total		2,552	4,527

The cross currency rate swaps settle on a monthly basis and have maturity dates up to November 2010. The floating rate on the swaps is the London Interbank rate. The company will settle the difference between the fixed and floating interest rate on a net basis.

All cross currency rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is recognised in the profit and loss over the loan period.

The fair value of the currency rate swap contracts that are designated and effective as cash flow hedges amounting to $95,000 (2008 : $558,000) has been recognised in other comprehensive income as at December 31, 2009.

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December 31, 2009

16 DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Movement of the cash flow hedge in other comprehensive income

	Group	
	2009	2008
	$'000	$'000
(Loss) Gain on cash flow hedge		
Fair value gain arising during the year	95	558
Reclassification to profit or loss from equity	(171)	64
Net (loss) gain on cash flow hedge	(76)	622

17 TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade payables	25,421	26,628	–	–
Due to shareholders	12,532	8,913	12,532	8,913
Accruals	4,175	2,421	1,580	854
Payables for acquisition of plant and equipment	–	997	–	997
Other payables	7,374	5,427	6,490	4,169
Subsidiaries (Note 12)	–	–	182	1,929
Total	49,502	44,386	20,784	16,862

The balance due to a shareholder, Sunny Worldwide Int'l Ltd, amounting to $6,533,000 (2008 : $6,284,000) as at December 31, 2009, is unsecured, repayable on demand and bears fixed interest at 4.5% (2008 : 4.5%) per annum.

The balance due to another shareholder, Wen Yao-Long, amounting to $5,999,000 (2008 : $2,629,000) as at December 31, 2009, is unsecured, interest-free and on repayment on demand terms.

The trade and other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
United States dollar	35,374	19,028	12,382	7,367
New Taiwan dollar	–	1,745	–	1,745
Japanese yen	–	10,238	–	301

18 BORROWINGS

	Effective interest rate		Group		Company	
	2009	2008	2009	2008	2009	2008
			$'000	$'000	$'000	$'000
Bank loans						
Current (Secured): (i)						
Fixed rate	4.3% - 7.4%	4.5% - 8.2%	20,248	22,737	–	–
Floating rate	0.8% - 7.4%	3.0% - 8.3%	6,676	14,847	2,611	4,586
			26,924	37,584	2,611	4,586
Non-current (Secured): (i)						
Fixed rate	4.3% - 7.4%	4.5% - 8.2%	384	6,731	–	–
Floating rate	0.8% - 7.4%	3.0% - 8.3%	1,911	1,873	218	276
			2,295	8,604	218	276
Total bank loans			29,219	46,188	2,829	4,862
Notes payables						
Current (Secured): (i)						
Fixed rate	4.5%	4.5%	4,347	5,184	4,347	5,184
Current (Unsecured):						
Non interest-bearing	–	–	434	1,174	–	–
Non-current (Secured): (i)						
Fixed rate	4.5%	4.5%	2,072	4,570	2,072	4,570
Non-current (Unsecured):						
Non interest-bearing	–	–	–	423	–	–
Total notes payables			6,853	11,351	6,419	9,754
Total			36,072	57,539	9,248	14,616
The borrowings are repayable as follows:						
Within one year			31,705	43,942	6,958	9,770
After one but within two years			3,149	11,550	2,131	4,629
After two but within five years			1,087	1,739	159	176
More than five years			131	308	–	41
Total			36,072	57,539	9,248	14,616
Presentation in balance sheet:						
Current liabilities			31,705	43,942	6,958	9,770
Non-current liabilities			4,367	13,597	2,290	4,837
Total			36,072	57,539	9,248	14,616

(i) 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.

NOTES TO FINANCIAL STATEMENTS

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18 BORROWINGS (cont'd)

The interest rates of the bank loans are reviewed and re-priced at the discretion of the financial institutions. The fair values of bank loans approximate their carrying amounts.

Pledged assets

The following assets have been pledged for the facilities obtained from financial institutions:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Pledged bank deposits	460	1,007	–	–
Trade receivables	2,685	6,269	–	–
Land use rights	3,995	4,183	–	–
Carrying value of property, plant and equipment (Note 13)	51,443	82,333	–	–

The bank loans amounting to $19.6 million (2008: $28.4 million) as at December 31, 2009 are also secured by personal guarantees from the directors.

As at December 31, 2009, certain financial covenants as stipulated in the credit facilities agreement continued to be in breach during the year. The bank has the right to demand immediate repayment of the outstanding loan balances totalling $2,552,000 (2008 : $8,261,000). As of the date of the report, the bank has not formally requested for such immediate repayment. The corresponding amounts that are due after 12 months are reclassified to current liabilities accordingly.

At December 31, 2009, the group and company have approximately available $15,878,000 (2008 : $16,257,000) and $7,795,000 (2008 : $8,009,000) of undrawn committed borrowing facilities respectively which are secured by personal guarantees from the directors.

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
United States dollar	2,986	6,124	2,552	4,527
Singapore dollar	277	335	277	335
Japanese yen	6,419	9,754	6,419	9,754

19 FINANCE LEASES

	Minimum lease payments		Fair value of minimum lease payments	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Group				
Within one year	2,783	5,617	2,660	5,047
In the second to fifth year inclusive	432	3,255	398	3,104
Total	3,215	8,872	3,058	8,151
Less: Future finance charges	(157)	(721)	NA	NA
Present value of lease obligations	3,058	8,151	3,058	8,151
Less: Amount due within 12 months			(2,660)	(5,047)
Amount due after 12 months			398	3,104
Company				
Within one year	636	1,354	614	1,231
In the second to fifth year inclusive	–	653	–	631
Total	636	2,007	614	1,862
Less: Future finance charges	(22)	(145)	NA	NA
Present value of lease obligations	614	1,862	614	1,862
Less: Amount due within 12 months			(614)	(1,231)
Amount due after 12 months			–	631

a) The average lease term is 3 years. The average effective borrowing rate was 5.2% to 10.0% (2008 : 2.2% to 10.0%) per annum and 9.0% to 9.4% (2008 : 2.2% to 9.4%) per annum for the group and company respectively. Interest rates are fixed at the contract date, and thus expose the group and the company to fair value interest rate risk. All leases are on a fixed repayment basis, secured by machineries and no arrangements have been entered into for contingent rental payments.

b) The finance leases of the subsidiaries amounting to $2,424,000 (2008 : $6,289,000) are guaranteed by two directors of the company and another director of a subsidiary.

c) The fair value of the group's and company's lease obligations approximate their carrying amounts.

20 SHARE CAPITAL

	2009	2008	2009	2008
	'000	'000	$'000	$'000
Group and Company	Number of ordinary shares			
Issued and paid up:				
At beginning and end of year	570,000	570,000	56,127	56,127

The company has one class of ordinary shares which has no par value and carry no right to fixed income.

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21 STATUTORY RESERVES

	Legal and special reserves $'000	Reserve fund $'000	Total $'000
Group			
Balance at January 1, 2008	1,873	2,982	4,855
Transfer from accumulated profits	–	880	880
Balance at December 31, 2008 and at December 31, 2009	1,873	3,862	5,735

22 REVENUE

	Group	
	2009 $'000	2008 $'000
Rendering of services	77,956	119,591

23 OTHER INCOME

	Group	
	2009 $'000	2008 $'000
Insurance claim from fire damage	–	1,058
Foreign currency exchange adjustment gain	–	861
Interest income	86	312
Other income	949	406
Total	1,035	2,637

24 FINANCE COSTS

	Group	
	2009 $'000	2008 $'000
Interest expense on:		
Bank loans	2,418	3,610
Finance leases	747	810
Amount due to a shareholder	249	250
Total	3,414	4,670

25 INCOME TAX (CREDIT) EXPENSE

	Group 2009 $'000	Group 2008 $'000
Current	126	52
Deferred	(391)	503
Income tax (credit) expense	(265)	555

Domestic income tax is calculated at 17% (2008 : 18%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting loss as follows:

	Group 2009 $'000	Group 2008 $'000
Loss before income tax	(13,059)	(11,115)
Tax at statutory rate of 17% (2008: 18%)	(2,220)	(2,001)
Tax effect on investment allowance	–	833
Non-deductible expenses	2,726	1,649
Tax exempt income	(127)	(47)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(644)	121
Income tax (credit) expense	(265)	555

a) Pursuant to the Chinese income tax regulations, the subsidiaries in the People's Republic of China ("PRC") are also entitled to exemptions from the PRC income tax for the first two years commencing from their first profit making year followed by 50% reduction in their income tax for the next three years. A profit-making year is defined as the first year for which an enterprise would need to pay income tax after absorption of any loss carried forward.

b) The corporate tax rate of the Taiwanese subsidiary is 25% (2008 : 25%). However, the subsidiary had been awarded investment allowance on certain plant and equipment acquired in 2008.

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26 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	Group	
	2009	**2008**
	$'000	**$'000**
Depreciation of property, plant and equipment	19,990	20,328
Amortisation of land use rights*	98	93
Total depreciation and amortisation	20,088	20,421
Directors' remuneration	1,048	1,288
Directors' fees	170	170
Total directors' expense	1,218	1,458
Defined contribution plans	142	164
Other staff costs	12,506	15,328
Total employee benefits expense	12,648	15,492
Allowance for doubtful receivables*	1,468	2,241
Allowance for inventories	561	631
Total allowance loss	2,209	2,872
Impairment loss on property, plant and equipment*	–	2,278
Impairment loss on goodwill*	–	1,730
Total impairment loss	–	4,008
Net foreign currency exchange loss (gain)	797	(861)
Cost of inventories recognised as expense in cost of sales	48,209	80,971
Non-audit fees:		
Auditors of the company	1	–
Other auditors	8	6

* Included in administrative expenses

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group	
	2009	**2008**
	$'000	**$'000**
Short-term benefits	1,710	2,133
Post-employment benefits	30	91
	1,740	2,224

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

27 LOSS PER SHARE

	Group 2009	Group 2008
Loss attributable to owners of the company ($'000)	(12,539)	(10,693)
Number of ordinary shares ('000)	570,000	570,000
Earnings per share (cents)	(2.20)	(1.88)

There is no dilution of earnings per share as no share options were granted.

28 COMMITMENTS AND CONTINGENT LIABILITIES

	Group 2009 $'000	Group 2008 $'000
Commitments for product warranties	13	9
Corporate guarantee given to third party	206	211

29 OPERATING LEASE ARRANGEMENTS

	Group 2009 $'000	Group 2008 $'000
Minimum lease payments under operating leases recognised as an expense during the year	769	1,006

At the end of the reporting period, the group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group 2009 $'000	Group 2008 $'000
Within one year	847	1,080
In the second to fifth years inclusive	2,905	3,808
After five years	639	4,468
Total	4,391	9,356

Operating lease payments represent rental payable by the group for certain of its office premises, land use rights and plant and equipment. Leases are negotiated for an average term of seven years.

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30 SEGMENT INFORMATION

For management purposes, the group is organised into three major reportable segments –laser drilling services, mechanical drilling and routing services and printed circuit boards production and related processing services ("PCB operations"). The segments are the basis on which the group reports to its chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(a) Analysis by Reportable Segment

Segment revenue and expense are revenue and expense reported in the group's profit or loss that are either directly attributable to a segment or can be allocated on a reasonable basis to a segment.

Segment assets are all operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets exclude interest-producing assets.

Segment liabilities are all operating liabilities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities exclude interest-bearing liabilities and income tax liabilities.

Information regarding the group's reportable segments prepared based on measurement principle of FRS is presented below. Amounts reported for the prior year have been restated to conform to the requirements of FRS 108.

Revenue and Expenses (by reportable segments)	**Laser drilling services**		**Mechanical drilling and routing services**		**PCB operations**		**Total**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue to external parties	9,212	20,401	8,333	17,541	60,411	81,649	77,956	119,591
Segment results	(5,548)	3	(629)	39	(2,290)	(7,378)	(8,467)	(7,336)
Other income							1,035	2,637
Unallocated corporate expenses							(2,212)	(1,746)
Finance costs							(3,414)	(4,670)
Loss from before income tax							(13,059)	(11,115)

30 SEGMENT INFORMATION (cont'd)

(a) Analysis by Reportable Segment (cont'd)

Revenue and Expenses (by reportable segments)	Laser drilling services		Mechanical drilling and routing services		PCB operations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets and liabilities								
Segment assets	25,267	34,068	43,057	52,803	92,666	109,198	160,990	196,069
Unallocated corporate assets							4,926	6,279
Consolidated total assets							165,916	202,348
Segment liabilities	10,442	17,354	6,563	10,149	41,399	49,931	58,404	77,434
Unallocated corporate liabilities							30,755	33,784
Consolidated total liabilities							89,159	111,218
Capital expenditure:								
- Property, plant and equipment	58	2,195	312	610	1,238	10,993	1,608	13,798
Depreciation	7,239	7,595	5,871	5,811	6,846	6,831	19,956	20,237
Amortisation of land use rights	–	–	13	12	85	81	98	93
Allowance for inventories	–	–	45	–	516	631	561	631
Allowance for doubtful receivables	–	–	–	52	1,468	2,189	1,468	2,241
Impairment loss for property, plant and equipment	–	–	–	2,278	–	–	–	2,278
Impairment loss for goodwill	–	–	–	1,730	–	–	–	1,730
Unallocated corporate expenditure:								
Capital expenditure							1,536	381
Depreciation							34	91

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30 SEGMENT INFORMATION (cont'd)

(b) Analysis by Geographical Information

Segment revenue is analysed based on the location of customers.

Total revenue and non-current assets (excluding financial assets) are analysed based on the location of those assets.

	Segment Revenue		Segment non-current assets	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
People's Republic of China	72,206	103,447	88,440	103,134
Taiwan	5,750	16,144	21,228	28,661
Singapore	–	–	781	835
Total	77,956	119,591	110,449	132,630

Information about major customers

Included in revenues of the PCB operations are revenues of approximately $14,218,000, $9,688,000 and $8,286,000 (2008 : $29,289,000, $14,245,000 and $13,803,000) which arose from sales to the group's three largest customers for the respective years.

SUMMARY OF PROPERTIES

Held by	Location and description	Tenure	Usage of property
Eucon Holding Limited	80 Marine Parade Road #11-02 Parkway Parade Singapore 449269	Leasehold 99 years commencing from August 1979	Office
LGANG Optronics Technology Co., Ltd	19 Her-Jun North Road Chung-Li Industrial Park Chung-Li City Taoyuan County Taiwan	Freehold	Office, manufacturing plant, warehouse and garage
Shanghai Zeng Kang Electronic Co., Ltd	1150 Caoxin Road Xuhang Town Jiading District Shanghai 201809.PRC.	Leasehold 50 years commencing from December 2006	Manufacturing Plant
Shanghai Zhuo Kai Electronic Technology Co., Ltd	399 Baoqian Road Xuhang Industrial Park Jiading District Shanghai 201809.PRC.	Leasehold 50 years commencing from December 2006	Manufacturing Plant
Shanghai EuYa Electronic Technology Co., Ltd	419 Baoqian Road Xuhang Industrial Park Jiading District Shanghai 201809.PRC.	Leasehold 50 years commencing from December 2006	Manufacturing Plant

STATISTICS OF SHAREHOLDERS

As at March 19, 2010

Issued share capital	:	SGD56,127,017/-
Number of shares	:	570,000,000
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	198	5.81	97,607	0.02
1,000 - 10,000	1,348	39.56	6,858,660	1.20
10,001 - 1,000,000	1,805	52.96	148,003,058	25.97
1,000,001 AND ABOVE	57	1.67	415,040,675	72.81
TOTAL	3,408	100.00	570,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SUNNY WORLDWIDE INT'L LTD	108,362,000	19.01
2	UNITED OVERSEAS BANK NOMINEES PTE LTD	55,576,485	9.75
3	CHEN MING-HSING	33,723,000	5.92
4	WEN YAO-LONG	24,224,747	4.25
5	HUANG SHIH-AN	14,540,200	2.55
6	HUANG CHUANG SHUEH-OU	13,120,800	2.30
7	MERRILL LYNCH (SINGAPORE) PTE LTD	10,669,800	1.87
8	CHEN CHU-TSU	9,763,600	1.71
9	CHEN CHENG-HSIUNG	8,136,800	1.43
10	LEE YING-CHI	7,140,000	1.25
11	JENG HUANG FONG MAAN	6,188,800	1.09
12	KO TSAI HSIU CHUN LISA	5,366,340	0.94
13	WEN YAO-CHOU	4,794,643	0.84
14	HSUEH PAI-CHUN	4,727,200	0.83
15	OCBC SECURITIES PRIVATE LTD	4,505,000	0.79
16	HSBC (SINGAPORE) NOMINEES PTE LTD	4,403,000	0.77
17	DBS NOMINEES PTE LTD	4,363,360	0.77
18	KAU JUI-HUNG	4,360,800	0.77
19	LAI YU-CHUNG	4,243,600	0.74
20	LIN JIA-LUH	4,243,600	0.74
	TOTAL	332,453,775	58.32

Substantial Shareholders
As shown in the Register of Substantial Shareholders

	No of Shares	
Name of Shareholders	**Direct Interest**	**Deemed Interest**
Sunny Worldwide Int'l Ltd	108,362,000	–
Wen Yao-Long (1)	24,224,747	108,362,000
Chen Ming-Hsing	33,723,000	–
Europtronic Investment Pte Ltd	51,482,085	–
Europtronic Group Ltd (2)	30,515	51,482,085
Huang Shih-An (3)	14,540,200	64,633,400
Huang Chuang Shueh-Ou (4)	13,120,800	66,052,800

Notes:-

1 Sunny Worldwide Int'l Ltd ("Sunny Worldwide") is an investment holding company incorporated in Mauritius. It is beneficially owned by Mr Wen Yao-Long, Mr Wen Yao-Chou and their family members. Mr Wen Yao-Long is deemed to have an interest in the shares held by Sunny Worldwide by virtue of his 20.3% direct interest in Sunny Worldwide. Mr Wen Yao-Long is the only director of Sunny Worldwide.

2 Europtronic Group Ltd ("ETGL"), a company listed on the SGX-ST, is deemed to have an interest in the shares held by Europtronic Investment Pte Ltd ("EIPL") by virtue of its 100% direct interest in EIPL.

3 Mr Huang Shih-An is deemed to have an interest in the shares held by:

(a) his spouse Mrs Huang Chuang Shueh-Ou

(b) ETGL and EIPL by virtue of his 23.94% direct interest in ETGL. EIPL is a wholly owned subsidiary of ETGL.

4 Mrs Huang Chuang Shueh-Ou is deemed to have an interest in the shares held by:

(a) her spouse Mr Huang Shih-An

(b) ETGL and EIPL by virtue of her 22.01% direct interest in ETGL.

Percentage of Shareholding in Public's Hand

Based on information available to the Company as at 19 March 2010, approximately 55.88% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

EUCON HOLDING LIMITED
(Company Registration No.: 200107762R)
(Incorporated in the Republic of Singapore with Limited Liability)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of Eucon Holding Limited (the "Company") will be held at The Gallery, Level 4, Paramount Hotel, 25 Marine Parade, Singapore 449536 on Tuesday, 27 April 2010 at 2.00 p.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and Audited Accounts of the Company for the financial year ended 31 December 2009 together with the Auditors' Report thereon. **[Resolution 1]**

2. To approve the Directors' Fees of S$170,000/- for the year ended 31 December 2009 (2008 : S$170,000/-). **[Resolution 2]**

3. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:-

   (a) Mr Wen Yao-Chou {retiring pursuant to Article 89} **[Resolution 3(a)]**

   (b) Mr Er Kwong Wah (retiring pursuant to Article 89} **[Resolution 3(b)]**

   Mr Er Kwong Wah will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and Member of the Audit Committee and Remuneration Committee and will be considered independent for the purposes of Clause 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To re-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **[Resolution 4]**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without any modifications:-

6. "That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be and they are hereby authorised to issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per centum of the total number of issued shares excluding treasury shares, in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed 20 per centum of the total number of issued shares excluding treasury shares, in the capital of the Company at the time of the passing of this Resolution and that such authority shall continue in force until the date that the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier, unless revoked or varied at a general meeting of the Company." **[Resolution 5]**
   [See Explanatory Note (i)]

7. "That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be and are hereby authorised to allot and issue shares (or convertible securities as may be allowed by Singapore Exchange Limited ("SGX") from time to time) in the Company via a renounceable rights issue (or such other manner as may be allowed by SGX from time to time) at any time and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion, deem fit provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 100 per centum (including the 50% new shares that might be issued pursuant to Resolution 5) of the total number of issued shares (excluding treasury shares) at the time of the passing of this Resolution (subject to the application of the Listing Manual and any requirements which the SGX may impose from time to time);

(ii) the rights are issued on a pro-rata basis;

(iii) and that such authority shall continue in force until 31 December 2010 or such later date as may be determined by the SGX or the date that the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier, unless revoked or varied at a general meeting of the Company." **[Resolution 6]**

[See Explanatory Note (ii)]

BY ORDER OF THE BOARD

Tan Cheng Siew
Chan Wai Teng Priscilla
Company Secretaries
Singapore, 9 April 2010

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

(i) The proposed Resolution 5, if passed, will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding in total 50 per centum of the total number of issued shares excluding treasury shares in the capital of the Company for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier.

The percentage of the issued share capital is based on the number of issued shares excluding treasury shares in the capital of the Company at the time of the passing of this Resolution after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The proposed Resolution 6, if passed, will empower the Directors of the Company to allot and issue shares in the Company up to an amount not exceeding in total 100 per centum (including the 50% new shares that might be issued pursuant to Resolution 5) of the total number of issued shares excluding treasury shares in the capital of the Company for such purposes as they consider would be in the interests of the Company. This is one of the measures introduced by the Singapore Exchange Limited, in consultation with the Monetary Authority of Singapore on 20 February 2009 to accelerate and facilitate listed issuer's fund raising efforts and will be in effect until 31 December 2010 when it will be reviewed by SGX.

This mandate is conditional upon the Company:

- Making periodic announcements on the use of the proceeds as and when the funds are materially disbursed; and
- providing a status report on the use of the proceeds in the annual report.

NOTICE OF ANNUAL GENERAL MEETING

The percentage of the issued share capital is based on the number of issued shares excluding treasury shares in the capital of the Company at the time of the passing of this Resolution after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares.

This mandate if passed will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose of their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares.

Notes:

A Member is entitled to appoint up to two proxies to attend and vote in his place. A proxy need not be a Member of the Company. Members wishing to vote by proxy at the meeting may use the proxy form enclosed. The completed proxy form must be lodged at the Registered Office of the Company at 80 Marine Parade Road, #11-02 Parkway Parade, Singapore 449269 not less than 48 hours before the time appointed for the Meeting.

EUCON HOLDING LIMITED

(Company Registration No.: 200107762R)
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Important

1. For investors who have used their CPF monies to buy Eucon Holding Limited's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

I/We ____

of ____

being a *member/members of Eucon Holding Limited, hereby appoint

Name	Address	NRIC / Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

as my/our proxy/proxies to vote for me/us on my/our behalf at the Eighth Annual General Meeting of the Company to be held at the The Gallery, Level 4, Paramount Hotel, 25 Marine Parade, Singapore 449536 on Tuesday, 27 April 2010 at 2.00 p.m. and at any adjournment thereof.

The proxy is required to vote as indicated with an "X" on the resolutions set out in the Notice of Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his discretion.

No.	Resolution	For	Against
1.	To receive and adopt the Report of the Directors and Audited Accounts for the financial year ended 31 December 2009 together with the Auditors' Report thereon.		
2.	To approve payment of Directors' Fees.		
3.	(a) To re-elect Mr Wen Yao-Chou as a Director.		
	(b) To re-elect Mr Er Kwong Wah as a Director.		
4.	To re-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.		
5.	To authorise the Directors to issue/allot shares in the Company.		
6.	To authorise the Directors to issue/allot shares in the Company up to 100% (including the 50% new shares that might be issued pursuant to Resolution 5) of its issued share capital via pro-rated renounceable rights issue.		

Signed this ____________ day of ____________________ 2010

Total No. of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)
or Common Seal of Corporate Shareholder

Notes:

1. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.

2. Where a member appoints two proxies, he must specify the proportion of his shareholding to be represented by each proxy, failing which the nomination shall be deemed to be alternative.

3. The instrument appointing a proxy must be signed by the appointer or his duly authorised attorney or if the appointer is a corporation, it must be executed either under its common seal or signed by its attorney or a duly authorised officer of the corporation.

4. A corporation which is a member may also appoint by resolution of its Directors or other governing body an authorised representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote on its behalf.

5. The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company, 80 Marine Parade Road, #11-02 Parkway Parade, Singapore 449269 at least 48 hours before the time fixed for holding the Annual General Meeting.

6. A member should insert the total number of Ordinary Shares held. If the member has Ordinary Shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of Ordinary Shares. If the member has Ordinary Shares registered in his name in the Register of Members, he should insert that number of Ordinary Shares. If the member has Ordinary Shares entered against his name in the Depository Register as well as Ordinary Shares registered in his name in the Register of Members, he should insert the numbers of Ordinary Shares in the respective boxes provided in the instrument of proxy. If no number is inserted, this form of proxy will be deemed to relate to all the Ordinary Shares held by the member.

7. The Company shall be entitled to reject this instrument of proxy if it is incomplete, or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of a member whose Ordinary Shares are entered in the Depository Register, the Company shall be entitled to reject this instrument of proxy which has been lodged if such member is not shown to have Ordinary Shares entered his name in the Depository Register at least 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

EUCON HOLDING LIMITED

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