

# Auditors' Report

to the members of Tri-M Technologies (S) Limited

We have audited the accompanying financial statements of Tri-M Technologies (S) Limited (the Company) and its subsidiary companies (collectively, the Group), set out on pages 25 to 63 for the financial period from 1 April 2005 to 31 December 2005. 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 presentation of the financial statements. 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, Cap. 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 flow of the Group for the financial period from 1 April 2005 to 31 December 2005; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Without qualifying our opinion, we draw attention to Note 1(b) to the financial statements. The Group continued to incur losses of \$4,925,000 during the financial period ended 31 December 2005 and at that date, the Group is in net current liability position of \$13,956,000. In addition, as described in Note 10 to the financial statements, the Group and the Company have not complied with certain loan covenants of the credit facilities agreements with two of its bankers. The bankers have not exercised their rights under the credit facilities agreements to recall the credit facilities and the bankers had maintained the credit facilities as status quo (details in Note 10). In the event that the terms and conditions of the agreements are not fully met and the breach of covenants not rectified, the bankers may exercise their rights under the credit facilities agreements and the credit facilities may then be repayable at the bankers' demand. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns.

The ability of the Group and the Company to continue as going concerns is dependent on (a) the banks not demanding immediate repayment of the Group's and Company's credit facilities; (b) the success of the measures presently being explored to enhance the Group's and Company's financial position such as refinancing their borrowings; (c) shareholders providing continuing financial support to the Group and Company; and (d) the generation of significant positive cash flow from the Group's and Company's core businesses and their ability to secure new profitable contracts.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify certain non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

ERNST & YOUNG  
Certified Public Accountants

Singapore  
4 April 2006