13. DIRECTORS' REPORT

MSC-Status Company

BLUECHIPS TECHNOLOGY 藍科有限公司
www.bluechipstech.com

Registered Office:
C15-1 Level 15 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

Date: **26 June 2006**

The Shareholders of **BCT Technology Berhad**

Dear Sir/Madam

On behalf of the Board of Directors of **BCT Technology Berhad** (BCT Tech), I report after due inquiry that during the period from 31 December 2005 (being the date to which the last audited financial statements of BCT Tech and its subsidiaries have been made up) to the date hereof, (being a date not earlier than fourteen (14) days before the date of issue of this Prospectus), that:

(a) the business of BCT Tech and its subsidiaries has, in the opinion of the Directors, been satisfactorily maintained;

(b) there have, in the opinion of the Directors, arisen, since the last audited financial statements of BCT Tech and its subsidiaries, no circumstances which have adversely affected the trading or the value of the assets of BCT Tech or any of its subsidiaries within the group;

(c) the current assets of BCT Tech and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities by reason of any guarantees or indemnities given by BCT Tech or any of its subsidiaries;

(e) there have been, since the last audited financial statements of BCT Tech and its subsidiaries, no known default or event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which they are aware of; and

(f) there have been, since the last audited financial statements of BCT Tech and its subsidiaries, no material changes in the published reserves or any unusual factors affecting the profits of BCT Tech and its subsidiaries.

Yours faithfully
For and on behalf of the Board of Directors
BCT TECHNOLOGY BERHAD

LEE WAI KUEN
CHIEF EXECUTIVE OFFICER / EXECUTIVE DIRECTOR

14. SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT

(Prepared for inclusion in this Prospectus)

Infocredit
Creating value...building trust

Infocredit D&B (Malaysia) Sdn Bhd (527570-M)
Level 9-3A, Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara, 50490 Kuala Lumpur, Malaysia.
Tel: (603) 2718 1000 Fax: (603) 2718 1001
Website: www.icdnb.com.my

29 May 2006

The Board of Directors
BCT TECHNOLOGY BERHAD
1st Floor Rajawali Block
Cyberview Garden Villa & Office Complex
Persiaran Multimedia
63000 Cyberjaya
Selangor Darul Ehsan

RE: EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT FOR BCT TECHNOLOGY BERHAD

This Executive Summary has been prepared for inclusion in the Prospectus to be dated **26 June 2006** pursuant to the proposed listing of BCT Technology Berhad ("BCT Tech") on MESDAQ of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of the semiconductor industry, with particular emphasis on fabless chip manufacturing, Application-Specific Integrated Circuit and Application-Specific Standard Products. The research methodology for the study includes primary research approach that involves conducting interviews as well as secondary research such as reviewing press articles, periodicals, Government literatures, in-house corporate databases, Internet research and online databases.

Infocredit D&B (Malaysia) Sdn Bhd ("Infocredit D&B or the Researcher") has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, the Researcher acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issue of the Prospectus and before the issue of securities, then the Researcher has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or without our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

For and on behalf
INFOCREDIT D&B (MALAYSIA) SDN BHD

.....

Tan Sze Chong
Managing Director

14. SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT

Infocredit

EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

1. Overview of the Semiconductor Industry

1.1 Background of the Semiconductor Industry

The semiconductor is one of the basic building blocks used to develop a broad range of electronic applications, ranging from computing systems and communications products/systems to automotive systems and industrial automation and control systems. Not only are they used in a wide range of applications and serve a broad range of functions, semiconductors also come in a variety of forms, functions and prices.

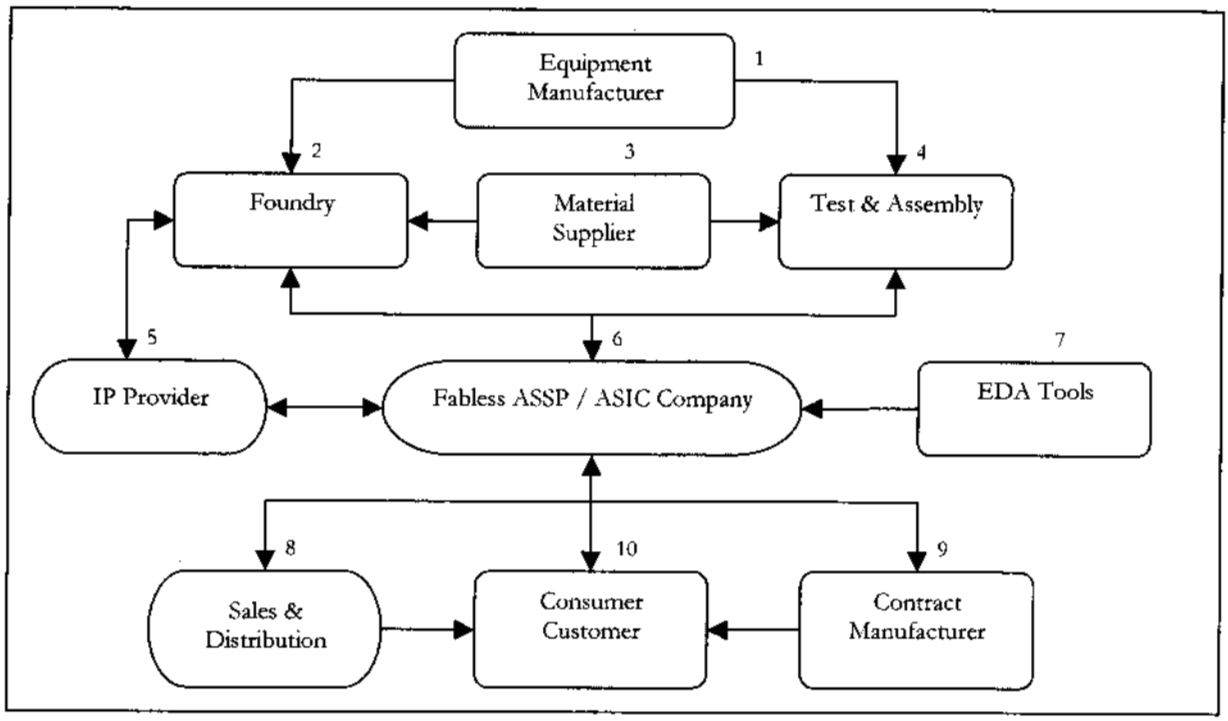
The semiconductor industry is a multi-billion dollar market with worldwide sales reaching USD228 billion in 2005, up 6.8% from USD213 billion in 2004. It is a global industry both in terms of scope and market with players as well as consumers located all around the world. On the back of higher sales driven by consumer electronics such as digital cameras, mobile phones, televisions, video game consoles and portable media players, worldwide sales of semiconductors is anticipated to hit USD245 billion in 2006.

The design stage of semiconductor development and production is primarily centred in North America, Europe and Japan while the manufacturing stage of semiconductor development and production is mainly centred in Asia (ex-Japan). Semiconductors are consumed globally with Asia Pacific being the largest consumer by region with 46.6% market share in 2005.

The semiconductor industry is a collection of business firms engaged in the design, fabrication, manufacturing, distribution and marketing of semiconductor devices. The synergy in the semiconductor industry is largely dependent on an integrated, mutual relationship among various stakeholders. The figure below depicts the value chain of the semiconductor industry.

14. SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT

Infocredit



No	Industry participants	Functions
1.	Equipment Manufacturer	Manufacture of assembly, test, laser marking & lead frame machine for electronics industry.
2.	Foundry	Manufacture of wafer.
3.	Material Supplier	Supply of material.
4.	Test & Assembly	Testing and packaging of the electronic components.
5.	IP Provider	IP Core provider for licensing.
6.	Fabless ASSP / ASIC Company	ASSP / ASIC Chips producer.
7.	EDA tools	EDA tools developer.
8.	Sales & distribution	Sales & distribution of ASSP & ASIC Chip products.
9.	Contract manufacturer	Outsourced service provider to manufacture electronic products for their customer.
10.	Consumer customer	Final purchaser.

1.1.1 Integrated Device Manufacturer ("IDM")

Until the late 1980s, manufacturers of semiconductors were vertically integrated, combining both design and manufacturing functions. This type of business model was referred to as an IDM model.

In the last decade, the semiconductor industry has been transformed from a few highly-vertical, fully-integrated companies to a very large number of specialised, modular companies including fablite and fabless companies.

1.1.2 Fablite Model

The fablite model is an evolutionary step between the IDM model and becoming a fabless semiconductor company. At this stage, the company owns and maintains its own foundry plant and wafer-making capability but have a policy of outsourcing part of its manufacturing requirement to merchant pure-play foundries. The model offers certain manufacturing advantages such as shared risk and ensuring better asset utilisation.

1.1.3 Fabless Model

Due to the smaller size of the targeted application markets and relatively high fixed cost of customised manufacturing today, there is an emergence of pure design houses. These design houses do not own or operate semiconductor wafer fabrication facilities; hence they are referred to as fabless companies. Three (3) of the largest fabless companies in the world are Qualcomm Inc, Nvidia Corp. and ATI Technologies Inc.

Fabless companies specialise in engineering-intensive tasks during the development and design stage of an IC, bringing expertise to the initial architecture definition, specification, creation, partitioning, and semiconductor process selection.

A fabless company usually provides all of the development tasks, including:

- circuit design and simulation;
- physical design and verification; and
- production test hardware and software development.

Fabless companies also provide all of the design-specific manufacturing tasks, such as production test, product engineering, program management, and quality assurance. Capital and labour intensive tasks, such as mask fabrication, wafer fabrication and packaging, are subcontracted to their strategic partners. By performing all of these engineering-intensive project tasks, a fabless company controls all technical, schedule and cost aspects of a project.

1.2 ICs

Semiconductor devices are classified into two (2) broad categories by the levels of integration namely:-

- discrete semiconductor devices; and
- semiconductor ICs, which are commonly known as ICs.

Discrete devices are semiconductor products that contain several electronic components including only one (1) active component such as a transistor or diode per device to form a complete circuit. On the other hand, ICs are semiconductor products that contain many, sometimes up to millions of active and passive electronic components per chip to form a more complex electronic circuit.

14. SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT

Infocredit

ICs have become a principal driver of social and economic progress worldwide. The market size of the IC business chain in 2005 represents nearly 1% of the entire world's GDP with an annual growth rate of approximately 15%. The most advanced ICs are the microprocessors, which control everything from computers, mobile phones to digital cameras. Another family of ICs are digital memory chips that allow the storage and retrieval of digital data which is important to the modern information society.

Until recently, the U.S. had been the single largest IC market of the world. In 2000, the U.S. IC market was more than five times the size of China's IC market. However, in 2005, China became the world's largest consumer of ICs as a result of the continuing shift in manufacturing operations and the rising demand for consumer electronic and telecommunication products. China's IC market consumed more than USD40 billion of the world's IC consumption of more than USD190 billion. The Americas and Japan are ranked second and third respectively, consuming an estimated USD37 billion and USD33 billion respectively.

1.2.1 ASIC

An ASIC is an IC designed for a specific use, rather than those intended for general-purpose applications. For instance, a chip designed exclusively to run a MP3 player is an ASIC. In contrast, an operational amplifier which can be connected to perform various functions is not an ASIC. The IP, design database, and deployment of an ASIC are usually controlled by a single party, who is usually the end user of the ASIC. Generally, ASICs offer better performance, have a smaller size and incur lower unit production cost if produced in high quantities.

ASICs are essentially custom chip designs that provide application-optimised solutions for individual clients. They provide higher levels of integration compared to a cluster of catalogue chips. ASICs can be classified according to types of signal communicated within the circuits:

- analog;
- digital; and
- mixed-signal (analog and digital signal processed on the same chip).

With the maturity of VLSI technology (mounting of over 100,000 transistors on a chip), engineers began to realise the advantages of designing ASIC rather than using a standard IC. Microelectronics system designing consequently became a matter of defining some of the functions using standard ICs and then implementing the remaining logic functions with ASICs. Building a microelectronic system with fewer ICs resulted in lower cost and improved reliability.

1.2.2 ASSP

In the semiconductor industry, semiconductor devices can either be designed for a specific customer or produced as standard products. ASSPs are ICs that implements a specific function that appeals to a wide market.

As opposed to ASIC, which combines a collection of functions and is designed by or for one (1) customer, ASSP is available as an off-the-shelf product. Typically, an ASSP is produced by the manufacturer for sale to the general public, and is therefore readily available for use by customers for a wider range of applications. An ASSP may implement a substantial part of the application or just a simple function, depending on its characteristics. One (1) example of an ASSP is the logic gate or general-purpose microcontroller, both of which can be used in any electronic application.

2. Overview of Application Markets

2.1 Electronics & Electrical ("E&E") Industry

The electronics industry remains the leading contributor to export earnings, investments, industrial output and employment in the country. It has also moved up the value chain to more complex and high-end products, as reflected by a higher percentage of capital investment per employee ratio over the years. Other activities along the value chain of the electronics industry include R&D, marketing, distribution, logistics and procurement.

The output of electronic products was recorded at RM172.9 billion in 2004. In 2004, the structure of the electronics industry was 63.4% for electronic components, 17.1% for consumer electronics and 19.5% for industrial electronics. Electronic components still accounted for the largest portion of the electronics industry. The years spent in the learning curve has made Malaysia the world's leading location for semiconductor test, packaging and assembly.

The fast pace of technological developments and the increasingly extensive applications of electronics in the world today will provide tremendous opportunities for the electronics industry to develop further. It was once predicted that the electronics industry would grow larger than the automobile, steel and aerospace industries combined. The industry itself is moving very fast, generating a constant stream of new and more complex devices.

The market for the DC/DC converters is dictated by the electronics industry, particularly consumer electronics. As more end users utilise electronics in their applications, the demand for the DC/DC converters is likely to increase. This is due to the fact that DC/DC converters are typically used to supply power to electronic components and devices that are used in various applications such as ICs, processors and memory chips. Therefore, as more electronic equipment is deployed, there is likely to be an increased need for DC/DC converters. Trends in miniaturisation also require the DC/DC converters to have a smaller footprint, besides yielding higher power output and improved efficiency levels.

2.2 Telecommunications

Since the turn of the century, there has been a trend towards the manufacturing of communications and networking equipment in Malaysia. In 2004, the local telecommunications market was estimated at around RM19.2 billion. This encompasses Internet access, wireless data, wireless voice, fixed data and fixed voice.

The global mobile phone market registered a very strong growth of 36.5% in 2004 to reach a unit shipment of 643 million units. This was mainly due to the growing popularity of camera phones, broadband connectivity and expanding mobile contents, amongst others. In return, the mobile phone market is also spurring the sales of semiconductors, as a third-generation mobile phone has a semiconductor content of 25% more (than previous generations) to support digital cameras, colour displays and wideband data capacity.

2.3 Consumer Electronics

Changes in the market demand for consumer electronics towards both convenience and miniaturisation has led to an increase in the usage of plasma, thin film transistors and liquid crystal displays for applications such as mobile phones, televisions and personal computers. The latest emerging technology developments in the field of consumer electronics are focussed on digital home systems like home security and energy control, and telematics, or automotive electronics.

Consumer electronics have been the main driver behind surging sales of semiconductors globally. They include digital televisions (sales rose by 64.9% to reach 19.9 million units in 2004), digital cameras (sales increased by 37.7% to reach 59.8 million units in 2004) and digital versatile disc players (sales doubled to reach 45.8 million units in 2004). For example, digital televisions contain higher semiconductor content than the standard television.

3. Industry Dynamics

3.1 Barriers to Entry

3.1.1 High R&D Resources Requirement

Development of ASIC and ASSP requires a massive upfront investment in technology which will discourage potential entrants. R&D cost usually accounts for more than 20% of revenues.

ASIC designs typically require a substantial investment in non-recurring engineering ("NRE") costs. NRE cost refers to the one-time cost of engineering effort or product development in ASIC/ASSP design, a fixed expense associated with a customer-specific adaptation of a standard application / product. Due to the fact that ASIC/ASSP are 'application-specific', every new product involves specific designing requirement with the main bulk of cost being the engineering cost. The cost could range from USD60,000 to USD200,000 for one structured ASIC designs and higher for ASIC designs. Since this NRE is 'fixed', the product is economically feasible only if economies of scale could be achieved as high volume of production would dilute the 'fixed' NRE cost.

3.1.2 Shortage of Skilled Personnel

R&D in the semiconductor industry requires senior expertise to operate and lead the team, which is not easy to be built, and costly to maintain. Some companies commission hundreds of engineers for numerous years to develop the tools needed. Factors like intense competition and technological innovations continuously drive the demand for skilled personnel. In addition, due to rapid technology changes, skilled personnel have to be constantly trained to keep up with the latest developments.

There are only a handful of chip designers available in the Malaysian job market. Also, there are very few local universities that offer courses dedicated to aspiring chip designers. Most of them are mainly educated as digital designers, not analogue and/or mixed-signal designers. The problem with the shortage of skilled personnel is compounded by the fact that fresh university graduates are often given only basic training. They would thus need a few years of hands-on and on-the-job experience to be able to function as capable chip design engineers. As a result, the local fabless companies often have to engage skilled personnel from abroad, incurring higher overheads.

3.1.3 Patents and IPs

Patents and IPs form one (1) of the strongest barriers of entry to new entrants. The block of logic or data that is used in making an ASIC for a product is described as IP cores. The trend of implementing entire systems on an ASIC is creating a market for IP cores. There are designs created by leading third parties, offered access in catalogues, and sold to users for incorporation into large systems. By using these IP cores, a customer can essentially reduce their time-to-market and engineering effort.

A company that has the capability to build its own IP cores forms a barrier to entry to new entrants and raises the competitive bar against those who lack the capability. Completed designs with documented IPs not only can be re-used within the company but also marketed to third parties if needed. The advantages of having your own IP cores include lower development cost and shorter time-to-market.

3.1.4 Analog / Mixed Signal Design Capability

The design of analog and mixed signal products requires in-depth engineering know-how, specialised skill sets, experience and leading-edge technology. For example, designs that utilise analog circuits that process continuous signals such as sound wave, are not easily automated and require more experienced designers with specific training to handle, design and troubleshoot.

A company's analog and mixed signal design capabilities are therefore primarily defined by the competency and experience of its engineers. However, digital signal design engineers outnumber analog and mixed signal design engineers globally, creating a shortage of skilled personnel for analog and mixed signal design. In addition, most of these engineers are located in the U.S., Japan, Korea and Taiwan. The limited number of such engineers vis-à-vis digital signal design engineers, including in the local market, further increases the barrier to entry for new entrants.

Therefore, companies that possess strong engineering and technology teams create a strong technology barrier to other competitors and new entrants.

3.1.5 Brand Name Recognition and Proven Track Record

When competing in the international market, brand name recognition is essential to win business. Large incumbent firms may have existing customers loyal to established products. Established reputation and effective branding strategies often place the incumbent players at the forefront compared to newcomers. In the dynamic semiconductor industry, having a strong brand name and proven track record creates a strong barrier to entry against new entrants.

3.1.6 Capital Expenses

Sunk costs increase the risk and deter entry because they cannot be recovered if a company decides to leave the industry. The cost of building a state-of-art wafer manufacturing facility is estimated to be as much as USD3 billion, hence only the largest semiconductor companies in the world and government-funded companies are able to afford it. Setting up a fabless house is less capital intensive, but still not cheap, estimated to be at least USD10 million. The investments would include expenditure in software and designing tools, acquiring third-party IP, NRE cost for product development, market analysis, overheads, marketing and the cost of hiring a group of senior design engineers.

3.2 Substitute Products

There is no direct substitute for the analog / mixed signal ASIC due to its versatility and the increasing complexity of its designs as the industry continues to grow. Unlike the market for digital ASICs which is characterised by a very large number of suppliers and by the readiness of customers to switch suppliers if they are offered a better combination price/performance ratio, analog / mixed signal ASIC solution providers and their customers strive to build mutually beneficial partnerships.

3.3 Major Market Growth Drivers

3.3.1 Expanding Semiconductor Market

The constant growth of the global economy has ensured the expansion of the semiconductor market. Sales of worldwide electronic products sales are projected to increase 6% in 2006, only one point below the 30-year average growth rate.

China is a critical component of the global semiconductor industry, and is expected to increase its worldwide semiconductor market share to 26% in 2008 driven by the growth of wafer manufacturing plants and fabless companies. The country has become the manufacturing base for the worldwide consumer electronics industry.

The fabless semiconductor industry had been the segment with the highest growth rate for the past few years in the semiconductor industry. For the five (5)-year period from 1999 to 2003, this particular segment of the industry

achieved an impressive 18.1% compound annual growth rate ("CAGR") in revenue. For 2004, the fabless revenue was reported to be USD33 billion which translated to 27% year-over-year growth. Worldwide market of structured ASIC products is forecast to increase from USD209.8 million in 2004 to USD2.5 billion by 2009.

3.3.2 Strong Growth in the Asian Market

The Asian market, has tremendous opportunities especially with the increasing outsourcing activities in this region. Asia Pacific has been an increasingly important market for the semiconductor industry with an increasing worldwide market share. The Asia Pacific region's (ex-Japan) market share to total worldwide semiconductor sales has grown from a mere 6% in 1980, to 14% in 1990 and to 41.7% in 2004. The Asia-Pacific region's market share has further increased to 46.6% in 2005.

3.3.3 Increasing Capital Investments

Compared to the general semiconductor industry's market which is highly cyclical in nature, the fabless segment has been enjoying high growth for the past few years. This trend is expected to continue and gain further momentum. As a result, fabless companies are attracting investors to provide capital investments with the expectation of good returns. The availability of funds will be a catalyst to R&D activities and is beneficial to the market growth.

3.3.4 Technological Advances

The other important growth factor of the semiconductor industry is the technological advances. The semiconductor industry allocated significant amount of funds for R&D. The advances in basic knowledge then fuel the industrial progress. It is remarkable that, despite significant technological challenges, the industry is able to maintain the pace predicted by Moore's Law - the doubling of transistors every two (2) years. At the same time, transistor speed continued to improve at the record improvement rate of 17% per year. The rapid technological advances enable the industry to widen the application markets, lower the price of the end products and introduce new products. The advent of innovative products has created new markets.

3.3.5 Innovative Design Methodology

There are two (2) other technologies which should be given immediate attention, the Field Programmable Gate Array ("FPGA") and structured ASIC. A new design methodology has been proposed following the latest advent of FPGA and structured ASIC. The novel method of using FPGA for ASSP prototyping before migrating to structured ASIC for production can both help to reduce the total development cost and mitigate design risks that will derail the success of a product. This design methodology cuts down the expenses of traditional ASIC development without compromising the product's performance and time-to-market requirements.

3.3.6 Expanding Consumer Markets

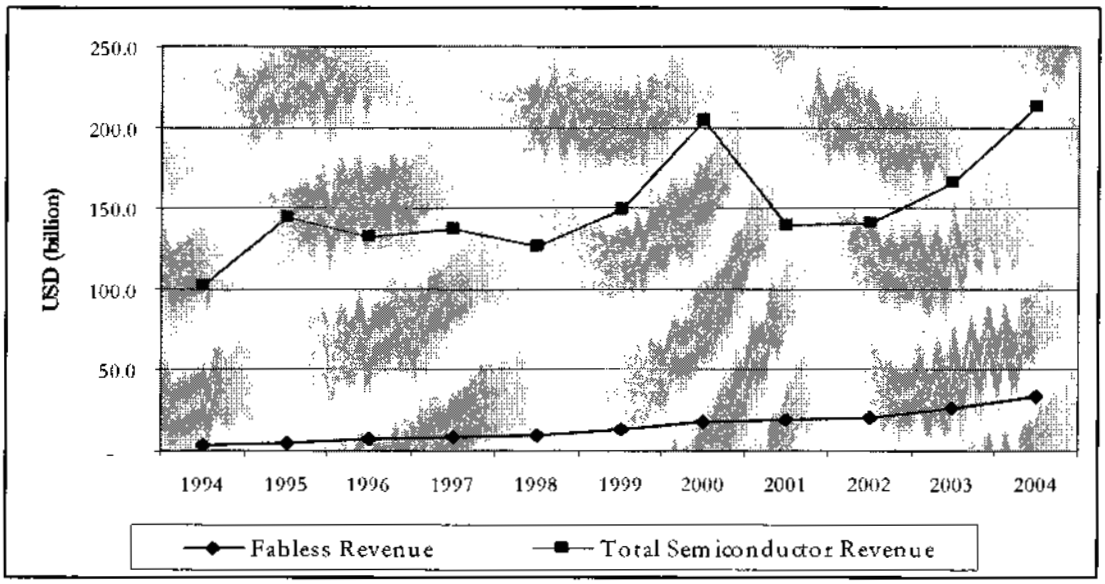
The expanding consumer markets especially in the Asia Pacific region represent another opportunity. China is the world's fastest growing market for electronic products. In 2005, China's semiconductor market was worth USD43.6 billion, accounting for about 20.1% of the global semiconductor market. In 2010, this market will still observe the fastest growth in the world. However, the sales revenue of China's domestic IC design companies barely exceeded USD1 billion in 2005, accounting for just 2.8% of Chinese demand. The gap between local demand and supply has created opportunities for overseas IC designers to fill in.

3.4 Market Challenges and Risk Factors

3.4.1 Cyclical Nature of the Semiconductor Industry

The semiconductor industry is generally characterised by recurring four (4)-year cycles. Typically, these cycles have in the past, recorded two (2) strong years of growth, one (1) year of slow growth, and one (1) year of flat or declining growth. The cyclical nature of the semiconductor industry poses a challenge for chip design service providers. Specifically, demand is largely dependent on the performance of the global computer, communication and consumer electronic markets.

However, the fabless chip manufacturing business is less cyclical in comparison to the whole semiconductor industry in general. This can be observed with the worldwide public fabless companies' sales revenue. As depicted in the chart below, worldwide sales revenue for public fables companies have shown a rising trend over the past ten (10) years despite the revenue decline recorded in certain years for the semiconductor industry.



3.4.2 Dependency on Suppliers

Fabless companies are dependent on foundries and testing and packaging service providers which typically serve a large number of IDMs, fablites and fabless companies. As a result, when manufacturing capacity gets tight during the peaks of the semiconductor cycle, some small fabless companies may face problems getting their orders fulfilled in a timely manner.

3.4.3 Achieving Economies of Scale

Although it would appear that fabless companies need only to concentrate on designing chips, marketing, R&D and not manufacturing. It should be noted that in order to establish long-term reliable relationship with the wafer manufacturers, the fabless players have to be able to order beyond a certain critical amount of wafers. For ASIC and ASSP producers, since the products are "application-specific" and aren't able to enjoy wider applications as compared to the "general all-purpose" counterparts, it is essential to target wide enough markets to achieve economies of scale for their products. Another consideration is that ASIC designs involve a high initial design cost, including NRE cost, which makes it profitable only if the product is able to reach high volumes and achieve economies of scale.

3.4.4 Rapid Changes in Technologies

To stay competitive in the dynamic semiconductor industry, it is necessary to stay up-to-date with the technological advances and be sensitive to the market trends.

There are certain technological challenges which are specific to analog and mixed-signal designs. For example, the Complementary Metal Oxide Semiconductor ("CMOS") technology is optimal for digital performance, while bipolar transistors are good for analog performance. It was until recently a real challenge to come out with a cost-effective design which combines both digital and analog to produce a mixed-signal product without compromising the performance. However, the advent of newer technologies like high performance CMOS, CMOS Silicon On Insulator ("SOI") and Silicon Germanium ("SiGe") have removed many of the compromises that previously had to be made. Nevertheless, the functional operation testing of mixed-signal ICs remains complex and expensive. And compared to digital design methods, systematic design methodologies for analog and mixed-signal products are not as advanced and well-developed. Generally, analog circuit design cannot be automated to the extent of what digital circuit design can achieve. And this problem is compounded in mixed-signal designs as two (2) technologies are being combined.

Infocredit

3.5 Market Size and Major Players

One of the greatest evolutions of the semiconductor industry in the past decade was the development of pure-play foundries and fabless semiconductor companies. The success of one relies on the other in that the foundries offer the capacity of fabrication and fabless companies provide the demand by designing the products. The fabless business model had proven to be successful and charted the highest growth rate among the segments that make up the semiconductor industry. In addition to competing with competitors in the fabless industry, the players are also competing with the IDMs to a certain extent, not to mention the fablite counterparts.

Malaysia is a major destination for outsourcing after China and India, besides being one (1) of the world's largest exporters of semiconductor devices, electrical goods and appliances. In 2004, exports of E&E products accounted for 50.2% of Malaysia's total exports with a value of RM241.5 billion, with semiconductor devices valued at RM89.3 billion accounting for more than 30.0% of total E&E exports.

In 2005, there were a total of 15 local fabless IC design houses, mostly located and operating in the Multimedia Super Corridor ("MSC"). This number excludes the multinational corporations ("MNCs") located in Malaysia such as Intel that possess fabless houses that design ICs primarily to meet their own internal requirements.

Estimated Market Share Ranking of Major Local Fabless IC Design Houses, by Revenue

Name of Company	Revenue ^ (RM)	Estimated Market Share	PAT ^ (RM)	Year
Integrated Circuit Design Services Sdn Bhd	45,098,427	59.5%	1,157,033	2004
BCT Technology Berhad	20,324,115	26.8%	5,996,705	2005
IC MICROSYSTEMS Sdn Bhd	8,652,507	11.4%	5,865,002	2004
MIMOS Semiconductor Sdn Bhd	882,875	1.2%	168,236	2004
Symmid Corporation Sdn Bhd	666,810	0.9%	(5,701,309)	2004
Sires Labs Sdn Bhd	150,000	0.2%	(2,100,000)	2005
AIC Microelectronics Sdn Bhd	52,650	0.0%	(458,718)	2004
Malaysia Microelectronics Solutions Sdn Bhd	10,763	0.0%	(4,649,935)	2003
Total	**75,838,147**			

Estimated Ranking of Major Local Fabless IC Design Houses, by PAT Margin

Name of Company	PAT ^ (RM)	PAT Margin
IC MICROSYSTEMS Sdn Bhd	5,865,002	67.8%
BCT Technology Berhad	5,996,705	29.6%
MIMOS Semiconductor Sdn Bhd	168,236	19.1%
Integrated Circuit Design Services Sdn Bhd	1,157,033	2.6%
Symmid Corporation Sdn Bhd	(5,701,309)	n.a.
AIC Microelectronics Sdn Bhd	(458,718)	n.a.
Sires Labs Sdn Bhd	(2,100,000)	n.a.
Malaysia Microelectronics Solutions Sdn Bhd	(4,649,935)	n.a.

14. SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT

Infocredit

Estimated Ranking of Major Local Fabless IC Design Houses, by Revenue and PAT by Employee

Name of Company	Staff Force ^	PAT Per Employee (RM)	Revenue Per Employee (RM)
IC MICROSYSTEMS Sdn Bhd	16	366,563	540,782
BCT Technology Berhad	26	230,642	781,697
Integrated Circuit Design Services Sdn Bhd	30	38,568	1,503,281
MIMOS Semiconductor Sdn Bhd	200	841	4,414
Symmid Corporation Sdn Bhd	28	n.a.	23,815
Sires Labs Sdn Bhd	33	n.a.	4,545
Malaysia Microelectronics Solutions Sdn Bhd	21	n.a.	513
AIC Microelectronics Sdn Bhd	n.a.	n.a.	n.a.

The fabless companies in Malaysia are relatively new and small (some with less than 10 employees). Although most of them employ both analog and digital technology (thus theoretically enabling them to produce all analog, mixed signals and digital products), their product range are more focused, with each of them trying to establish themselves in their respective niche application markets.

4. Conclusion

For the past few decades, the semiconductor industry has experienced technological progress resulting in chips that become smaller, cheaper and faster at an exponential rate. Today, semiconductor influences just about every aspect of our lives, with the number of products with electronic components embedded in them increasing steadily over the years. It is used in a wide area of application from computing systems, electronic consumer goods, communication products to industrial electronics.

The development is reflected in the total semiconductor revenue which has grown strongly from USD3.4 billion in 1976 to USD228 billion in 2005. With expanding end-user segments, the semiconductor industry progress has a bearing on the supporting industries, employment generation as well as human resource development, which in turn have a ripple effect throughout the economy.

The semiconductor industry has transformed from vertically integrated firms which engaged in all stages of the semiconductor production process, to an ecosystem of firms specialising in different stages of the process, while depending upon other parties to provide complementary goods and/or services. Outsourcing and the fabless business model have been in active existence since the 1980s and its popularity has amplified many fold in the 21st century.

Fabless companies have grown at rates higher than the overall semiconductor industry, registering a 21.5% 5-year average growth rate vis-à-vis 10.5% from 2000 to 2004. Today, the fabless industry is worth more than USD30 billion in market revenue. The semiconductor industry as a whole has benefited from this development as the industry has become truly global. Outsourcing of the value chain activities has led to an increase in the regional dispersion of the industry.

14. SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT

Infocredit

The semiconductor industry and the fabless industry are expected to grow by 7.5% and 10.0% in 2006 respectively. Compared to the general semiconductor industry's market, the fabless segment has been enjoying high growth for the past few years. This trend is expected to continue and gain further momentum. As a result, fabless companies are attracting investors to provide capital investments. The availability of fund will be a catalyst to R&D activities and beneficial to the market growth.

15. REPORT ON THE FAIRNESS OF THE TOTAL PURCHASE CONSIDERATION FOR THE ACQUISITION OF BLUECHIPS TECHNOLOGY PTE LTD

(Prepared for inclusion in this Prospectus)

Horwath
Horwath

Horwath *AF No 1018*
Kuala Lumpur Office
Chartered Accountants

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

603.2166.0000 Main
603.2166.1000 Fax

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

2 May 2006

The Board of Directors
BCT Technology Berhad
Cyberview Garden Villa & Office Complex
1st Floor Rajawali Block
Persiaran Multimedia
63000 Cyberjaya
Selangor Darul Ehsan
Malaysia

Dear Sirs

OPINION ON THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE ACQUISITION OF BLUECHIPS TECHNOLOGY PTE LTD BY BCT TECHNOLOGY BERHAD ("BCT TECH") FOR A TOTAL CONSIDERATION OF RM350,000 SATISFIED BY THE ISSUANCE OF 3,500,000 NEW ORDINARY SHARES OF RM0.10 EACH IN BCT TECH AT PAR

1. Introduction

We have been appointed by the Board of Directors of BCT Tech to render an independent opinion on the fairness ("Fairness Opinion") of the purchase consideration for its acquisition of 1,343,483 ordinary shares of SGD1.00 each, representing 100% equity interest in Bluechips Technology Pte Ltd ("BCT" or "the Company"), amounting to RM350,000 satisfied by the issuance of 3,500,000 new ordinary shares of RM0.10 each in BCT Tech at par ("BCT Acquisition"). The BCT Acquisition was completed on 20 January 2005 ("Completion Date").

This letter is not intended as, and does not constitute a recommendation by us to any potential investor of BCT Tech and does not constitute or form part of any issue of, offer for subscription or purchase of or invitation to subscribe for or purchase any securities. This letter is also not intended to be relied on to address all business concerns and risks pertaining to BCT Tech and is addressed to the Board of Directors of BCT Tech.

In arriving at our opinion, we have held discussions with the management of BCT Tech and BCT and have relied on and assumed that all information provided to us up to the date of this letter is true, accurate, not misleading and complete in all respects as at the date thereof and, that all information which is or may be relevant to our Fairness Opinion has been provided to us. We assume no responsibility to update, revise or affirm our evaluation or assumptions in light of any subsequent events or circumstances that may affect our Fairness Opinion or any factors or assumptions contained herein.

Save for the special audit performed on the financial statements of BCT for the 10-month financial period ended 31 October 2004 under a separate and independent engagement, we have not carried out work that constitutes an audit in accordance with generally accepted auditing standards in respect of any other financial information of BCT.

Horwath Offices in Malaysia:
Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

Horwath

Any opinions in relation to the outlook of the business are obtained from the business development plan of BCT Tech dated 20 April 2005 which contains information from industry studies of industries in which BCT operates and, based on the information furnished to us and the state of the business environment as at the date of this letter.

2. Background information on BCT

BCT was incorporated in the Republic of Singapore on 23 July 1994 under the Companies Act, Cap, 50 as a private limited company. BCT is principally engaged in the businesses of design and supply of integrated circuits ("ICs"), the distribution of software solutions, provision of design related services and the licensing of intellectual property in integrated circuits related fields. Since its founding, BCT has established itself as a leading developer and supplier of innovative ICs, specialising in the design of high performance analog and mixed-signal ICs that are able to extend battery operating time, increase efficiency in power supplies and in providing electronic solutions that add more advance features to their customers' existing solution.

The following are details of the subsidiaries of BCT as at 31 December 2005:-

Name of subsidiaries	Principal Activities	Country of incorporation	Effective equity interests (%)	Authorised/ Issued and Paid-up Share Capital
Blue-Chips Semiconductors (M) Sdn Bhd	Distribution of software solutions and provision of related services.	Malaysia	100	RM300,000/ RM200,000
Bluechips Technology (HK) Limited	Provision of product design, manufacturing of semiconductors integrated circuits and related services.	Hong Kong	100	HKD10,000/ HKD10,000

15. REPORT ON THE FAIRNESS OF THE TOTAL PURCHASE CONSIDERATION FOR THE ACQUISITION OF BLUECHIPS TECHNOLOGY PTE LTD

Horwath

3. Basis/method of valuation

The purchase consideration for the BCT Acquisition was arrived at after taking into consideration the net tangible assets of the Company as at 30 September 2004. The purchase consideration of RM350,000 amounts to approximately 80% of the audited net tangible assets of the Company and its subsidiaries ("BCT Group") as at 31 December 2004.

In view that the purchase consideration for the BCT Acquisition was priced at a discount of approximately 20% on the audited net tangible assets of the BCT Group as at 31 December 2004, and considering the earnings potential of the BCT Group, the purchase consideration is deemed to be fair.

4. Assumptions

We have assumed that the audited consolidated profit of BCT Group for the financial year ended 31 December 2004 is maintainable for the following reasons:-

(a) The results for the financial years/period prior to the financial year ended 31 December 2004 are not substantially reflective of the current business model of BCT.

(b) As represented by the management of BCT, there has been no material change in the present demand and market condition for the Company's ICs and other electronic solutions.

(c) The management of BCT is confident that the profit for the financial year ended 31 December 2004 would be sustainable given that BCT has already established a sizeable customer base and market presence, and taking into consideration the potential demand for high performance analog and mixed-signal ICs.

5. Sources of information used to derive the Fairness Opinion

In arriving at our Fairness Opinion, we had access to the audited financial statements of BCT for the financial year ended 31 December 2004 and the business development plan of BCT dated 20 April 2005. We also held discussions with various representatives of the management of BCT and BCT Tech. We consider that we have reviewed sufficient information to provide us with a reasonable basis for our evaluation and to enable us to estimate the fair value of BCT.

Save for the special audit which was performed on the financial statements of BCT for the 10-month financial period ended 31 October 2004, on an independent and separate engagement basis, no independent verification has been carried out to determine the validity and accuracy of information provided to us.

Horwath

6. Conclusion

Based upon and subject to the abovementioned and other information received, we are of the opinion that, as at the Completion Date, the consideration for the BCT Acquisition of RM350,000 is fair to the shareholders of BCT Tech from a financial point of view.

Our Fairness Opinion should be considered in the context of the entirety of this letter. This letter has been prepared specifically by Horwath ("the Firm") for the purpose of reporting to the Directors of BCT Tech and for inclusion in the prospectus of BCT Tech pursuant to its listing on the MESDAQ Market of Bursa Malaysia Securities Berhad. This letter should not be reproduced, quoted or referred to in any public document or announcement without prior written consent from the Firm. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any other person in respect of this Fairness Opinion, including any errors or omissions therein, however caused. The Firm reserves the right to review all calculations included or referred to in respect of this Fairness Opinion.

Yours faithfully
Horwath
Kuala Lumpur Office

Onn Kien Hoe
Partner