

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.1 INCOME STATEMENTS OF BCT GROUP (CONT'D)

Notes:-

- (i) N/A - Not applicable.
- (ii) * - Assumed weighted average number of ordinary shares in issue before the Public Issue and Bonus Issue II.
- (iii) * - The Gross (LPS)/EPS and Net (LPS)/EPS were computed by dividing the (LBT)/PBT and (LAT)/PAT respectively by the weighted average number of ordinary shares in issue during the period. The Gross (LPS)/EPS and Net (LPS)/EPS computed were not annualised.

Commentary:-

- (a) Revenue decreased by approximately RM4,444,000 or 57% in the FYE 31.12.2003 as compared to the FYE 31.12.2002 mainly due to BCT Group's transition from a chip design company to a chip product company, which was undertaken in the FYE 31.12.2003. The business focus was centred on developing chip products which promotes volume-based sale to various customers as opposed to the provision of project-based chip design services to selected customers. LBT of approximately RM6,861,000 was mainly attributable to the shift from chip design services to chip product sales as part of BCT Group's business strategy.

Included in other operating overheads was development costs of approximately RM3.6 million written off in the FYE 31.12.2003 for BCT Group as the directors were of the opinion that the development costs incurred could not derive any future economic benefits.

- (b) Revenue increased by approximately RM7,088,000 or 216% in the FYE 31.12.2004 as compared to the FYE 31.12.2003 mainly due to the turnaround of BCT Tech Group's business. The sale of a new product, in the form of an Application Specific Integration Circuit ("ASIC") product contributed RM4,800,000 in the FYE 31.12.2004, whereby the Group received the first order for one million chips for the fragrance/insect repellent dispensing platform. The gross profit margin had also increased to 52% due to better sales mix of higher ASIC product which has better profit margin. A PBT of RM1,239,000 was achieved in the FYE 31.12.2004 as compared to a LBT of RM6,861,000 in the FYE 31.12.2003 due to the increase in revenue and GP. The decrease in operating overheads by RM4,131,000 was mainly due to the development costs of RM3,615,000 written off during the FYE 31.12.2003.

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12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.1 INCOME STATEMENTS OF BCT GROUP (CONT'D)

- (c) *No provision was made for taxation for the FYE 31.12.2003 and 2004 as BCT group had sufficient unutilised tax losses brought forward to offset taxable business income for the respective financial years. The provision of RM202,000 for the FYE 31.12.2003 was in respect of deferred taxation overprovided in previous years.*
- (d) *There was no exceptional (save as disclosed above) or extraordinary item in the Relevant Financial Period under review.*
- (e) *All significant intra-group transactions are eliminated on consolidation and the consolidated results reflect external transactions only.*

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.2 BALANCE SHEETS OF BCT GROUP

	Note	As at 31 December	
		2003 RM	2004 RM
NON-CURRENT ASSETS			
Investment in an associate	6.2.8	-	-
Equipment	6.2.9	634,299	300,671
Development costs	6.2.10	-	2,340,561
Goodwill on consolidation	6.2.11	-	100,276
		<u>634,299</u>	<u>2,741,508</u>
CURRENT ASSETS			
Inventories	6.2.12	-	1,025,831
Trade receivables	6.2.13	268,987	2,801,891
Other receivables, deposits and prepayments	6.2.14	272,121	187,405
Fixed deposit with a licensed bank	6.2.15	463,243	793,981
Cash and bank balances	6.2.16	182,983	200,890
		<u>1,187,334</u>	<u>5,009,998</u>
CURRENT LIABILITIES			
Trade payables	6.2.17	1,081,839	2,340,842
Other payables and accruals	6.2.18	662,230	621,421
Lease payables	6.2.19	289,898	74,178
Bank loans	6.2.20	486,009	298,826
Bank overdrafts	6.2.21	746,986	1,477,378
		<u>3,266,962</u>	<u>4,812,645</u>
NET CURRENT ASSETS		<u>(2,079,628)</u>	<u>197,353</u>
		<u>(1,445,329)</u>	<u>2,938,861</u>
FINANCED BY:-			
Share capital	6.2.22	1,635,290	3,068,289
Reserves	6.2.23	(3,237,993)	(190,646)
Shareholders' equity		<u>(1,602,703)</u>	<u>2,877,643</u>
NON-CURRENT LIABILITIES			
Lease payables	6.2.19	71,312	-
Bridging loan	6.2.24	86,062	61,218
		<u>(1,445,329)</u>	<u>2,938,861</u>

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12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.2 BALANCE SHEETS OF BCT GROUP (CONT'D)

	As at 31 December	
	2003	2004
<i>Number of ordinary shares in issue at SGD1.00 each</i>	716,918	1,343,483
<i>Net tangible (liabilities)/assets ("NTL"/"NTA") (RM)</i>	(1,602,703)	436,806
<i>(NTL)/NTA per ordinary share (RM)</i>	(2.24)	0.33
<i>Inventories turnover period (times)</i>	N/A	4.9
<i>Trade receivables turnover period (times)</i>	12.2	3.7
<i>Trade payables turnover period (times)</i>	1.9	2.1
<i>Gearing ratio (times)</i>	(1.05)	0.66

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.3 CASH FLOW STATEMENTS OF BCT GROUP

	FYE2003 RM	FYE2004 RM
<u>Cash flows for operating activities</u>		
(Loss)/Profit before taxation	(6,861,195)	1,239,285
<u>Adjustments for:-</u>		
Allowance for impairment loss	60,578	-
Amortisation of development cost	317,155	52,693
Amortisation of goodwill	-	11,060
Depreciation of equipment	395,071	381,594
Development costs written off	3,615,291	-
Interest expense	77,432	125,271
Interest income	(2,769)	(4,165)
Gain on disposal of an associate	-	(5)
Operating (loss)/profit before working capital changes	(2,398,437)	1,805,733
Increase in inventories	-	(1,018,276)
Decrease/(Increase) in trade and other receivables	1,410,218	(2,446,475)
Increase in trade and other payables	492,549	1,184,399
Cash for operations	(495,670)	(474,619)
Income tax refunded	-	36,863
Interest paid	(77,432)	(125,271)
Interest received	2,769	4,165
Net cash for operating activities	(570,333)	(558,862)
<u>Cash flows for investing activities</u>		
Purchase of equipment	(463,061)	(27,145)
Development costs paid	(2,098,897)	(2,376,015)
Investment in an associate	(57,175)	-
Proceeds from disposal of an associate	-	5
Net cash for investing activities	(2,619,133)	(2,403,155)
<u>Cash flows from financing activities</u>		
Net drawdown/(repayment) of bank loan	565,108	(233,287)
Drawdown/(Repayment) of finance lease obligation	190,268	(299,327)
Advances from/(Repayment to) directors	70,958	(44,752)
Proceeds from issuance of shares	1,837,266	3,096,862
Net cash from financing activities	2,663,600	2,519,496
Net decrease in cash and cash equivalents	(525,866)	(442,521)
Effects of foreign exchange translation on cash and cash equivalents	29,290	60,774
Cash and cash equivalents at beginning of the financial year	395,816	(100,760)
Cash and cash equivalents at end of the financial year	(100,760)	(482,507)

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12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.4 STATEMENTS OF CHANGES IN EQUITY OF BCT GROUP

	Share capital RM	Share premium RM	Retained profit/ (Accumulated losses) RM	Foreign exchange translation reserve RM	Total RM
Balance at 1.1.2003	182,480	-	3,035,322	-	3,217,802
Issuance of shares	494,790	1,374,608	-	-	1,869,398
Bonus issue	958,020	-	(958,020)	-	-
Loss for the financial year	-	-	(6,659,428)	-	(6,659,428)
Foreign exchange translation difference	-	-	-	(30,475)	(30,475)
Balance at 31.12.2003/1.1.2004	1,635,290	1,374,608	(4,582,126)	(30,475)	(1,602,703)
Issuance of shares	1,241,103	1,930,532	-	-	3,171,635
Bonus issue	191,896	(191,896)	-	-	-
Foreign exchange translation difference	-	-	-	69,426	69,426
Profit for the financial year	-	-	1,239,285	-	1,239,285
Balance at 31.12.2004	3,068,289	3,113,244	(3,342,841)	38,951	2,877,643

6.2.5. REVENUE

Revenue of the Group represents the invoiced value of goods sold and services rendered, less trade discounts, returns and service tax.

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.6. PROFIT FOR THE FINANCIAL YEAR

	FYE 2003 RM	FYE 2004 RM
Profit for the financial year is arrived at after charging/(crediting):-		
Allowance for impairment loss	60,578	-
Amortisation of development costs	317,155	52,693
Amortisation of goodwill	-	11,060
Audit fee	15,968	45,610
Depreciation of equipment	395,071	381,594
Development costs written off	3,615,291	-
Directors' remuneration	623,445	422,314
Interest expense		
- bank borrowings	72,868	106,188
- lease	4,564	19,083
Realised loss on foreign exchange	12,341	150,993
Rental of premises	327,646	226,352
Software lease rental	-	30,825
Staff costs	2,066,177	2,072,393
Fixed deposit interest	(2,769)	(4,165)
Gain on disposal of an associate	-	(5)
Realised gain on foreign exchange	-	(1,936)
Reimbursement received for approved overseas expenditure	(170,612)	(47,089)

6.2.7. TAXATION

	FYE 2003 RM	FYE 2004 RM
Overprovision of deferred taxation in the previous financial year	(202,000)	-

Subject to agreement with the tax authorities, at the balance sheet date, the Group has unutilised tax losses and unabsorbed capital allowances of approximately RM4,629,000 (31.12.2003 - RM5,109,000) and RM11,000 (31.12.2003 - RM717,000) respectively, available to be carried forward for offset against future taxable business income. No deferred tax assets are recognised in respect of these items.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.7. TAXATION (CONT'D)

A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of BCT Group is as follows:-

	FYE 2003 RM	FYE 2004 RM
(Loss)/Profit before taxation	(6,861,195)	1,239,285
Tax at the statutory tax rate of 28%	(1,921,000)	347,000
Tax effects of:-		
Differential in tax rates	643,000	(203,000)
Non-deductible expenses	21,000	46,000
Deferred tax assets not recognised during the financial year	1,459,000	150,000
Overprovision of deferred tax liability in the previous financial year	(202,000)	-
Utilisation of deferred tax assets not recognised in the previous financial year	-	(340,000)
Tax for the financial year	-	-

6.2.8 INVESTMENT IN AN ASSOCIATE

	31.12.2003 RM	31.12.2004 RM
Unquoted shares, at cost	57,879	-
Impairment loss	(57,879)	-
	-	-

Details of the associate are as follows:-

Name of Company	County of Incorporation	Effective Equity Interest		Principal Activities
		31.12.2003	31.12.2004	
Bluechips Semiconductors Private Limited *	India	36.54	-	Sales and marketing of semiconductor chips and related services.

On 20 December 2004, the Group disposed of all the shares in the above associate for a cash consideration of RM5.

* Audited by another firm of chartered accountants.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.9 EQUIPMENT

	OFFICE EQUIPMENT RM	FURNITURE AND FITTINGS RM	COMPUTERS RM	RENOVATIONS RM	TOTAL RM
THE GROUP					
NET BOOK VALUE					
At 1.1.2003	37,497	56,147	411,396	48,272	553,312
Additions	-	342	462,719	-	463,061
Depreciation charge	(5,832)	(7,417)	(375,930)	(5,892)	(395,071)
Foreign exchange translation difference	777	1,169	10,082	969	12,997
At 31.12.2003	32,442	50,241	508,267	43,349	634,299
At 1.1.2004	32,442	50,241	508,267	43,349	634,299
Additions	-	-	27,145	-	27,145
Depreciation charge	(5,893)	(7,702)	(361,841)	(6,158)	(381,594)
Foreign exchange translation difference	928	1,597	16,603	1,693	20,821
At 31.12.2004	27,477	44,136	190,174	38,884	300,671
At 31.12.2003					
Cost	59,040	75,081	1,607,237	59,656	1,801,014
Accumulated depreciation	(26,598)	(24,840)	(1,098,970)	(16,307)	(1,166,715)
Net book value	32,442	50,241	508,267	43,349	634,299
At 31.12.2004					
Cost	60,943	77,598	1,696,346	62,053	1,896,940
Accumulated depreciation	(33,466)	(33,462)	(1,506,172)	(23,169)	(1,596,269)
Net book value	27,477	44,136	190,174	38,884	300,671

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.10 DEVELOPMENT COSTS

	31.12.2003 RM	31.12.2004 RM
Development costs		
At 1.1.2003/2004	2,247,447	-
Additions for the financial year	2,098,897	2,376,015
	4,346,344	2,376,015
Accumulated amortisation		
At 1.1.2003/2004	(391,307)	-
Amortisation charge for the financial year	(317,155)	(52,693)
	(708,462)	(52,693)
Write-off during the financial year	3,637,882	2,323,322
Foreign exchange translation difference	(3,615,291)	-
	(22,591)	17,239
At 31.12.2003/2004	-	2,340,561

Development costs represent direct expenses and related overheads incurred for the development of semiconductor integrated circuits.

The following items have been capitalised under development costs during the financial year:-

	FYE 2003 RM	FYE 2004 RM
Directors' non-fee emoluments	-	198,170
Rental of premises	-	102,162
Software lease rental	-	334,869
Staff costs	-	1,280,833

6.2.11 GOODWILL ON CONSOLIDATION

	31.12.2003 RM	31.12.2004 RM
Goodwill on consolidation	-	110,598
Amortisation during the financial year	-	(11,060)
Foreign exchange translation difference	-	738
	-	100,276

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.12 INVENTORIES

	31.12.2003 RM	31.12.2004 RM
AT COST:-		
Work-in-progress	-	861,070
Finished goods	-	164,761
	<u>-</u>	<u>1,025,831</u>

None of the inventories is carried at net realisable value.

6.2.13 TRADE RECEIVABLES

The Group's normal trade credit term is 30 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of trade receivables is as follows:-

	31.12.2003 RM	31.12.2004 RM
Hong Kong Dollar	-	50,324
Singapore Dollar	-	18,568
United States Dollar	227,479	2,667,971
	<u>227,479</u>	<u>2,736,863</u>

6.2.14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31.12.2003 RM	31.12.2004 RM
Other receivables	139,267	46,489
Deposits	66,343	47,806
Prepayments	66,511	93,110
	<u>272,121</u>	<u>187,405</u>

The foreign currency exposure profile of other receivables, deposits and prepayments is as follows:-

	31.12.2003 RM	31.12.2004 RM
Singapore Dollar	175,710	125,102
United States Dollar	22,099	-
	<u>197,809</u>	<u>125,102</u>

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.15 FIXED DEPOSIT WITH A LICENSED BANK

The fixed deposit of the Group has been pledged to a licensed bank for banking facilities granted to the Group.

The fixed deposit of the Group bore an effective interest rate of 0.84% (31.12.2003 - 1.5%) per annum at the balance sheet date. The fixed deposit has a maturity period of 7 (31.12.2003 - 6) months and is denominated in Singapore Dollar (31.12.2003 - United States Dollar).

6.2.16 CASH AND BANK BALANCES

The foreign currency exposure profile of cash and bank balances is as follows:-

	31.12.2003 RM	31.12.2004 RM
Hong Kong Dollar	5,837	15,811
Singapore Dollar	19,553	24,295
United States Dollar	151,716	155,278

6.2.17 TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 days.

The foreign currency exposure profile of trade payables is as follows:-

	31.12.2003 RM	31.12.2004 RM
Hong Kong Dollar	-	89,115
Singapore Dollar	57,517	-
United States Dollar	1,006,713	2,251,727

6.2.18 OTHER PAYABLES AND ACCRUALS

	31.12.2003 RM	31.12.2004 RM
Other payables	312,741	29,636
Accruals	349,489	591,785
	662,230	621,421

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.18 OTHER PAYABLES AND ACCRUALS (CONT'D)

The foreign currency exposure profile of other payables and accruals is as follows:-

	31.12.2003 RM	31.12.2004 RM
Hong Kong Dollar	244,614	1,701
Singapore Dollar	303,006	466,319
United States Dollar	4,779	45,121
	<u> </u>	<u> </u>

6.2.19 LEASE PAYABLES

	31.12.2003 RM	31.12.2004 RM
Minimum lease payments:		
- not later than one year	308,380	78,983
- later than one year and not later than five years	75,932	-
	<u>384,312</u>	<u>78,983</u>
Less: Future finance charges	(23,102)	(4,805)
Present value of lease payables	<u>361,210</u>	<u>74,178</u>
Current:		
- not later than one year	289,898	74,178
Non-current:		
- later than one year and not later than five years	71,312	-
	<u>361,210</u>	<u>74,178</u>

The lease payable of the Group bore an effective interest rate of 4% (31.12.2003 - 4%) per annum at the balance sheet date.

6.2.20 BANK LOANS

	31.12.2003 RM	31.12.2004 RM
Bridging loan (Note 6.2.24)	26,059	28,338
Short-term loan	459,950	270,488
	<u>486,009</u>	<u>298,826</u>

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.20 BANK LOANS (CONT'D)

The weighted average effective interest rates at the balance sheet date were as follows:-

	2003 % per annum	2004 % per annum
Bridging loan	2.6	2.6
Short-term loan	7.8	7.3

The bridging and short-term loans are secured by way of:-

- (i) a pledge of the Group's fixed deposit, and
- (ii) the joint and several guarantees of the directors of BCT.

The short-term loan has an average maturity period of 120 days and is denominated in Singapore Dollar.

6.2.21 BANK OVERDRAFTS

The bank overdrafts bore a weighted average effective interest rate of 7.4% (2003 – 6.7%) per annum at the balance sheet date, are secured in the same manner as the bridging and short-term loans as disclosed in Note 6.2.20 and are denominated in Singapore Dollar.

6.2.22 SHARE CAPITAL

	31.12.2003 Number of shares	31.12.2004 Number of shares	31.12.2003 RM	31.12.2004 RM
ORDINARY SHARES OF SGD1 EACH				
Authorised				
At 1.1.2003/2004	100,000	5,000,000	228,100	11,405,000
Increased during the financial year	4,900,000	-	11,176,900	-
At 31.12.2003/2004	5,000,000	5,000,000	11,405,000	11,405,000
ISSUED AND FULLY PAID-UP				
At 1.1.2003/2004	80,000	716,918	182,480	1,635,290
Allotment during the financial year	216,918	544,105	494,790	1,241,103
Bonus issue	420,000	82,460	958,020	191,896
At 31.12.2003/2004	716,918	1,343,483	1,635,290	3,068,289

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.22 SHARE CAPITAL (CONT'D)

During the FYE 31.12.2004, BCT increased its issued and paid-up share capital from RM1,635,290 to RM3,068,289 by way of the following allotments:-

- (i) 22,673 new ordinary shares of SGD1.00 each at SGD2.11 per share;
- (ii) 146,312 new ordinary shares of SGD1.00 each at SGD1.69 per share;
- (iii) 294,986 new ordinary shares of SGD1.00 each at SGD1.48 per share;
- (iv) 80,134 new ordinary shares of SGD1.00 each at SGD8.18 per share; and
- (v) bonus issue of 82,460 ordinary shares of SGD1 each by way of capitalising the share premium account in the reserve.

521,432 shares were issued for a cash consideration for the purpose of working capital and 22,673 shares were issued for consideration in kind other than cash to finance the purchase of an additional 30% equity interest in Bluechips Technology (HK) Limited. The new shares issued rank pari passu in all respects with the existing shares of BCT.

6.2.23 RESERVES

	31.12.2003 RM	31.12.2004 RM
Non-distributable:		
- Share premium	1,374,608	3,113,244
- Exchange fluctuation reserve	(30,475)	38,951
- Accumulated losses	(4,582,126)	(3,342,841)
	<u>(3,237,993)</u>	<u>(190,646)</u>

The share premium is not distributable by way of cash dividends and may be utilised only in the manner set out in Section 69 of the Singapore Companies Act.

12. ACCOUNTANTS' REPORT



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BCT (CONT'D)

6.2.24 BRIDGING LOAN

The bridging loan is repayable as follows:-

	31.12.2003	31.12.2004
	RM	RM
Current portion:		
- repayable within one year (Note 6.2.20)	26,059	28,338
Non-current portion:		
- repayable between one and two years	86,062	61,218
	112,121	89,556

The bridging loan of BCT is repayable by 48 equal monthly instalments of RM2,682 with effect from December 2003.

7. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIOD

BCT Tech, BCT, BCSM and BCTHK have not paid or declared any dividend during the Relevant Financial Period.

8. RESTATEMENT TO THE AUDITED FINANCIAL STATEMENTS

During the preparation of this report, no restatement has been made to the audited financial statements of BCT Tech, BCT, BCSM and BCTHK for the Relevant Financial Period.

9. SUBSEQUENT EVENTS

There were no significant subsequent events between the date of the last financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report.

12. ACCOUNTANTS' REPORT



10. AUDITED FINANCIAL STATEMENTS

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 December 2005 for BCT Tech Group.

Yours faithfully

A handwritten signature in black ink, appearing to be "J. K.", written over a horizontal line.

Horwath
Firm No : AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to be "Onn Kien Hoe", written over a horizontal line.

Onn Kien Hoe
Approval No : 1772/11/06 (J/PH)
Partner

12. ACCOUNTANTS' REPORT



REPORT OF THE AUDITORS TO THE MEMBERS OF BCT TECHNOLOGY BERHAD

(Incorporated in Malaysia)
Company No : 668945 - P

APPENDIX I

Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

603.2166.0000 Main
603.2166.1000 Fax

www.horwath.com.my
horwath@po.jaring.my

We have audited the financial statements set out on pages 11 to 45. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 31 December 2005 and their results and cash flows for the financial period ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the audit reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 6 to the financial statements.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

12. ACCOUNTANTS' REPORT



APPENDIX I

**REPORT OF THE AUDITORS TO THE MEMBERS OF
BCT TECHNOLOGY BERHAD (CONT'D)**

(Incorporated in Malaysia)
Company No : 668945 - P

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

A handwritten signature in black ink, appearing to be "J. S. W.", located above the Horwath firm name.

Horwath
Firm No : AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to be "Onn Kien Hoe", located above the name and approval number.

Onn Kien Hoe
Approval No : 1772/11/06 (J/PH)
Partner

Kuala Lumpur

20 MAR 2006

12. ACCOUNTANTS' REPORT

APPENDIX II

100 BEACH ROAD
#25-06
SHAW TOWERS
SINGAPORE 189702

TEL : (65) 6295 1126
FAX : (65) 6296 9945

 **R CHAN & CO**
CERTIFIED PUBLIC ACCOUNTANTS
(Member Firm of K S INTERNATIONAL)

REPORT OF THE AUDITORS TO THE MEMBERS OF

BLUECHIPS TECHNOLOGY PTE LTD AND ITS SUBSIDIARIES

(Incorporated in the Republic of Singapore)

We have audited the accompanying consolidated balance sheets of Bluechips Technology Pte Ltd and of the company as at 31 December 2003, and the profit and loss account, statement of changes in equity and cash flow statement for the financial year then ended. These financial statements are the responsibility of the company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the financial statements of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2003 and the results, changes in equity and cash flows of the Group and 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.



R CHAN & CO

CERTIFIED PUBLIC ACCOUNTANTS

SINGAPORE
15 October 2004

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12. ACCOUNTANTS' REPORT

APPENDIX II

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REPORT OF THE AUDITORS TO THE MEMBERS OF

BLUECHIPS TECHNOLOGY PTE LTD
AND ITS SUBSIDIARIES

(Incorporated in the Republic of Singapore)

(Company Registration Number : 199405194M)

We have audited the accompanying consolidated balance sheets of Bluechips Technology Pte Ltd and of the company as at 31 December 2004, and the income statements, statements of changes in equity and cash flow statements for the financial year then ended. These financial statements are the responsibility of the company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the group and the financial statements of the company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Standards so as to give a true and fair view of the state of affairs of the group and the company as at 31 December 2004 and the results, changes in equity and cash flows of the group and 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.

R CHAN & CO

CERTIFIED PUBLIC ACCOUNTANTS

SINGAPORE
27 October 2005

12. ACCOUNTANTS' REPORT

APPENDIX II

100 BEACH ROAD
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REPORT OF THE AUDITORS TO THE MEMBERS OF
BLUECHIPS TECHNOLOGY PTE LTD
AND ITS SUBSIDIARIES

(Incorporated in the Republic of Singapore)

(Company Registration Number : 199405194M)

We have audited the accompanying financial statements of Bluechips Technology Pte Ltd and its subsidiaries for the financial year ended 31 December 2005, as set out on pages 5 to 33. These financial statements are the responsibility of the company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the group and the balance sheet of the company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (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 31 December 2005 and the results, changes in equity and cash flows of the group 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.

Without qualifying our report, we draw attention to a subsidiary's (Bluechips Technology (HK) Limited) audit report highlight as follow:

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation of the financial statements. At the balance sheet date, the company had net current liabilities of HK\$313,251 and deficiency in capital of HK\$304,594. The shareholders have confirmed their intention to provide continuing financial support to the company. Consequently, the financial statements have been prepared on a going concern basis and do not include any adjustments that would result from a failure to obtain such financial support. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

R CHAN & CO
CERTIFIED PUBLIC ACCOUNTANTS

SINGAPORE
17 March 2006

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