

**BCT TECHNOLOGY BERHAD (668945-P)**  
**(Incorporated in Malaysia)**

Unaudited Interim Financial Report for the first quarter ended 31 March 2012

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**NOTES TO THE INTERIM FINANCIAL REPORT**

**Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting**

**A1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134 - Interim Financial Reporting and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2011.

**A2. Changes in accounting policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2011.

On 1 January 2012, the Group adopted the Malaysian Financial Reporting Standards (“MFRS”) Framework issued by Malaysian Accounting Standards Board (“MASB”). This MFRS Framework was introduced by MASB in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) Framework with the International Financial Reporting Standards (“IFRS”) Framework issued by the International Accounting Standards Board. There has been no significant impact on the financial statements of the Group upon the adoption of the MFRS Framework.

The Group had also adopted all MFRS and IC Interpretations that are relevant and effective for annual period beginning 1 January 2012. The adoption of these standards and interpretations has no material impact on the financial statements of the Group.

**A3. Auditors' report on preceding annual financial statements**

The auditors' report on the Company's audited consolidated financial statements for the financial year ended 31 December 2011 was not subject to any qualification but was modified to include an emphasis of matter on going concern. Extract of the auditors' report for the financial year ended 31 December 2011 is as follows:

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**A3. Auditors' report on preceding annual financial statements (Cont'd)**

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 3(b) to the financial statements which disclosed the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Group incurred a net loss of RM513,320 during the financial year ended 31 December 2011, and as of that date, the Group is in a capital deficiency position of RM2,375,677, thereby indicating the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

On 28 February 2011 and subsequently amended on 1 March 2011, the Company announced that it became an Affected Listed Company pursuant to Guidance Note No. 3 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market. The Company had proposed a regularisation plan as summarised in Note 32(a) to the financial statements, to regularise its financial position and the regularisation plan has to be submitted by the Company to Bursa Securities by 31 May 2012.

Status of the proposed regularisation plan is detailed in Note B8 of this report.

**A4. Seasonal or cyclical factors**

The Group's operations were not materially affected by seasonal or cyclical factors during the financial quarter under review.

**A5. Items affecting assets, liabilities, equity, net income or cash flows**

There were no significant items affecting assets, liabilities, equity, net income or cash flows for the financial quarter under review.

**A6. Material changes in estimates**

There were no changes in estimates of amounts which give a material effect for the financial quarter under review.

**A7. Debt or equity securities**

There were no issuances, cancellations, repurchases, resale or repayments of debt or equity securities during the financial quarter under review.

**A8. Dividends paid**

There were no dividends paid during the financial quarter under review.

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**A9. Segmental information**

<u>Financial period ended 31 March 2012</u>	<b>Malaysia</b>	<b>Overseas</b>	<b>Group</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Revenue</u></b>			
External revenue	258	1,237	1,495
Inter-segment revenue	-	41	41
	258	1,278	1,536
Adjustments and eliminations			(41)
Consolidated revenue			<u>1,495</u>
<b><u>Results</u></b>			
Segmental results	(20)	94	74
Amortisation of development expenditure	(83)	-	(83)
Depreciation of property and equipment	(128)	(1)	(129)
	(231)	93	(138)
Adjustments and eliminations			-
			(138)
Finance costs			(93)
Loss before taxation			(231)
Income tax expense			(10)
Consolidated loss after taxation			<u>(241)</u>
<u>Financial period ended 31 March 2011</u>	<b>Malaysia</b>	<b>Overseas</b>	<b>Group</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Revenue</u></b>			
External revenue	1,270	417	1,687
Inter-segment revenue	-	14	14
	1,270	431	1,701
Adjustments and eliminations			(14)
Consolidated revenue			<u>1,687</u>

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**A9. Segmental information (Cont'd)**

**Financial period ended 31 March 2011**  
**(Cont'd)**

	<b>Malaysia</b>	<b>Overseas</b>	<b>Group</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Results</u></b>			
Segmental results	474	(99)	375
Amortisation of development expenditure	(83)	-	(83)
Depreciation of property and equipment	(127)	(50)	(177)
	264	(149)	115
Adjustments and eliminations			5
			120
Finance costs			(107)
Profit before taxation			13
Income tax expense			-
Consolidated profit after taxation			13

**A10. Valuation of property, plant and equipment**

Property, plant and equipment have been brought forward, without amendment from the audited financial statements for the year ended 31 December 2011.

**A11. Material events subsequent to the end of the quarter**

There were no material events subsequent to the end of the current interim period that have not been reflected in the financial statements for the financial quarter under review.

**A12. Changes in the composition of the group**

There were no changes to the composition of the Group during the financial quarter under review except that on 14 March 2012, the Company received a license from the Industry and Commerce Administration Management Bureau of Zhongshan to incorporate a single member limited liability company in China, namely ZhongShan PuTe Electronics Technology Pte Ltd for an authorised, issued and paid-up share capital of United States Dollar 180,000 (or approximately RM551,000). This newly incorporated company is a wholly owned subsidiary of Bluechips Technology (HK) Limited, a subsidiary of the Company.

The principal activities of the new subsidiary are those of to design, develop, and distribute electronics and semiconductor chip products and solutions.

There were no significant financial effects arising from the incorporation of the above subsidiary in the current quarter under review as the subsidiary only commenced operations in March 2012 upon the receipt of the operating licence.

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**A13. Contingent liabilities or contingent assets**

At the end of the reporting period, there were no contingent liabilities or contingent assets for the Group.

**A14. Capital commitments**

At the end of the reporting period, there were no capital commitments for the Group.

**A15. Significant related party transactions**

There were no significant related party transactions during the financial quarter under review.

**A16. Inventories**

There were no significant write downs of inventories during the financial quarter under review.

**A17. Provisions for warranties**

There were no provisions for warranties during the financial quarter under review.

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**Explanatory Notes Pursuant to Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad**

**B1. Review of the performance**

**Current Year-to-date vs. Previous Year-to-date**

The Group's revenue for the quarter ended 31 March 2012 of RM1.495 million was RM192,000 or 11% lower than the previous corresponding quarter of RM1.687 million. The Group had incurred a loss after taxation of RM241,000 compared with a profit after taxation of RM13,000 in the previous corresponding quarter.

- (1) Malaysian Operations – External revenue from this segment has reduced by RM1.012 million and this was mainly attributable to the reduction in the revenue from software business. Profits from the reduced revenue were insufficient to absorb operating expenses.
- (2) Overseas Operations – External revenue from this segment has increased by RM820,000 and this was mainly due to the following:
  - increase in revenue from LED display and trading business of RM935,000; and
  - decrease in revenue from software business of RM148,000.

Despite an increase in revenue, no significant incremental gross profits were seen due to lower overall margins achieved.

Operating results (before finance costs) have improved from a loss of RM149,000 in the previous quarter to a profit of RM93,000 in the current quarter and this can be attributed to:

- (i) reduction in staff costs of RM59,000;
- (ii) reduction in amortisation and depreciation charges of RM49,000; and
- (iii) increase in other income of RM105,000, mainly resulted from over-recognition of purchases in previous years.

**B2. Material changes in the quarterly results compared to the results of the immediate preceding quarter**

The Group posted revenue and loss before tax of RM1.495 million and RM231,000, respectively, for the current quarter ended 31 March 2012 compared to revenue and loss before tax of RM461,000 and RM120,000 respectively for the quarter ended 31 December 2011. Revenue has increased by 224% and this was mainly attributable to the increase in revenue from LED display business and software business by RM786,000 and RM288,000 respectively.

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**B2. Material changes in the quarterly results compared to the results of the immediate preceding quarter (Cont'd)**

Despite higher revenue achieved in the current quarter, the Group still posted a higher loss before tax and this was mainly due to the gain on sale of factory units in Singapore of RM921,000 in the immediate preceding quarter which enabled the Group to absorb the following costs:

- (i) higher staff costs of RM66,000;
- (ii) higher general and administrative expenses of RM129,000; and
- (iii) property and equipment written off amounting to RM221,000.

**B3. Business prospects**

The Board expects the remaining quarters of financial year 2012 to remain challenging in view of the global market uncertainties arising from the current European debt crisis. However, with the continuous cost cutting and monitoring exercise undertaken coupled with the receipt of the operating licence in China in March 2012 and the ability to receive orders to meet sales demands for our new micro-controller unit ("MCU") chips, the Board expects both the Malaysian and Overseas Operations to record improved revenue and results.

**B4. Statement of revenue or profit estimate, forecast, projection or internal targets previously announced or disclosed in a public document**

There were no estimates, forecasts, projections or internal targets previously disclosed in a public document.

**B5. Variance of actual profit from forecast profit**

There was no forecast for the year which was disclosed in a public document.

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**B6. (Loss)/profit before taxation**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/03/2012 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2011 RM'000	Current Year To Date 31/03/2012 RM'000	Preceding Year Corresponding Period Ended 31/03/2011 RM'000
This has been arrived at after charging/(crediting):				
Interest income	-	-	-	-
Other income including investment income	(117)	(13)	(117)	(13)
Interest expense	76	107	76	107
Amortisation of development Expenditure	83	83	83	83
Depreciation of property and Equipment	129	177	129	177
Development expenditure written off	-	-	-	-
Bad debts written off	-	-	-	-
Bad debts recovered	-	-	-	-
Inventories written off	-	-	-	-
(Gain)/loss on disposal of quoted or unquoted investments	-	-	-	-
(Gain)/loss on disposal of properties and equipment	-	-	-	-
Impairment loss on property and equipment	-	-	-	-
Impairment loss on development expenditure	-	-	-	-
Property and equipment written off	-	-	-	-
(Gain)/loss on foreign Exchange				
- realized	44	(17)	44	(17)
- unrealized	10	16	10	16
(Gain)/loss on derivatives	-	-	-	-



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**B7. Income tax**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/03/2012 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2011 RM'000	Current Year To Date 31/03/2012 RM'000	Preceding Year Corresponding Period Ended 31/03/2011 RM'000
Tax expense for the period				
Malaysian income tax	-	-	-	-
Deferred taxation	10	-	10	-
	<u>10</u>	<u>-</u>	<u>10</u>	<u>-</u>

Despite suffering losses during the period, the Group still incurred tax expenses as the unutilised tax losses and unabsorbed capital allowances of the Company were not eligible to be utilised by a subsidiary.

The Company was granted Multimedia Super Corridor Status which qualified the Company for Pioneer Status incentive under the Promotion of Investments Act, 1986 for the period from 30 September 2005 to 29 September 2010 whereby the statutory Income from Pioneer activities was exempted from tax. The Company has submitted an application for an extension of the Multimedia Super Corridor Status, the outcome of which is still pending.

**B8. Corporate proposals announced but not completed**

There were no corporate proposals announced other than:

- (a) the announcement made on 28 February 2011 that the Company became an affected listed company pursuant to Guidance Note No. 3 (“GN3”) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the subsequent announcements made in connection with GN3.

On 21 February 2012, the Board of Directors made an announcement that the Company had submitted an application to Bursa Securities to extend the deadline for submission of the Company’s regularisation plan from 28 February 2012 to 31 May 2012, pursuant to the GN3 and this application was approved by Bursa Securities on 2 April 2012.

On 30 March 2012, the Board of Directors made an announcement that the Group had proposed to undertake the following regularisation plan to regularise the financial position of the Group (“Proposed Regularisation Scheme”):

- (i) Proposed Share Premium Reduction, Proposed Par Value Reduction and Proposed Share Consolidation
- (ii) Proposed Issuance of Shares with Warrants
- (iii) Proposed Rights Issue with Warrants
- (iv) Proposed Capitalisation of Debt

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**B8. Corporate proposals announced but not completed (Cont'd)**

- (v) Proposed Exemption of Mandatory Take-over Offer
- (vi) Proposed Increase in Authorised Share Capital
- (vii) Proposed Amendments to the Memorandum of Association of the Company

As at the date of issue of this report, the Group is in the midst of preparing the relevant documents for submission of the Proposed Regularisation Scheme to Bursa Securities.

- (b) the announcement made on 27 April 2012 that the Company wished to seek the approval from its shareholders in relation to the proposed amendments to its Articles of Association at the forthcoming Annual General Meeting so as to be in compliance with the recent enhancements issued by Bursa Securities on the amendments to certain provisions of the ACE Market Listing Requirements.

The details of the proposed amendments to the Articles of Association together with the Notice of the Company's 2012 Annual General Meeting will be despatched to the shareholders in due course.

**B9. Status of utilisation of proceeds**

At the end of the reporting period, there were no unutilised proceeds raised from any corporate proposals.

**B10. Group borrowings and debt securities**

The Group's borrowing as at 31 March 2012 is as follows:

	Short Term	Long Term	Total
<u>Secured</u>	RM'000	RM'000	RM'000
Term Loan	2,451	1,838	4,289

The above term loan is denominated in Ringgit Malaysia.

**B11. Material litigations**

There were no material litigations or pending material litigations involving the Group as at the date of issue of this report.

**B12. Dividends payable**

No dividend has been declared or recommended in respect of the financial quarter under review.

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**B13. Earnings/(loss) per share**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/03/2012	Preceding Year Corresponding Quarter Ended 31/03/2011	Current Year To Date 31/03/2012	Preceding Year Corresponding Period Ended 31/03/2011
(Loss)/profit attributable to Owners of the Company (RM'000)	(241)	13	(241)	13
Weighted average number of ordinary shares in issue ('000)	134,156	134,156	134,156	134,156
Basic (loss)/earnings per share (sen)	<u>(0.18)</u>	<u>0.01</u>	<u>(0.18)</u>	<u>0.01</u>

The fully diluted earnings per share for the Group were not presented as the assumed conversion from the exercise of the share options, under ESOS would be anti-dilutive.

**B14. Realised and unrealised profits/losses disclosure**

	As At 31/03/2012 RM'000	As At 31/12/2011 RM'000
Accumulated losses of the Group		
- Realised losses	(31,419)	(31,177)
- Unrealised gain/(loss)		
- unrealised gain/(loss) on foreign exchange	(10)	(21)
- in respect of deferred tax recognised	(72)	(62)
	<u>(31,501)</u>	<u>(31,260)</u>

**B15. Authorisation for issue**

The Interim Financial Statements and the accompanying notes were authorised for issue by the Board of Directors on 25 May 2012.

BY ORDER OF THE BOARD  
**BCT TECHNOLOGY BERHAD**