

9. APPROVALS AND CONDITIONS

9.1 Approvals Required

We have obtained the approvals from the following relevant authorities on our application for listing on the MESDAQ Market of Bursa Securities:

Authorities	Date of approval obtained	Conditions imposed	Status of compliance
SC	27 February 2006	(i) BCT Tech to fully implement its IC design set-up in Malaysia prior to issuance of BCT Tech's public issue prospectus;	Complied. We have set up a R&D facility in Cyberjaya, Selangor Darul Ehsan in 2005. This Malaysian based R&D facility will support the work of the main R&D facility in Singapore. Currently, we have employed two (2) engineers in Malaysia to perform the characterisation which falls within the product engineering activity as part of our plans to promote the transfer of Chip design know-how and technology to the Malaysian Chip design team.
		(ii) The disposal of shares held under moratorium, as governed under paragraphs/rules 2.10.2 and 2.10.3 of the MMLR, may only be disposed of as per rule 2.10.2 of the MMLR after the adviser/sponsor of BCT Tech has confirmed that the Malaysian system design and application team and testing capabilities technology transfer plans of the BCT Tech Group have been implemented, but no earlier than 1 year from the date of BCT Tech's listing on the MESDAQ Market, whichever is the later;	To be complied
		(iii) SIBB/BCT Tech to inform the SC when the proposed flotation on MESDAQ Market is completed;	To be complied

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Authorities	Date of approval obtained	Conditions imposed	Status of compliance
		(iv) SIBB/BCT Tech to comply with the relevant provisions of the Guidelines on Initial Public Offerings and Listings on the MESDAQ Market of Bursa Securities;	To be complied
		(v) Approvals to be obtained from other relevant authorities, if any;	Complied. Obtained approval from Bursa Securities on 1 September 2005 and FIC on 14 June 2005
		(vi) The promoters' shareholdings to be placed under moratorium shall amount to 45% of the enlarged issued and paid-up ordinary share capital of BCT Tech assuming full conversion or exercise of ESOS Options owned by the promoters of BCT Tech;	Complied. Please refer to Section 9.2 below.
		(vii) SIBB/BCT Tech to inform the SC of the revised moratorium as per condition (vi) above; and	Complied. SIBB/BCT Tech had on 27 April 2006 informed the SC of the revised moratorium quantum.
		(viii) SIBB/BCT Tech to submit the following information on the placees to SC with regard to the placement of shares in respect of BCT Tech's public issue:	To be complied
		(a) Name of placees/ultimate beneficiaries for nominee companies (if any);	
		(b) Identification card/passport/company registration number;	
		(c) Central Depository System number;	
		(d) Home/business address;	
		(e) Occupation/principal activities;	
		(f) Date of listing of placement shares;	
		(g) Number of placement shares allocated;	
		(h) Issue price of the placement shares; and	
		(i) Name of placement agent.	

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Authorities	Date of approval obtained	Conditions imposed	Status of compliance
Bursa Securities	1 September 2005	<p>(i) Approval from the SC being obtained and where there are conditions and/or variations imposed by the SC, compliance of the said conditions and/or variations in relation to the issuance and listing of the securities of BCT Tech; and</p> <p>(ii) In the event that SC approval affects or vary the issued and paid-up capital of BCT Tech of RM121,960,000 comprising 121,960,000 BCT Shares submitted in the application to Bursa Securities (collectively to be referred to as "Variations"), compliance of the Variations with the MMLR.</p>	<p>Complied. SC's approval was received on 27 February 2006 and conditions are as set out above.</p> <p>Not applicable as the SC's approval did not affect or vary the issued and paid-up capital of BCT Tech.</p>
FIC	14 June 2005	None	Not applicable

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9.2 Moratorium on Disposal of Shares

It is a condition pursuant to the Rule 2.10.2 of the MMLR that Shares held by our Promoters amounting to 45% of our nominal issued and paid-up share capital as at the date of our admission to the Official List of the MESDAQ Market be placed under moratorium.

In this respect, we had sought for a waiver from the SC to allow the promoters of BCT Tech to maintain 54,882,000 BCT Tech Shares (which represents 45% of the nominal issued and paid-up share capital in BCT Tech assuming none of the ESOS II Options is exercised) as opposed to 63,114,300 BCT Tech Shares (which represents 45% of the nominal enlarged issued and paid-up share capital in the Company assuming full exercise of ESOS II Options) as moratorium shares.

The SC reverted with the condition that the promoters' shareholdings to be placed under moratorium shall amount to 45% of the enlarged issued and paid-up share capital of BCT Tech assuming full conversion or exercise of ESOS Options allocated to the promoters of BCT Tech.

Based on the above SC condition, our Promoters whose Shares are subjected to the moratorium will be as follows:

Share Capital (units)	After Public Issue and Bonus Issue II ¹		After Public Issue and Bonus Issue II and assuming full exercise of ESOS II Options ^{1&2}		
	No. of Shares to be held	%	No. of Shares to be held	%	No. of Shares to be held under moratorium
	121,960,000		124,704,100		
Direct Interest					
Chong Yew Peng	17,267,782	14.16	18,182,482	14.58	13,858,171
Chia Cher Khiang	7,399,432	6.07	8,314,132	6.66	6,336,795
Lee Wai Kuen	20,443,550	16.76	21,356,250	17.13	16,278,650
Thomrose Holdings (BVI) Limited ³	25,772,714	21.13	25,772,714	20.67	19,643,229
Total	70,883,478	58.12	73,627,578	59.04	56,116,845
					45.00

Notes:

- Including Pink Form Allocation
- Assuming full exercise of ESOS II Options allocated to the Promoters.
- Thomas Wan Wah Tong who is also a Promoter is deemed interested in BCT Tech through his substantial shareholdings in Thomrose Holdings (BVI) Limited.
- Maximum ESOS II Options to be allocated to the Directors who are also Promoters of BCT Tech, computed based on 15% of the total ESOS II Options available under the Scheme.

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Our Promoters are not allowed to sell, transfer or dispose of their respective interests held in our Shares until the adviser/sponsor of BCT Tech has confirmed that the Malaysian system design and application team and testing capabilities technology transfer plans of our Group have been implemented, but no earlier than one (1) year from the date of BCT Tech's listing on the MESDAQ Market, whichever is the later.

Thereafter, they can sell, transfer or dispose of up to a maximum of one-third of their respective shareholdings per annum on a straight-line basis of their respective shareholdings under moratorium.

Our Promoters fully accept the aforesaid restriction which is specifically endorsed on our Share certificates representing the shareholding of our Promoters stated above which are under moratorium to ensure that our Registrar does not register any transfer which is not in compliance with the restriction imposed by the SC.

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10. RELATED PARTY TRANSACTIONS AND/OR CONFLICTS OF INTEREST**10.1 Related Party Transactions and/or Conflicts of Interest****10.1.1 Existing and Proposed Related Party Transaction and/or Conflicts of Interest**

Unless otherwise stated below and other than in the ordinary course of business, there are no existing or potential related party transactions and conflicts of interest between our Group, our Directors, substantial shareholders, key management or key technical personnel and/or the persons connected with our Director or substantial shareholder as defined in Section 122A of the Act:

Party to the transaction	Nature of transaction	Principal related party	Transaction value for financial year ended 31 December 2003	Transaction value for financial year ended 31 December 2004	Transaction value for financial period ended 31 December 2005
1. B.E.L Systems Ltd	Agreement on sharing the use of office premises dated 1 March 2003 for Unit, 7, 13F, Stanhope House, 734-738 King's Road, North Point, Hong Kong for the period of 1 March 2003 to 28 February 2005	Thomas Wan Wah Tong ¹	HKD15,000 per month: (a) HKD12,000 (as rental of office premises); and (b) HKD3,000 (as management fee).	HKD15,000 per month: (a) HKD12,000 (as rental of office premises); and (b) HKD3,000 (as management fee).	The agreement has been assigned to Thomrose Holdings (BVI) Limited
2. B.E.L Systems Ltd Hectrix Limited CWLinux Ltd	Guarantee and Indemnity dated 15 May 2004 for Room 906-911, 9F, Stanhope House 734-738 King's Road, North Point, Hong Kong for sharing the premises	Thomas Wan Wah Tong ²	Not stated.	Not stated.	Not stated.
3. Thomrose Holdings (BVI) Limited	Sublease Agreement dated 17 March 2005 for sublease of Hong Kong office by Thomrose Holdings (BVI) Limited (as sublessor) to BCTHK (as sublessee) for Room 906-911, 9F, Stanhope House, 734-738 King's Road, North Point, Hong Kong for the period of 17 March 2005 to 15 March 2007 ³	Thomrose Holdings (BVI) Limited	-	-	HKD15,000 per month: (a) HKD12,000 (as rental of office premises); and (b) HKD3,000 (as management fee).
4. Hectrix Limited	Distribution arrangement with Hectrix Limited to distribute smart cards and internet appliance technologies to BCSSM	Thomas Wan Wah Tong ⁴	No sales have been transacted to date.	No sales have been transacted to date.	No sales have been transacted to date.

10. RELATED PARTY TRANSACTIONS AND/OR CONFLICTS OF INTEREST

Party to the transaction	Nature of transaction	Principal related party	Transaction value for financial year ended 31 December 2003	Transaction value for financial year ended 31 December 2004	Transaction value for financial period ended 31 December 2005
5. Malaysian Issuing House Sdn Bhd, a subsidiary of Symphony House Berhad	Administration of share issuance of securities	Khairil Anuar bin Abdullah ⁵	-	-	- ⁶
6. Symphony Share Registrars Sdn Bhd, a subsidiary of Symphony House Berhad	Provision of share registration services	Khairil Anuar bin Abdullah ⁵	-	-	- ⁷

Notes:

- 1 Thomas Wan Wah Tong is a director of B.E.L Systems Ltd.
- 2 Thomas Wan Wah Tong is a director of B.E.L Systems Ltd, Hectrix Limited and CWLinux Ltd respectively.
- 3 The Sublease Agreement was terminated on 30 March 2005 by both parties.
- 4 As at the Latest Practicable Date, Thomas Wan Wah Tong holds a 54% equity interest in Hectrix Inc., Cayman Islands which is the holding company of Hectrix Limited, Hong Kong.
- 5 Khairil Anuar bin Abdullah is an Independent Non-Executive Director of Symphony House Berhad.
- 6 For purposes of the Public Issue, an estimated fee of RM40,000 will be incurred for the financial year ending 31 December 2006. However, the provision of services by the Issuing House is not expected to be recurrent in the future.
- 7 An estimated fee of RM10,000 will be incurred for the financial year ending 31 December 2006. The provision of share registration services is expected to be recurrent in the future.

Any related party transaction mentioned above will be on terms not more favourable to the related party than those generally available to the public. Our Group's Audit Committee will monitor all related party transactions and our Directors will report such transactions in the Annual Report.

10. RELATED PARTY TRANSACTIONS AND/OR CONFLICTS OF INTEREST

10.1.2 Transactions that are Unusual in their Nature or Conditions

We were not a party to any transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets for the past one (1) financial year and the subsequent financial period, immediately preceding the date of this Prospectus.

10.1.3 Outstanding Loans made by us to/for the benefit of Related Parties

We have not made any loans including guarantees of any kind to or for the benefit of our related party(ies).

10.1.4 Similar Trades

Our Directors or substantial shareholders do not have any interest, direct or indirect, in other businesses and corporations carrying on a similar trade as our Group.

10.1.5 Promotion of any material assets acquired/to be acquired within three (3) years preceding the date of the Prospectus

Unless otherwise stated below, together with the Acquisition and Subscription Agreement described in Section 5.3.1 of this Prospectus, our Directors or substantial shareholders do not have any interest, direct or indirect, in the promotion of or in any material assets which have, within the three (3) years immediately preceding the date of this Prospectus, been acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to us:

- (a) Sublease Agreement dated 17 March 2005 for sublease of Hong Kong office by Thomrose Holdings (BVI) Limited (as sublessor) to our Hong Kong subsidiary (as sublessee) for Room 906-911, 9F, Stanhope House, 734-738 King's Road, North Point, Hong Kong for the period of 17 March 2004 to 15 March 2007. Both parties ended the Sublease Agreement on 30 March 2005; and
- (b) The transfer of three (3) shares of RM1.00 each in our Malaysia subsidiary held by Chong Yew Peng, Lee Wai Kuen and Joan Law Hui Gin to our Singapore subsidiary. No agreement was executed between Chong Yew Peng, Lee Wai Kuen, Joan Law Hui Gin and our Singapore subsidiary. Chong Yew Peng, Lee Wai Kuen and Joan Law Hui Gin executed share transfer forms on 16 December 2004 to transfer their shares for a nominal sum of RM1 in favour of our Singapore subsidiary.

10.2 Declaration of Conflicts of Interest

10.2.1 Declaration by the Advisers

SIBB hereby confirms that save for its appointment as the Sponsor, and as the Underwriter and Placement Agent for the Public Issue, there is no existing or potential interest or conflict of interest in its capacity as the Adviser for the Public Issue.

10. RELATED PARTY TRANSACTIONS AND/OR CONFLICTS OF INTEREST

10.2.2 Declaration by the Auditors, Reporting Accountants and Independent Valuer

Messrs Horwath has given their confirmation that there is no existing or potential interest or conflict of interest in their capacity as the Auditors and Reporting Accountants for the Public Issue, and as the Independent Valuer on the fairness of the purchase consideration for the Acquisition of BCT by BCT Tech.

10.2.3 Declaration by the Solicitors on Malaysian Law

Messrs Lee Hishammuddin Allen & Gledhill has given their confirmation that there is no existing or potential interest or conflict of interest in their capacity as the Solicitors on Malaysian law for the Public Issue.

10.2.4 Declaration by the IMR

InfoCredit (Malaysia) Sdn Bhd has given their confirmation that there is no existing or potential interest or conflict of interest in their capacity as the Independent Market Researcher for the Public Issue.

10.2.5 Declaration by the Company Secretaries

Mah Li Chen and Tan Ley Theng have given their respective confirmation that there is no existing or potential interest or conflict of interest in their capacity as the Company Secretaries for the Public Issue.

10.2.6 Declaration by the Solicitors on Singapore Law

Messrs Colin Ng & Partners have given their confirmation that there is no existing or potential interest or conflict of interest in their capacity as the Solicitors for the legal opinion on the Acquisition under the laws of Singapore in relation to the Public Issue.

10.2.7 Declaration by the Solicitors on Hong Kong Law

Messrs Chiu, Szeto and Cheng have given their confirmation that there is no existing or potential interest or conflict of interest in their capacity as the Solicitors for the legal opinion on the Acquisition of under the laws of Hong Kong in relation to the Public Issue.

10.2.8 Declaration by the Adviser in respect of foreign investments and repatriation of profits under the laws of Singapore

Messrs First Trust Partnership has given their confirmation that there is no existing or potential interest or conflict of interest in their capacity as the adviser on foreign investments and repatriation of profits under the laws of Singapore in relation to the Public Issue.

10.2.9 Declaration by the Adviser in respect of foreign investments and repatriation of profits under the laws of Hong Kong

Messrs Horwath Tax Hong Kong has given their confirmation that there is no existing or potential interest or conflict of interest in their capacity as the adviser on foreign investments and repatriation of profits under the laws of Hong Kong in relation to the Public Issue.

11. FINANCIAL INFORMATION

11.1 Historical Financial Information

You should read the summary of our proforma consolidated results for the financial period/years ended 31 December 2003 to 2005 in conjunction with the notes and assumptions extracted from the Reporting Accountants' Letter on Proforma Financial Information set out in Section 11.10 of this Prospectus.

This summary was prepared for illustrative purposes and based on the assumption that the current structure of our Group has been in existence throughout the financial years/period under review as set out below.

	Financial period/years ended 31 December		
	Proforma	Proforma	Audited
	2003	2004	2005
	RM'000	RM'000	RM'000
Revenue	3,289	10,377	20,324
Gross Profit (GP)	1,210	5,351	13,248
(Loss)/ Earnings before interest, depreciation, tax and amortisation	(6,072)	1,794	6,532
Amortisation of development costs	(318)	(53)	(219)
Depreciation of equipment	(396)	(381)	(210)
Interest expense	(78)	(125)	(118)
Interest income	3	4	12
PBT/(LBT) ¹	(6,861)	1,239	5,997
Taxation	202	-	-
PAT/(LAT) but before extraordinary items	(6,659)	1,239	5,997
Extraordinary items	-	-	-
PAT/(LAT) after extraordinary items	(6,659)	1,239	5,997
MI	-	-	-
PAT/(LAT) ²	(6,659)	1,239	5,997
GP margin (%)	37	52	65
Net profit margin (%)	NA	12	30
Weighted average number of ordinary shares in issue of RM0.10 each [#] ('000)	8,756	14,865	48,780
EPS/(LPS) (sen):			
Gross*	(78.4)	8.3	12.3
Net*	(76.1)	8.3	12.3

Notes:

- * Gross EPS/(LPS) and net EPS/(LPS) were computed by dividing the PBT/(LBT) and PAT/(LAT) respectively by the weighted average number of ordinary shares in issue during the period. The gross EPS/(LPS) and net EPS/(LPS) computed were not annualised.
- # Assumed weighted number of ordinary shares in issue before the Proposed Public Issue and Proposed Bonus Issue II
- 1 There were no exceptional items during the financial years/period under review.
- 2 There were no share of profits and losses of associated corporations and joint venture
- 3 The proforma consolidated financial information was prepared on the basis that our Group has been in existence for the financial years presented.
- 4 The proforma consolidated income statements for the financial year presented have been prepared in accordance with the approved accounting standards in Malaysia as set out in Section 11.10 of this Prospectus.

11. FINANCIAL INFORMATION

11.2 Analysis on Historical Financial Information

11.2.1 Segmental Analysis of Revenue and Operating profit

Analysis of revenue by products and services

Analysis of revenue by products	Financial period/years ended 31 December					
	2003		2004		2005	
Revenue	RM'000	%	RM'000	%	RM'000	%
Product						
EDA tools	846	26	2,239	22	2,536	12
ASIC/ASSP chips	201	6	5,080	49	15,419	76
IP licence	252	7	-	-	-	-
Electronic components	99	3	-	-	-	-
Services						
IC design	284	9	1,362	13	205	1
EDA maintenance	1,498	46	1,126	11	1,231	6
Commission						
EDA Commission	100	3	464	4	951	5
Others#	9	*	106	1	-	-
Total	3,289	100	10,377	100	20,324	100

Notes:

* Negligible

Others include ASIC non-recurring engineering fee income, sale of ASSP products and exchange differences arising from the retranslation of results in foreign entities and consolidating adjustments.

Analysis of revenue by principal markets	Financial period/years ended 31 December					
	2003		2004		2005	
Revenue	RM'000	%	RM'000	%	RM'000	%
China/ Hong Kong	201	6	5,772	52	15,324	75
Singapore	1,640	50	2,207	25	1,690	9
Taiwan	-	-	388	4	-	-
Philippines	14	-	257	2	178	1
Malaysia	1,432	44	1,510	15	670	3
US	-	-	156	2	215	1
Thailand	-	-	29	*	-	-
Vietnam	2	-	-	-	84	*
India	-	-	-	-	96	*
Middle East	-	-	58	*	2,067	11
Total	3,289	100	10,377	100	20,324	100

Note:

* Negligible

11. FINANCIAL INFORMATION

Analysis of operating profit by products and services

Analysis of operating profit by products	Financial period/years ended 31 December					
	2003		2004		2005	
Operating profit	RM'000	%	RM'000	%	RM'000	%
Product						
EDA tools	141	12	784	13	887	7
ASIC/ASSP chips	66	5	2,454	46	10,753	81
IP licence	252	21	-	-	-	-
Electronic components	12	1	-	-	-	-
Services						
IC design	284	24	1,130	22	256	2
EDA maintenance	346	28	413	8	401	3
Commission						
EDA Commission	100	8	464	9	951	7
Others#	9	1	106	2	-	-
Total	1,210	100	5,351	100	13,248	100

Notes:

* Negligible

Others include ASIC non-recurring engineering fee income, sale of ASSP products and exchange differences arising from the retranslation of results in foreign entities and consolidating adjustments.

Analysis of operating profit by geographical location

Analysis of operating profit by principal markets	Financial period/years ended 31 December					
	2003		2004		2005	
Operating profit	RM'000	%	RM'000	%	RM'000	%
China/ Hong Kong	61	5	2,634	49	10,577	80
Singapore	868	72	815	15	763	6
Taiwan	-	-	1,130	21	-	-
Philippines	14	1	77	1	54	*
Malaysia	267	22	452	9	333	3
US	-	-	156	3	108	1
Thailand	-	-	29	1	-	-
Vietnam	-	-	-	-	84	*
India	-	-	-	-	43	*
Middle East	-	-	58	1	1,286	10
Total	1,210	100	5,351	100	13,248	100

Note:

* Negligible

11. FINANCIAL INFORMATION

11.2.2 Overview of Revenue and Operating Profit

You should read the following discussion and analysis in conjunction with our Group's consolidated financial statements which were prepared in accordance with the approved accounting standards in Malaysia, as set out in Section 11.10 of this Prospectus.

(a) Financial year ended (FYE) 31 December 2003

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 our Group's transition from a Chip design company to a Chip product company, which was undertaken in the FYE 31.12.2003. Our 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 our Group's business strategy.

(b) FYE 31 December 2004

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 our Group's business. The sale of a new product, in the form of an ASIC product achieved RM4,800,000 in the FYE 31.12.2004, whereby our Group received the first order for one million chips for the fragrance/insect repellent dispensing platform. 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.

(c) Financial period ended (FPE) 31 December 2005

Revenue increased by approximately RM9,947,000 or 96% in the FPE 31.12.2005 as compared to the FYE 31.12.2004 mainly due to the increase in sales of new ASSP products like DC/DC converters and Solid State Lighting products. As such, the sale of ASSP products itself, achieved RM14,194,000 in the FPE 31.12.2005, as our Group was heavily promoting these series of product to customers in Hong Kong. A PBT of RM5,997,000 was achieved in the FPE 31.12.2005 as compared to a PBT of RM1,239,000 in the FYE 31.12.2004 due to the increase in revenue and GP as a result of the sale of DC/DC converters which have higher margin and higher selling price.

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11. FINANCIAL INFORMATION

11.2.3 Impact of Foreign Exchange and Interest Rates on Profits

We have offices and operations in Singapore and Hong Kong. We also sell our products to various overseas countries. Our sales in these markets are often transacted in USD, SGD and RM, where relevant.

As such, our exposure to the fluctuation in foreign exchange rates may be significant as we are predominantly transacting the sales and incurring our costs in USD and any material fluctuation in the exchange rates could have an impact on our profitability.

As at the Latest Practicable Date, we do not have any currency borrowings or hedging instruments for our foreign currency exposure.

The impact of interest rates on profit is minimal as our Group has a low gearing level for the financial period/years ended 31 December 2003 to 2005. The interest cover against the profit before interest and taxation was approximately between 11 to 52 times.

The following table sets out the interest expense and profit before interest and taxation for the financial period/years ended 31 December 2003 to 2005:

	Financial periods/years ended 31 December		
	Audited 2003 RM'000	Audited 2004 RM'000	Audited 2005 RM'000
Interest expense	78	125	118
Profit / (Loss) before interest and taxation	(6,786)	1,360	6,103
Interest coverage (times)	Not applicable	11	52

11.2.4 Taxation

The income tax rates in Malaysia, Singapore and Hong Kong will remain at 28%, 22% and 16% respectively, with no significant changes in the bases of taxation. In addition, BCT Tech was granted MSC status under the Promotion of Investments Act, 1986, whereby 100% of the pioneer statutory income is tax exempt.

11.2.5 Exceptional and Extraordinary Items

Based on the audited financial statements of the companies within our Group, there were no exceptional and extraordinary items for the financial periods/years under review.

11.2.6 Infrequent Event affecting the Operating Profit

We had a substantial increase in revenue for the FYE 31 December 2004 as compared with the FYE 31 December 2003 of approximately 216% due to the following:

1. Our Group's transition from a Chip design company to a Chip product company, which was undertaken during the previous FYE 31 December 2003;
2. Expansion of our Singapore subsidiary's business in China/Hong Kong through the introduction of new products for example the fragrance and insect repellent dispensing platform, an ASIC product which was well accepted by end-customers in the manufacturing industry, especially in China; and

11. FINANCIAL INFORMATION

3. Improved sales of EDA tools as a result of our competitive pricing, aggressive sales and marketing strategy and improvements in economic conditions.

For FPE 31 December 2005, we also had a substantial increase in revenue as compared with the FYE 31 December 2004 of approximately 96% mainly due to the increase in the sale of new ASSP products like DC/DC converters and Solid State Lighting products as we have been heavily promoting these series of product to customers in Hong Kong.

11.3 Trend Information

The business environment of Fabless companies is expected to remain competitive and forward looking. With the introduction of our new ASSP and ASIC products and newly appointed EDA tools principal, we envisage an upward trend in both revenue and gross profit as the new products command higher margins.

11.3.1 Directors' Views on Financial Performance

Unless otherwise stated in Section 4, 5, 6, 11 and 12 of this Prospectus, our Directors are of the view that the financial performance, position and operations of our Group are not materially affected by any of the following:

- (i) Known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on the financial performance, position and operations of our Group; and
- (ii) Known trends, demands and commitments, events or uncertainties that would cause the historical financial statements to be not necessarily indicative of future financial information.

11.4 Liquidity and Capital Resources

11.4.1 Cash Flow and Working Capital

The main source of our cash flow for the FPE 31 December 2005 was from internal source i.e. operating income and external source i.e. financing activities. As of the Latest Practicable Date, we do not have any unused sources of liquidity.

Net cashflows from operating activities

The cash outflow from operating activities was higher compared to the cash inflow, resulting in a net cash outflow from operating activities of RM1.8 million at the end of the financial period. This was mainly due to the timing difference of the sales made. Most of our sales materialised towards the year end i.e. November 2005 and December 2005 as many of our customers utilised the balance of their purchase budget in these months. The normal credit period extended to our customers ranges from 30 to 90 days. As such, the significant increase in trade receivables at the end of the financial period contributed to the net cash outflow for operating activities.

Net cashflows from investing activities

The net cashflows used in our investing activities for the financial year ended 31 December 2005 were mainly for development expenditure such as circuit design and new product and prototypes expenses amounting to RM2.7 million.

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Net cashflows from financing activities

The net cash inflow from financing activities was mainly attributed to by the issuance of RCPS of RM4.5 million and bank borrowings of RM0.2 million. Additionally there were advances of RM0.2 million from the directors during the FPE 31 December 2005. The cash inflow was sufficient to cover the repayment of finance lease. Therefore, there was net cash inflow from financial activities at the end of the financial period.

The consolidated cash flow statement for the FPE 31 December 2005 of our Group is set out in the Reporting Accountants' Letter on Proforma Consolidated Financial Information.

Our directors are of the opinion that after taking into account our Group's cash flow position, banking facilities available and the allocation of approximately RM4,706,000 for working capital from the gross proceeds to be raised pursuant to the Public Issue, the working capital available to our Group will be sufficient for a period of twelve (12) months from the date of issue of this Prospectus.

11.4.2 Borrowings

As at the Latest Practicable Date, the foreign bank borrowings (in RM equivalent values, at the exchange rate of SGD1:RM2.2778) of our Group which are interest-bearing are as follows:

	Short term Repayable within twelve (12) months RM	Long Term Repayable after twelve (12) months RM	Total RM
Bank Overdrafts	1,270,919	0	1,267,919
Bank Loan	29,575	22,883	52,458
Total	1,300,494	22,883	1,323,377

As at the Latest Practicable Date, we do not have any local bank borrowings. Further, we have not had any defaults on payments of either interest and/or principal sums in respect of any bank borrowings throughout the past one (1) FPE 31 December 2005 and up to the Latest Practicable Date. Based on the audited and proforma consolidated balance sheet as at 31 December 2005, our gearing ratios are as follows:

	Based on audited consolidated balance sheet as at 31 December 2005 RM	Based on proforma consolidated balance sheet as at 31 December 2005 RM
Total interest bearing borrowing	1,915,205	1,915,205
Shareholders' equity	13,318,993	37,479,961
Gearing ratio (times)	0.14	0.05

11. FINANCIAL INFORMATION

11.5 Key financial ratios

Based on our audited and proforma consolidated balance sheets as at 31 December 2005, our key financial ratios are as follows:

	Based on audited consolidated balance sheets as at 31 December 2005	Based on proforma consolidated balance sheets as at 31 December 2005
Current asset ratio	2.0	4.5
Trade receivable turnover ratio (times)	1.3	1.3
Trade payable turnover ratio (times)	1.1	1.1
Stock turnover ratio (days)	5.8	5.8

11.6 Capital Commitments

As at the Latest Practicable Date, our Directors are not aware of any capital commitments contracted or known to be contracted by our Group, which upon becoming enforceable, may have a material impact on the financial performance, position and operations of our Group.

11.7 Hedging, Material Litigations and Contingent Liabilities

As at the Latest Practicable Date, we do not have any financial instrument for hedging purpose.

As at the Latest Practicable Date, we have not engaged in any material litigation, either as plaintiff or defendant or any material claims against our Group or material arbitration proceedings, which has a material effect on the business or financial position of our Group and our Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially affect the business or financial position of our Group.

As at the Latest Practicable Date, our Group does not have any material contingent liability, which upon materialisation would have a material impact on the financial performance, position and operations of our Group.

11.8 Dividend policy

No dividend has been declared or paid by our Group during the financial period under review. The dividends to be declared or paid in the future will depend upon the performance, capital requirements and cash resources of our Group.

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11. FINANCIAL INFORMATION**11.9 Proforma Consolidated Balance Sheets as at 31 December 2005**

We have prepared our proforma consolidated balance sheets for illustrative purposes only to show the effects on our financial statements as at 31 December 2005 after taking into consideration the RCPS Conversion, Bonus Issue I, Public Issue, Bonus Issue II and ESOS II, as stated on the table below. We advise you to read the summary of our proforma consolidated balance sheets together with the accompanying notes and assumptions included in the full set of our proforma consolidated balance sheets as at 31 December 2005 set out in Section 11.10 of this Prospectus.

	As at 31 December 2005	Proforma I	Proforma II	Proforma III	Proforma IV
	RM	RM	RM	RM	RM
Non-current assets	3,941,563	3,941,563	3,941,563	3,941,563	3,941,563
Current assets	18,866,650	18,866,650	31,776,808	31,776,808	43,027,618
Current liabilities	9,458,959	9,458,959	9,458,959	9,458,959	9,458,959
Net current assets	9,407,691	9,407,691	22,317,849	22,317,849	33,568,659
	13,349,254	13,349,254	26,259,412	26,259,412	37,510,222
Financed by:					
Share capital	378,002	4,878,000	6,098,000	12,196,000	14,025,400
Redeemable Convertible Preference Shares	450,000	-	-	-	-
Share premium	4,050,000	2	11,690,160	5,592,160	15,013,570
Negative goodwill	2,531,177	2,531,177	2,531,177	2,531,177	2,531,177
Exchange fluctuation reserve	(86,891)	(86,891)	(86,891)	(86,891)	(86,891)
Retained profits	5,996,705	5,996,705	5,996,705	5,996,705	5,996,705
Shareholders' equity	13,318,993	13,318,993	26,229,151	26,229,151	37,479,961
Non-current liabilities					
Borrowings	30,261	30,261	30,261	30,261	30,261
	13,349,254	13,349,254	26,259,412	26,259,412	37,510,222
Number of ordinary shares in issue at RM0.10 each	3,780,020	48,780,000	60,980,000	121,960,000	140,254,000
NTA (RM)	9,073,612	9,523,612	22,433,770	22,433,770	33,684,580
NTA per ordinary share (RM)	2.40	0.20	0.37	0.18	0.24

11. FINANCIAL INFORMATION

11.10 Reporting Accountants' Letter on the Proforma Financial Information (Prepared for inclusion in this Prospectus)



23 May 2006

The Board of Directors
BCT Technology Berhad
First Floor, Rajawali Block
Cyberview Garden Villa and Office Complex
Persiaran Multimedia
63000 Cyberjaya
Selangor Darul Ehsan

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
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horwath@po.jaring.my

Dear Sirs

BCT TECHNOLOGY BERHAD ("BCT TECH") PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2003 TO 2005

We have reviewed the proforma consolidated financial information of BCT Tech and its subsidiaries ("BCT Tech Group" or "the Group") for the financial years from 31 December 2003 to 2005, together with the accompanying notes thereto, for which the Directors are solely responsible, as set out in the accompanying statements (initialled by us for the purpose of identification only) prepared for illustrative purposes for inclusion in the Prospectus of BCT Tech to be dated on 26 June 2006

In our opinion,

- (a) the proforma consolidated financial information has been properly prepared on the bases set out in the accompanying notes to the proforma financial information and such bases are consistent with the accounting policies of BCT Tech Group;
- (b) the financial statements used in the preparation of the proforma consolidated financial information were prepared in accordance with applicable accounting standards in Malaysia; and
- (c) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing such proforma consolidated financial information.

We understand that this letter will be used solely for the purpose stated above, in connection with the aforementioned transactions. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

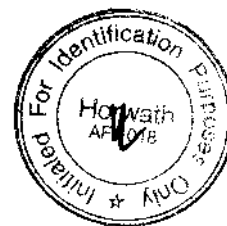
Horwath
Firm No : AF 1018
Chartered Accountants

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

Horwath Offices in Malaysia:

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

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1. PROFORMA GROUP AND BASIS OF PREPARATION

1.1 Proforma Group

The proforma consolidated financial information of BCT Tech Group, comprising the financial information of BCT Tech, BlueChips Technology Pte Ltd ("BCT"), Blue-Chips Semiconductors (M) Sdn Bhd ("BCSM") and Bluechips Technology (HK) Limited ("BCTHK"), are presented for the purpose of illustration only.

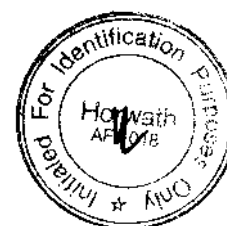
The relevant financial period for the purpose of this report ("Relevant Financial Period") is as follows:-

Company	Relevant Financial Period
BCT Tech	Financial period ("FPE") from 11 October 2004 (date of incorporation) to 31 December 2005.
BCT	Financial years ended ("FYE") 31 December 2003 to 2005.
BCSM	FYE 31 December 2003 to 2005.
BCTHK	FPE from 8 November 2002 (date of incorporation) to 31 December 2003 and FYE 31 December 2004 to 2005.

The proforma consolidated financial information of BCT Tech Group is prepared on the assumption that BCT Tech Group had been in existence throughout the financial years ended 31 December 2003 and 2004. For the financial year ended 31 December 2005, the consolidated financial information of BCT Tech Group is prepared based on the audited consolidated financial statements. The proforma consolidated financial information comprises the following:-

- Section 2 - Proforma Consolidated Income Statements for the Relevant Financial Period;
- Section 3 - Proforma Consolidated Balance Sheets as at 31 December 2005; and
- Section 4 - Consolidated Cash Flow Statement for the financial year ended 31 December 2005

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

1.1 Proforma Group (Cont'd)

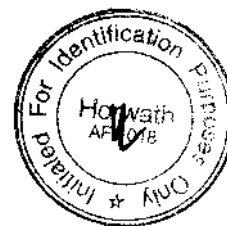
The proforma consolidated financial information was prepared, together with the accompanying notes thereto, which have been prepared solely for illustrative purposes, to show the effects of the following schemes had the schemes been implemented and completed on that date:-

(1) Restructuring Scheme

BCT Tech has undertaken an internal restructuring scheme comprising the following:-

- (a) acquisition of the entire issued and paid-up share capital of BCT comprising 1,343,483 ordinary shares of SGD1.00 each for a purchase consideration of RM350,000 satisfied by the issuance of 3,500,000 new ordinary shares of RM0.10 each in BCT Tech at an issue price of RM0.10 per share. The acquisition was completed on 20 January 2005;
- (b) issuance of 4,500,000 Redeemable Convertible Preference Shares ("RCPS") of RM0.10 each in BCT Tech at an issue price of RM1.00 per RCPS. The issuance of the RCPS was completed on 23 February 2005;
- (c) exercise of Employee Share Option Scheme I ("ESOS I") to subscribe for 280,000 new ordinary shares of RM0.10 each in BCT Tech at an exercise price of RM0.10 per share. The issuance of new shares pursuant to the exercise of ESOS I was completed on 8 April 2005;
- (d) conversion of 4,500,000 RCPS into 5,232,558 new ordinary shares of RM0.10 each in BCT Tech at a conversion ratio of 0.86 RCPS to 1 new ordinary share of RM0.10 each ("RCPS Conversion"). The new shares issued for the conversion of the RCPS rank pari passu in all respects with the other shares in issue except that they are not entitled to the Bonus Issue I (refer (e) below). The conversion was completed on 25 April 2006; and

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

1.1 Proforma Group (Cont'd)

(1) Restructuring Scheme (Cont'd)

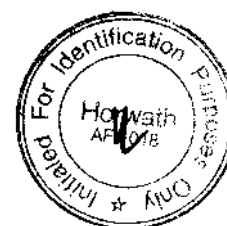
- (e) bonus issue of 39,767,422 new ordinary shares of RM0.10 each in BCT Tech to the existing shareholders of BCT Tech except for the new shares issued pursuant to the conversion of the RCPS on the basis of approximately 10.52 new ordinary shares of RM0.10 each in BCT Tech for every 1 existing ordinary share of RM0.10 each in BCT Tech held ("Bonus Issue I"). The Bonus Issue I was completed on 25 April 2006.

(2) Listing Scheme

BCT Tech seeks the listing of and quotation for its entire enlarged issued and paid-up share capital on the MESDAQ Market which comprise the following:-

- (a) public issue of 12,200,000 new ordinary shares of RM0.10 each at an issue price of RM1.23 per ordinary share ("Public Issue") which will be allocated and allotted in the following manner:-
- (i) 10,000,000 new ordinary shares of RM0.10 each for placement to selected investors;
 - (ii) 1,000,000 new ordinary shares of RM0.10 each for application by the public;
 - (iii) 1,200,000 new ordinary shares of RM0.10 each for application by the directors, eligible persons and business associates of BCT Tech and its subsidiaries;
- (b) bonus issue of 60,980,000 new ordinary shares of RM0.10 each to be issued to all existing shareholders of BCT Tech on the basis of 1 new ordinary share of RM0.10 each for every 1 existing ordinary share of RM0.10 each held after the Public Issue which will be completed prior to the Listing ("Bonus Issue II");
- (c) Employee Share Option Scheme II ("ESOS II") which involves the grant of Options to eligible persons to subscribe for new ordinary shares of RM0.10 each in BCT Tech of up to 15% of the issued and paid-up share capital of BCT Tech at any one time during the existence of the scheme in accordance with the provisions of the Bye-Laws. The ESOS II was implemented on 3 May 2006;
- (d) admission to the official list of the MESDAQ Market and listing of and quotation for the entire enlarged issued and paid-up share capital of RM12,196,000 comprising 121,960,000 new ordinary shares of RM0.10 each on the MESDAQ Market; and

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

1.1 Proforma Group (Cont'd)

(2) Listing Scheme (Cont'd)

- (e) additional listing of and quotation for up to RM1,829,400 comprising 18,294,000 new ordinary shares of RM0.10 each that may be issued upon the exercise of ESOS II Options on the MESDAQ Market.

1.2 Basis of Preparation

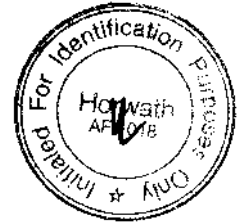
The proforma consolidated financial information is prepared using the audited financial statements of BCT Tech, BCT, BCSM and BCTHK for the Relevant Financial Period.

The proforma consolidated financial information has been prepared in accordance with approved accounting standards in Malaysia consistent with those previously adopted in the preparation of the audited financial statements of BCT Tech Group at 31 December 2005, and after incorporating adjustments that are appropriate for the preparation of the proforma consolidated financial information.

The translation of the foreign subsidiary from Singapore Dollar to RM is based on the following exchange rates:-

	FYE2003	FYE2004	FPE2005
Income statements:			
- based on average rates for the period	2.24	2.33	2.27
Balance sheets:			
- based on closing rates at the balance sheet date	2.21	2.31	2.29

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. PROFORMA CONSOLIDATED INCOME STATEMENTS OF BCT TECH GROUP

	Proforma FYE2003 RM	FYE2004 RM	Audited FPE2005 RM
Revenue	3,288,916	10,377,442	20,324,115
Cost of sales	(2,079,450)	(5,026,621)	(7,076,538)
Gross profit ("GP")	1,209,466	5,350,821	13,247,577
Other income	181,780	57,402	12,733
	1,391,246	5,408,223	13,260,310
Operating overheads	(8,252,441)	(4,168,938)	(7,263,605)
(Loss)/Profit before taxation ("LBT")/"PBT")	(6,861,195)	1,239,285	5,996,705
Amortisation of development costs	317,716	52,618	219,174
Depreciation of equipment	395,770	381,048	209,615
Interest expense	77,569	125,092	118,022
Interest income	(2,774)	(4,159)	(11,766)
(Loss)/Earnings before interest, depreciation, tax and amortisation	(6,072,914)	1,793,884	6,531,750
Amortisation of development costs	(317,716)	(52,618)	(219,174)
Depreciation of equipment	(395,770)	(381,048)	(209,615)
Interest expense	(77,569)	(125,092)	(118,022)
Interest income	2,774	4,159	11,766
(LBT)/PBT	(6,861,195)	1,239,285	5,996,705
Taxation	201,767	-	-
(Loss)/Profit after taxation ("LAT")/"PAT")	(6,659,428)	1,239,285	5,996,705
GP margin (%)	37	52	65
PBT margin (%)	(209)	12	30
PAT margin (%)	(202)	12	30
Effective tax rate (%)	(3)	N/A	N/A
Interest coverage (times)	(87)	11	52
Inventories turnover ratio (times)	N/A	4.9	5.8
Trade receivables turnover ratio (times)	12.2	3.7	1.3
Trade payables turnover ratio (times)	1.9	2.1	1.1
Gearing ratio (times)	(1.0)	0.7	0.1
Weighted average number of ordinary shares in issue of RM0.10 each * ('000)	8,756	14,865	48,780
Gross (loss)/earnings per share ("LPS")/"EPS") * (sen)	(78.4)	8.3	12.3
Net (LPS)/EPS * (sen)	(76.1)	8.3	12.3

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

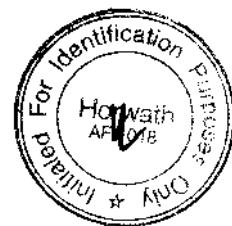
PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. PROFORMA CONSOLIDATED INCOME STATEMENTS OF BCT TECH 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.
- (iv) The audited FPE 2005 covered the results of BCT Tech Group for 12 months in year 2005 and an expense of RM8,630 for the period from 11 October 2004 (date of incorporation) to 31 December 2004.

11. FINANCIAL INFORMATION



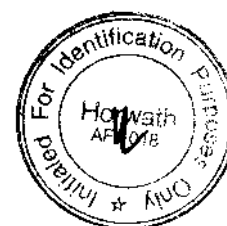
BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF BCT TECH GROUP

NOTE	Audited as at				
	31.12.2005 RM	Proforma I RM	Proforma II RM	Proforma III RM	Proforma IV RM
NON-CURRENT ASSETS					
Equipment	3.5	146,182	146,182	146,182	146,182
Development costs	3.6	3,795,381	3,795,381	3,795,381	3,795,381
		<u>3,941,563</u>	<u>3,941,563</u>	<u>3,941,563</u>	<u>3,941,563</u>
CURRENT ASSETS					
Inventories	3.7	1,220,329	1,220,329	1,220,329	1,220,329
Trade receivables	3.8	15,756,876	15,756,876	15,756,876	15,756,876
Other receivables, deposits and prepayments	3.9	892,564	892,564	892,564	892,564
Fixed deposit with a licensed bank	3.10	783,756	783,756	783,756	783,756
Cash and bank balances	3.11	213,125	213,125	13,123,283	24,374,093
		<u>18,866,650</u>	<u>18,866,650</u>	<u>31,776,808</u>	<u>43,027,618</u>
CURRENT LIABILITIES					
Trade payables	3.12	6,538,077	6,538,077	6,538,077	6,538,077
Other payables and accruals	3.13	833,508	833,508	833,508	833,508
Amount owing to directors	3.14	202,430	202,430	202,430	202,430
Short-term bank borrowings	3.15	561,666	561,666	561,666	561,666
Bank overdrafts	3.16	1,323,278	1,323,278	1,323,278	1,323,278
		<u>9,458,959</u>	<u>9,458,959</u>	<u>9,458,959</u>	<u>9,458,959</u>
NET CURRENT ASSETS					
		<u>9,407,691</u>	<u>9,407,691</u>	<u>22,317,849</u>	<u>33,568,659</u>
		<u>13,349,254</u>	<u>13,349,254</u>	<u>26,259,412</u>	<u>37,510,222</u>
FINANCED BY:-					
Share capital	3.17	378,002	4,878,000	6,098,000	12,196,000
RCPS	3.18	450,000	-	-	-
Share premium	3.19	4,050,000	2	11,690,160	5,592,160
Exchange fluctuation reserve		(86,891)	(86,891)	(86,891)	(86,891)
Negative goodwill	3.20	2,531,177	2,531,177	2,531,177	2,531,177
Retained profits		5,996,705	5,996,705	5,996,705	5,996,705
Shareholders' equity		<u>13,318,993</u>	<u>13,318,993</u>	<u>26,229,151</u>	<u>37,479,961</u>
NON-CURRENT LIABILITY					
Long-term bank borrowings	3.21	30,261	30,261	30,261	30,261
		<u>13,349,254</u>	<u>13,349,254</u>	<u>26,259,412</u>	<u>37,510,222</u>
Number of ordinary shares in issue at RM0.10 each					
		<u>3,780,020</u>	<u>48,780,000</u>	<u>60,980,000</u>	<u>121,960,000</u>
Net tangible assets ("NTA") (RM)					
		<u>9,073,612</u>	<u>9,523,612</u>	<u>22,433,770</u>	<u>33,684,580</u>
NTA per ordinary share (RM)					
		<u>2.40</u>	<u>0.20</u>	<u>0.37</u>	<u>0.18</u>
				<u>0.18</u>	<u>0.24</u>

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3.1 Proforma I

Proforma I incorporates the conversion of 4,500,000 RCPS of RM0.10 each into 5,232,558 new ordinary shares of RM0.10 each in BCT Tech at a conversion ratio of 0.86 RCPS to 1 new ordinary share of RM0.10 each ("RCPS Conversion"). The conversion ratio of 0.86 was derived by applying a 30% discount on the issue price of RM1.23.

Proforma I also incorporates the effects of the Bonus Issue I which was capitalised from the share premium account arising from the issuance of the RCPS.

3.2 Proforma II

Proforma II incorporates the effects of Proforma I and the Public Issue. The proceeds will be utilised as follows:-

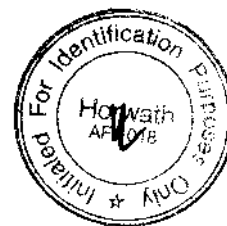
	RM
Development expenditure	
- acquisition of EDA tools, equipment and new product prototypes	2,000,000 *
- development expenses	2,500,000 *
Marketing and business development	4,000,000 *
Working capital	4,706,000 *
Estimated listing expenses	1,800,000
	<u>15,006,000</u>

Note:-

* Included in cash and cash equivalents under current assets, pending utilisation.

The RCPS expenses and estimated listing expenses of RM295,842 and RM1,800,000 respectively, have been debited against the share premium account.

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF BCT TECH GROUP (CONT'D)

3.3 Proforma III

Proforma III incorporates the effects of Proforma II and the Bonus Issue II.

The Bonus Issue II is to be capitalised from the share premium account arising from the Public Issue.

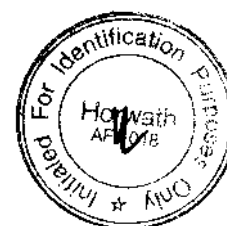
3.4 Proforma IV

Proforma IV incorporates the effects of Proforma III and the full exercise of ESOS II. The exercise of ESOS II will increase the net assets of BCT Tech Group.

The fair values of the Options to be granted pursuant to ESOS II have not been accounted for in the Proforma Consolidated Balance Sheets as there is no financial effect to the net assets. The effect, if the fair values of the Options had been accounted for, would be a decrease in the retained profits with a corresponding increase in the share premium account.

3.5 EQUIPMENT

	Cost RM	Accumulated depreciation RM	Net book value RM
Office equipment	59,587	(38,283)	21,304
Furniture and fittings	85,939	(40,938)	45,001
Computers	1,705,791	(1,657,885)	47,906
Renovation	60,530	(28,559)	31,971
At 31 December 2005	<u>1,911,847</u>	<u>(1,765,665)</u>	<u>146,182</u>

11. FINANCIAL INFORMATION**BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")****PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****3. PROFORMA CONSOLIDATED BALANCE SHEETS OF BCT TECH GROUP (CONT'D)****3.6 DEVELOPMENT COSTS**

	RM
At the date of incorporation on 11 October 2004	-
Acquisition of a subsidiary	2,396,587
Additions for the financial period	2,798,316
	<u>5,194,903</u>
Accumulated amortisation	
At the date of incorporation on 11 October 2004	-
Acquisition of a subsidiary	(53,150)
Amortisation charge for the financial period	(219,174)
	<u>(272,324)</u>
	4,922,579
Write off during the financial period	(1,053,528)
Foreign exchange translation difference	(73,670)
	<u>3,795,381</u>

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 period:-

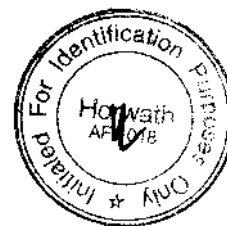
	RM
Directors' non-fee emoluments	195,383
Rental of premises	101,291
Software lease rental	331,484
Staff costs	1,555,764
	<u>1,983,922</u>

3.7 INVENTORIES

	RM
AT COST:-	
Work-in-progress	702,015
Finished goods	518,314
	<u>1,220,329</u>

None of the inventories is carried at net realisable value.

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF BCT TECH GROUP (CONT'D)

3.8 TRADE RECEIVABLES

	RM
Trade receivables	17,323,502
Allowance for doubtful debts	(1,566,626)
	<u>15,756,876</u>

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:-

	RM
Hong Kong Dollar	22,938
Singapore Dollar	202,189
United States Dollar	9,950,734
	<u>10,175,861</u>

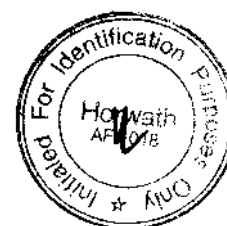
3.9 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	RM
Other receivables	33,839
Deposits	83,257
Prepayments	775,468
	<u>892,564</u>

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

	RM
Singapore Dollar	247,732
United States Dollar	36,604
	<u>284,336</u>

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF BCT TECH GROUP (CONT'D)

3.10 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 1.7% per annum at the balance sheet date. The fixed deposit has a maturity period of 7 months and is denominated in Singapore Dollar.

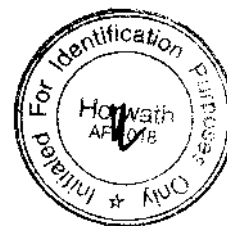
3.11 CASH AND BANK BALANCES

	RM
As at 31 December 2005/As per Proforma I	213,125
Proceeds from Public Issue (net of estimated listing and RCPS expenses)	12,910,158
As per Proforma II/III	13,123,283
Proceeds from exercise of ESOS II Options	11,250,810
As per Proforma IV	<u>24,374,093</u>

The foreign currency exposure profile of cash and bank balances at 31 December 2005 is as follows:-

	RM
Hong Kong Dollar	1,148
Singapore Dollar	17,676
United States Dollar	<u>151,051</u>

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF BCT TECH GROUP (CONT'D)

3.12 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:-

	RM
Singapore Dollar	137,008
United States Dollar	6,401,069
	<hr/>

3.13 OTHER PAYABLES AND ACCRUALS

	RM
Other payables	10,940
Accruals	822,568
	<hr/>
	833,508
	<hr/>

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

	RM
Hong Kong Dollar	3,419
Singapore Dollar	659,980
United States Dollar	93,817
	<hr/>

3.14 AMOUNT OWING TO DIRECTORS

The amount owing is unsecured, interest free and with no fixed terms of repayments.

11. FINANCIAL INFORMATION**BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")****PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****3. PROFORMA CONSOLIDATED BALANCE SHEETS OF BCT TECH GROUP (CONT'D)****3.15 SHORT-TERM BANK BORROWINGS**

	RM
Bridging loan (Note 3.21)	29,106
Short-term loan	532,560
	<hr/>
	561,666
	<hr/>

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

	% per annum
Bridging loan	2.6
Short-term loan	9.3
	<hr/>

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 by the directors of a subsidiary.

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

3.16 BANK OVERDRAFTS

The bank overdrafts bore a weighted average effective interest rate of 7.2% per annum at the balance sheet date, are secured in the same manner as the bridging and short-term loans as disclosed in Note 3.15 above and are denominated in Singapore Dollar.

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF BCT TECH GROUP (CONT'D)

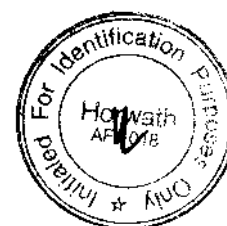
3.17 Share Capital

As at the date of this report, the authorised share capital of BCT Tech is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each.

The issued and paid-up share capital of BCT Tech as of the date of this report is RM4,878,000 comprising 48,780,000 ordinary shares of RM0.10 each.

The movements in the issued and paid-up share capital of BCT Tech are as follows:-

	Number of Ordinary Shares	Amount of Share Capital RM
At the date of incorporation on 11 October 2004	20	2
Allotment during the financial period pursuant to:		
- the acquisition of a subsidiary	3,500,000	350,000
- the exercise of ESOS I	280,000	28,000
As at 31 December 2005	3,780,020	378,002
RCPS Conversion and Bonus Issue I	44,999,980	4,499,998
As per Proforma I	48,780,000	4,878,000
Public Issue	12,200,000	1,220,000
As per Proforma II	60,980,000	6,098,000
Bonus Issue II	60,980,000	6,098,000
As per Proforma III	121,960,000	12,196,000
Exercise of ESOS II Options	18,294,000	1,829,400
As per Proforma IV	140,254,000	14,025,400

11. FINANCIAL INFORMATION**BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")****PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****3. PROFORMA CONSOLIDATED BALANCE SHEETS OF BCT TECH GROUP (CONT'D)****3.18 RCPS**

	Number of RCPS	Amount of RCPS RM
RCPS of RM0.10 each at the date of incorporation on 11 October 2004	-	-
Issuance of RCPS	4,500,000	450,000
As at 31 December 2005	4,500,000	450,000
RCPS Conversion	(4,500,000)	(450,000)
As per Proforma I/II/III/IV	-	-

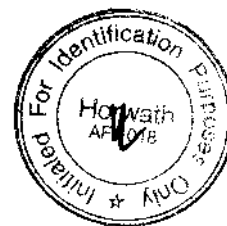
3.19 SHARE PREMIUM

The movements in the share premium account are as follows:-

	RM
At the date of incorporation on 11 October 2004	-
Arising from the issuance of RCPS	4,050,000
As at 31 December 2005	4,050,000
RCPS Conversion and Bonus Issue I	(4,049,998)
As per Proforma I	2
Public Issue	13,786,000
RCPS expenses	(295,842)
Estimated listing expenses	(1,800,000)
As per Proforma II	11,690,160
Bonus Issue II	(6,098,000)
As per Proforma III	5,592,160
Exercise of ESOS II Options	9,421,410
As per Proforma IV	15,013,570

The share premium is not distributable by way of cash dividends and may be utilised only in the manner set out in Section 60(3) of the Companies Act, 1965.

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

3. PROFORMA CONSOLIDATED BALANCE SHEETS OF BCT TECH GROUP (CONT'D)

3.20 NEGATIVE GOODWILL

	RM
At the date of incorporation on 11 October 2004	-
Arising from acquisition of BCT	2,531,177
	<hr/>
At 31 December 2005/Proforma I/II/III/IV	2,531,177
	<hr/>

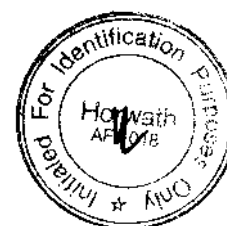
3.21 LONG-TERM BANK BORROWINGS

The bridging loan is repayable as follows:-

	RM'000
Current portion:	
- repayable within one year (Note 3.15)	29,106
Non-current portion:	
- repayable between one and two years	30,261
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	59,367
	<hr/>

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

11. FINANCIAL INFORMATION



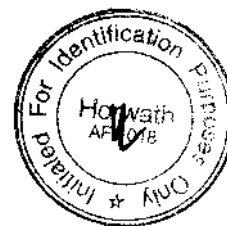
BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4. CONSOLIDATED CASH FLOW STATEMENT OF BCT TECH GROUP

	FPE2005 RM
<u>Cash flows for operating activities</u>	
Profit before taxation	5,996,705
<u>Adjustments for:-</u>	
Allowance for doubtful debts	1,566,626
Allowance for impairment on goodwill	98,676
Amortisation of development costs	219,174
Depreciation of equipment	209,615
Development costs written off	1,053,528
Interest expense	118,022
Interest income	(11,766)
Operating profit before working capital changes	9,250,580
Increase in inventories	(193,237)
Increase in trade and other receivables	(15,223,100)
Increase in trade and other payables	4,405,681
Cash used in operations	(1,760,076)
Interest expense	(118,022)
Interest income	11,766
Net cash for operating activities	(1,866,332)
<u>Cash flows for investing activities</u>	
Purchase of equipment	(60,651)
Acquisition of a subsidiary (Note 4.1)	(483,100)
Development costs paid	(2,798,316)
Net cash for investing activities	(3,342,067)
<u>Cash flows from financing activities</u>	
Net drawdown of bank borrowings	231,441
Repayment of finance lease obligations	(74,269)
Advances from directors	202,430
Proceeds from issuance of shares	28,002
Proceeds from issuance of RCPS	4,500,000
Net cash from financing activities	4,887,604
Net decrease in cash and cash equivalents	(320,795)
Effects of foreign exchange translation on cash and cash equivalents	(5,602)
Cash and cash equivalents at end of the financial period	(326,397)

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH") AND ITS SUBSIDIARIES ("BCT TECH GROUP")

PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4.1 CONSOLIDATED CASH FLOW STATEMENT OF BCT TECH GROUP (CONT'D)

On 20 January 2005, BCT Tech acquired 1,343,483 new ordinary shares of SGD 1.00 each representing a 100% equity interest in BCT for a purchase consideration of RM350,000 via the issuance of 3,500,000 ordinary shares of RM0.10 each of BCT Tech at an issue price of RM0.10 per share.

The details of net assets acquired and cash flow arising from the acquisition of the subsidiary are as follows:-

	THE GROUP RM
Equipment	301,041
Development costs	2,343,437
Goodwill	100,400
Inventories	1,027,092
Trade and other receivables	2,992,966
Fixed deposit with a licensed bank	794,956
Cash and bank balances	201,137
Trade and other payables	(2,965,904)
Lease payables	(74,269)
Bank borrowings	(360,486)
Bank overdrafts	(1,479,193)
	<hr/>
Fair values of net assets acquired	2,881,177
Negative goodwill arising on consolidation	(2,531,177)
	<hr/>
Total purchase consideration	350,000
Cash and cash equivalents acquired	483,100
	<hr/>
	833,100
Purchase consideration satisfied through the issuance of shares	(350,000)
	<hr/>
Cash outflow on acquisition of a subsidiary	483,100
	<hr/>

Note:-

The consolidated cash flow statement of BCT Tech Group has been prepared before taking into account the proceeds from the proposed Public Issue.

11. FINANCIAL INFORMATION

11.11 Future Financial Information

Consolidated profit forecast for the financial year ending 31 December 2006

We forecast that on the bases and assumptions set out below, the consolidated PAT of our Group for the financial year ending 31 December 2006 will be as follows:

Financial year ending 31 December 2006	RM'000
Revenue	50,605
Consolidated PBT	<u>10,770</u>
Taxation	(350)
Consolidated PAT	<u>10,420</u>
Enlarged number of shares in issue ('000)	121,960
Weighted average number of shares in issue ('000)	81,230
Basic EPS (sen)	
- based on enlarged number of shares in issue ¹	8.54
- based on weighted average number of shares in issue ²	12.83
PE Multiple calculated based on the theoretical ex-bonus price of RM0.615 per share	
- based on enlarged number of shares in issue	7.20
- based on weighted average number of shares in issue	4.79

Notes:

- 1 Calculated based on the enlarged issued and paid-up share capital of 121,960,000 Shares after the Public Issue and Bonus Issue II
- 2 Calculated based on the weighted average number of shares in issue of 81,230,000 Shares, on the assumption that the Public Issue and Bonus Issue II will be completed by mid July 2006

Please refer to Section 11.12 of this Prospectus on the Reporting Accountants' letter on the bases and assumptions of the consolidated profit forecast.

11.11.1 Director's analysis and commentary on the consolidated profit forecast

Our Directors have reviewed and analysed the bases and assumptions used in arriving at the consolidated profit forecast of our Company for the financial year ending 31 December 2006 and are of the opinion that the consolidated profit forecast is fair and reasonable in light of the future prospects of industry, future plans, strategies and prospects of our Group as set out in Section 7 of this Prospectus, and after taking into consideration the gearing level, liquidity and working capital requirements of our Group.

11. FINANCIAL INFORMATION

We are forecasting a PAT of approximately RM10.420 million for the financial year ending 31 December 2006 on forecasted revenue of approximately RM50.605 million. The increase is expected from the following:

Categories	Total (RM'000)
ASSP products ¹	36,092
ASIC products ²	8,793
EDA tools ³	5,500
Design services ⁴	220
Total forecasted revenue	50,605

Notes:

- 1 ASSP products
 - (i) Power management product
Based on recurring orders for customers secured in the FPE 31 December 2005. As at 31 March 2006, our Group has received orders for its power management products, which is estimated at RM2.73 million.
 - (ii) Solid State Lighting products
Based on recurring orders from customers secured in the FPE 31 December 2005 for Solid State Lighting products series like LED Driver 100Ma, 200mA and 1 Watt. As at 31 March 2006, our Group confirmed order of RM2.41 million for Solid State Lighting products.
 - (iii) Display products
The forecasted revenue is based on new orders from newly appointed distributor in Korea for our Group's display products. As at 31 March 2006, the Korean distributor had ordered display products valued at approximately RM50,000 for their trial run in preparation for the company's commercial production in the 3rd quarter of 2006.
 - (iv) Wireless application products
The forecasted revenue is based on strong interests from various foreign customers in India and Korea for wireless application products and endorsement by an ODM on the products' specification.
- 2 ASIC products
Release of new ASIC Chips for induction cooker whereby our Group's customer has committed approximately 2 million units of ASIC chips over a 24-month period as at 31 March 2006. Our Group is confident of achieving the above sale within the forecast financial year. This represents revenue of approximately RM5.3 million or 60% of the total forecasted revenue from ASIC products.
- 3 EDA tools
Consistent revenue from EDA tools maintenance service from the current customers and the newly appointed EDA distributor are expected to contribute to our EDA tools revenue for the financial year ending 31 December 2006.
- 4 Design services
Revenue is expected to be derived from non-recurring engineering cost incurred for induction cooker.
- 5 The consolidated profit forecast has been prepared mainly based on the following assumptions:
 - There will be no significant changes in the forecast selling prices or major changes in the expected market demand for our Group's product;
 - There will be no significant changes in the purchase prices of major raw materials, labour and other operating costs. Any significant increase in the cost of raw materials will be compensated through an equivalent increase in the selling prices; and
 - There will be no significant changes in technology which will adversely affect the operation of the Group.

11. FINANCIAL INFORMATION

11.12 Reporting Accountants' Letter on the Consolidated Profit Forecast (Prepared for inclusion in this Prospectus)



23 May 2006

The Board of Directors
BCT Technology Berhad
First Floor, Rajawali Block
Cyberview Garden Villa and Office Complex
Persiaran Multimedia
63000 Cyberjaya
Selangor Darul Ehsan

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
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Dear Sirs/Madam

BCT TECHNOLOGY BERHAD ("BCT TECH") CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006

We have reviewed the consolidated profit forecast of BCT Tech and its subsidiaries ("BCT Tech Group" or "the Group") for the financial year ending 31 December 2006, as set out in the accompanying statements which we have initialled for the purpose of identification in accordance with the International Standards on Auditing 810 applicable to the review of forecasts. The forecast has been prepared solely for the inclusion in the Prospectus of BCT Tech to be dated 26 June 2006, in connection with the following:-

(1) Restructuring Scheme

BCT Tech has undertaken an internal restructuring scheme comprising the following:-

- (a) acquisition of the entire issued and paid-up share capital of BlueChips Technology Pte Ltd ("BCT") comprising 1,343,483 ordinary shares of SGD1.00 each for a purchase consideration of RM350,000 satisfied by the issuance of 3,500,000 new ordinary shares of RM0.10 each in BCT Tech at an issue price of RM0.10 per share. The acquisition was completed on 20 January 2005;
- (b) issuance of 4,500,000 Redeemable Convertible Preference Shares ("RCPS") of RM0.10 each in BCT Tech at an issue price of RM1.00 per RCPS. The issuance of the RCPS was completed on 23 February 2005;
- (c) exercise of Employee Share Option Scheme I ("ESOS I") to subscribe for 280,000 new ordinary shares of RM0.10 each in BCT Tech at an exercise price of RM0.10 per share. The issuance of new shares pursuant to the exercise of ESOS I was completed on 8 April 2005;
- (d) conversion of 4,500,000 RCPS of RM0.10 each into 5,232,558 new ordinary shares of RM0.10 each in BCT Tech at a conversion ratio of 0.86 RCPS to 1 new ordinary share of RM0.10 each ("RCPS Conversion"). The new shares issued for the conversion of the RCPS rank pari passu in all respects with the other shares in issue except that they are not entitled to the Bonus Issue I (refer (e) below). The conversion of RCPS was completed on 25 April 2006; and

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11. FINANCIAL INFORMATION



(1) Restructuring Scheme (Cont'd)

- (e) bonus issue of 39,767,422 new ordinary shares of RM0.10 each in BCT Tech to the existing shareholders of BCT Tech except for the new shares issued pursuant to the conversion of the RCPS on the basis of approximately 10.52 new ordinary shares of RM0.10 each in BCT Tech for every 1 existing ordinary share of RM0.10 each in BCT Tech held ("Bonus Issue I"). The Bonus Issue I was completed on 25 April 2006.

(2) Listing Scheme

BCT Tech seeks the listing of and quotation for its entire enlarged issued and paid-up share capital on the MESDAQ Market which comprise the following:-

- (a) public issue of 12,200,000 new ordinary shares of RM0.10 each at an issue price of RM1.23 per ordinary share ("Public Issue") which will be allocated and allotted in the following manner:-
- (i) 10,000,000 new ordinary shares of RM0.10 each for placement to selected investors;
 - (ii) 1,000,000 new ordinary shares of RM0.10 each for application by the public;
 - (iii) 1,200,000 new ordinary shares of RM0.10 each for application by the directors, eligible persons and business associates of BCT Tech and its subsidiaries;
- (b) bonus issue of 60,980,000 new ordinary shares of RM0.10 each to be issued to all existing shareholders of BCT Tech on the basis of 1 new ordinary share of RM0.10 each for every 1 existing ordinary share of RM0.10 each held after the Public Issue which will be completed prior to the Listing ("Bonus Issue II");
- (c) Employee Share Option Scheme II ("ESOS II") which involves the grant of Options to eligible persons to subscribe for new ordinary shares of RM0.10 each in BCT Tech of up to 15% of the issued and paid-up share capital of BCT Tech at any one time during the existence of the scheme in accordance with the provisions of the Bye-Laws. The ESOS II was implemented on 3 May 2006;
- (d) admission to the official list of the MESDAQ Market and listing of and quotation for the entire enlarged issued and paid-up share capital of RM12,196,000 comprising 121,960,000 new ordinary shares of RM0.10 each on the MESDAQ Market; and
- (e) additional listing of and quotation for up to RM1,829,400 comprising 18,294,000 new ordinary shares of RM0.10 each that may be issued upon the exercise of ESOS II Options on the MESDAQ Market.

11. FINANCIAL INFORMATION



Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which the management expects to take place and the actions which the management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

We draw your attention to assumption No. 3 in Section B - the Principal Bases And Assumptions Relating To The Consolidated Profit Forecast of BCT Tech Group as set out in the accompanying statements to this letter. BCT Tech Group has assumed that launches of new products, sales and growth by a number of the Group's appointed distributors will be achieved as planned. These assumptions are based on the Directors' plans for the BCT Tech Group, some of which have not been fully implemented.

Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statements, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast so far as the calculation are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by BCT Tech and its subsidiaries in their audited financial statements for the financial period ended 31 December 2005.

We understand that this letter will be used solely for the inclusion in the Prospectus of BCT Tech. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

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

Horwath
Firm No : AF 1018
Chartered Accountants

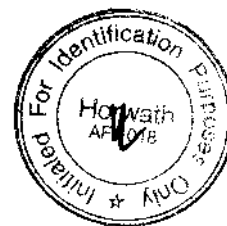
A handwritten signature in black ink, appearing to be "Onn Kien Hoe", written over a horizontal line.

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

Horwath Offices in Malaysia:

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

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH")

A. Consolidated Profit Forecast For The Financial Year Ending 31 December 2006

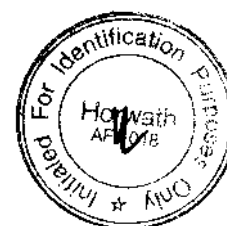
The Directors of BCT Tech forecast that, on the bases and assumptions set out below, the consolidated profit after taxation of BCT Tech and its subsidiaries ("BCT Tech Group or Group") for the financial year ending 31 December 2006 will be as follows:-

Financial year ending 31 December 2006	RM'000
Revenue	50,605
Consolidated profit before taxation ("PBT")	<u>10,770</u>
Taxation	(350)
Consolidated profit after taxation ("PAT")	<u>10,420</u>
Enlarged number of shares in issue ('000)	121,960
Weighted average number of shares in issue ('000)	81,230
Basic earnings per share ("EPS") (sen)	
- based on enlarged number of shares in issue	8.54
- based on weighted average number of shares in issue	12.83
Price-earnings multiple ("PE Multiple") calculated based on the theoretical ex-bonus price of RM0.615 per share	
- based on enlarged number of shares in issue	7.20
- based on weighted average number of shares in issue	4.79

B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast

- There will be no changes to the corporate structure of BCT Tech Group other than the Restructuring Scheme and Listing Scheme as planned and as set out in Note 15 below.
- The existing contracts signed between BCT Tech Group and its suppliers and customers will be renewed upon expiration without any significant variation to the existing terms and conditions of the contracts.

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH")

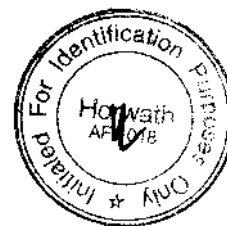
B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast (Cont'd)

3. The forecast revenue to be generated for the financial year ending 31 December 2006 from the sale of products and provision of services, together with the commission income, will be as follows:-

	Total RM'000
Application Specific Standard Product ("ASSP") products	36,092
Application Specific Integrated Circuit ("ASIC") products	8,793
Electronic Data Automation ("EDA") tools and commission	5,500
Design services	220
Total forecast revenue	<u>50,605</u>

4. There will be no significant changes in the forecast selling prices or major changes in the expected market demand for BCT Tech Group's products and services.
5. There will be no significant changes in the purchase prices of major raw materials, labour and other operating costs other than those as provided. Any significant increase in the cost of raw materials will be compensated through an equivalent increase in the selling prices.
6. There will be no significant changes in key management, technology and operating structure which will adversely affect the operations of BCT Tech Group.
7. There will be sufficient manpower and there will be no industrial disputes or disruption or any other abnormal factors which will adversely affect the operations of BCT Tech Group.
8. Inflation and foreign currency exchange rates will not fluctuate significantly from the present and forecast level.
9. The economies of the respective countries in which the Group is dealing with or operating in, will perform in line with the forecast with minimal unfavourable global economic impact.

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH")

B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast (Cont'd)

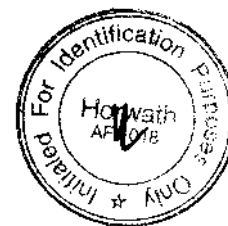
10. There will be no significant changes to the prevailing political conditions in the respective countries in which the Group is dealing with or operating in, that may have an adverse effect on the activities and performance of the Group.
11. There will be no significant changes in the present legislation or government regulations, direct or indirect taxes and duties, which will adversely affect the activities of the Group. The income tax rates in Malaysia, Singapore and Hong Kong will remain at 28%, 22% and 16% respectively, with no significant changes in the bases of taxation. In addition, BCT Tech was granted pioneer status under the Promotion of Investments Act, 1986, whereby 100% of the pioneer statutory income is tax-exempt.
12. There will be no major proceedings against the Group which will adversely affect the activities or performance of the Group or give rise to any contingent liabilities which will materially affect the financial position or the business of the Group.
13. There will be no significant changes in the accounting policies presently adopted by the Group.
14. BCT Tech will be able to maintain its MSC status granted by the Multimedia Development Corporation Sdn. Bhd.
15. The details of the Schemes to be undertaken in relation to the listing of BCT Tech on the MESDAQ Market are as follows:-

(A) Restructuring Scheme

BCT Tech has undertaken an internal restructuring scheme comprising the following:-

- (a) acquisition of the entire issued and paid-up share capital of BCT Tech comprising 1,343,483 ordinary shares of SGD1.00 each for a purchase consideration of RM350,000 satisfied by the issuance of 3,500,000 new ordinary shares of RM0.10 each in BCT Tech at an issue price of RM0.10 per share. The acquisition was completed on 20 January 2005;
- (b) issuance of 4,500,000 Redeemable Convertible Preference Shares ("RCPS") of RM0.10 each in BCT Tech at an issue price of RM1.00 per RCPS. The issuance of the RCPS was completed on 23 February 2005;
- (c) exercise of Employee Share Option Scheme I ("ESOS I") to subscribe for 280,000 new ordinary shares of RM0.10 each in BCT Tech at an exercise price of RM0.10 per share. The issuance of new shares pursuant to the exercise of ESOS I was completed on 8 April 2005;

11. FINANCIAL INFORMATION



BCT TECHNOLOGY BERHAD ("BCT TECH")

B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast (Cont'd)

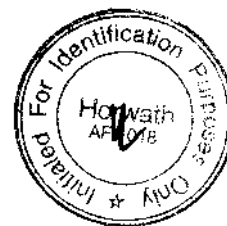
(A) Restructuring Scheme (Cont'd)

- (d) conversion of 4,500,000 RCPS of RM0.10 each into 5,232,558 new ordinary shares of RM0.10 each in BCT Tech at a conversion ratio of 0.86 RCPS to 1 new ordinary share of RM0.10 each ("RCPS Conversion"). The new shares issued for the conversion of the RCPS rank pari passu in all respects with the other shares in issue except that they are not entitled to the Bonus Issue I (refer (e) below). The conversion of RCPS was completed on 25 April 2006; and
- (e) bonus issue of 39,767,422 new ordinary shares of RM0.10 each in BCT Tech to the existing shareholders of BCT Tech except for the new shares issued pursuant to the conversion of the RCPS on the basis of approximately 10.52 new ordinary shares of RM0.10 each in BCT Tech for every 1 existing ordinary share of RM0.10 each in BCT Tech held ("Bonus Issue I"). The Bonus Issue I was completed on 25 April 2006.

(B) Listing Scheme

BCT Tech seeks the listing of and quotation for its entire enlarged issued and paid-up share capital on the MESDAQ Market which comprise the following:-

- (a) public issue of 12,200,000 new ordinary shares of RM0.10 each at an issue price of RM1.23 per ordinary share ("Public Issue") which will be allocated and allotted in the following manner:-
 - (i) 10,000,000 new ordinary shares of RM0.10 each for placement to selected investors;
 - (ii) 1,000,000 new ordinary shares of RM0.10 each for application by the public;
 - (iii) 1,200,000 new ordinary shares of RM0.10 each for application by the directors, eligible persons and business associates of BCT Tech and its subsidiaries;
- (b) bonus issue of 60,980,000 new ordinary shares of RM0.10 each to be issued to all existing shareholders of BCT Tech on the basis of 1 new ordinary share of RM0.10 each for every 1 existing ordinary share of RM0.10 each held after the Public Issue which will be completed prior to the Listing ("Bonus Issue II");

11. FINANCIAL INFORMATION**BCT TECHNOLOGY BERHAD ("BCT TECH")****B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast (Cont'd)****(B) Listing Scheme (Cont'd)**

- (c) Employee Share Option Scheme II ("ESOS II") which involves the grant of Options to eligible persons to subscribe for new ordinary shares of RM0.10 each in BCT Tech of up to 15% of the issued and paid-up share capital of BCT Tech at any one time during the existence of the scheme in accordance with the provisions of the Bye-Laws. The ESOS II was implemented on 3 May 2006;
- (d) admission to the official list of the MESDAQ Market and listing of and quotation for the entire enlarged issued and paid-up share capital of RM12,196,000 comprising 121,960,000 new ordinary shares of RM0.10 each on the MESDAQ Market; and
- (e) additional listing of and quotation for up to RM1,829,400 comprising 18,294,000 new ordinary shares of RM0.10 each that may be issued upon the exercise of ESOS II Options on the MESDAQ Market.
16. The Public Issue and Bonus Issue II, as set out in Note 15 above, are assumed to be completed in mid July 2006. The proceeds from the Public Issue are assumed to be received in mid July 2006.
17. The proceeds from the Public Issue will be utilised as follows:-

	RM'000
Development expenditure	
- acquisition of EDA tools, equipment and new product prototypes	2,000
- development expenses	2,500
Marketing and business development	4,000
Working capital	4,706
Estimated listing expenses	1,800
	<u>15,006</u>

18. No Options will be granted pursuant to ESOS II in the financial year 2006.
19. Development expenditure are capitalised in the period they are incurred. The economic benefits of the development activities are expected to accrue over a period of 5 to 10 years. Accordingly the capitalised expenses are amortised over a period of 5 to 10 years.