
4. RISK FACTORS

You should carefully consider that the following risk factors (which may not be exhaustive) in addition to the other information contained elsewhere in this Prospectus, before you apply for our Public Issue Shares.

4.1 Risk relating to our Group

4.1.1 Dependence on Directors and Key Personnel

We recognise that our Directors and employees are our most important assets. The loss of any of our Directors or key management and key technical personnel could adversely affect our ability to compete in the Chip design industry. Hence, we believe that in order to grow our business successfully and maintain a high level of quality, we will need to recruit, groom, retain and motivate existing and additional key management and key technical personnel to gradually take over from the senior members to ensure a smooth transition in the management team.

We have provided incentives for our employees to meet their career expectations in order to procure a long-term commitment from our employees. Pursuant to our Listing, our Directors and employees will be able to participate directly in our equity and continuing growth through the Pink Form Share Allocation Scheme under our Public Issue. We have also established the ESOS I and ESOS II as an added incentive.

However, we cannot assure that any methods taken/or to be taken by our Group will be effective in mitigating this risk.

4.1.2 Competition and New Market Entrants

Our principal business activities include the design and supply of Chips, the provision of design related services and the licensing of IPs in Chips related fields.

Our Directors believe that we do not face intense competition in Malaysia due to the small number of local players.

Being in the Fabless Chip design industry, we are in a highly technical and specialised industry with high barriers to entry. As such, we intend to remain competitive by continuously investing in R&D to develop new Chip products with higher ASSP value for our targeted industries, which include consumer electronic industry, lighting industry, PC and server industry, and any other industry that may require our technical Chip expertise from time to time.

We also strive to remain competitive by reducing our overheads and continue to outsource our manufacturing of Chips to Foundries. We have also formed collaborations with other parties to design and develop new Chip devices to facilitate our market penetration and gain higher market share with its competitive pricing strategy and cost structure.

4. RISK FACTORS

4.1.3 Trademarks and Technology Know-How

We use our brand names “BCT” and “BlueChips” to market our products. We intend to submit an application for trademark to protect our brand names in order to restrict their use by other companies or entities.

Our Directors believe that any exposure to potential infringement of trademarks and technology know-how may severely affect our business. Our Directors also believe that our success depends on our IP, trade secrets and proprietary know-how. As such, we need to protect our concepts, ideas, design and documentation relating to our proprietary technology from being used by others. However, we cannot assure that other parties will not independently obtain access to our trade secrets and know-how or independently develop products or technologies similar to us.

To mitigate the above risk, we enter into non-disclosure agreements with our Foundries, which have access to confidential information, to protect our proprietary know-how. Further, our employees are subject to confidentiality terms as set out in their respective letters of employment.

We also maintain a comprehensive log sheet to document Chip design products and their updates. If any dispute or claim arises over our Chip design, we believe that it would be able to prove in court our proprietary rights over our Chip design.

Despite the above measures taken by us, we cannot assure that such measures will adequately protect our IP, trade secrets and proprietary know-how.

4.1.4 Risk of Losing Major Contracts/Purchase Orders

One of our core business activities is in the design and delivery of ASIC products to customers. As ASIC products are customised Chip products designed specifically for a particular application based on customers' specification, such customers may be secured with contracts and/or purchase orders. Most contracts with customers are concluded through purchase orders which are generally the norm for our Chip business. As of todate, we have successfully secured such contracts and purchase orders with some of our major customers. Nonetheless, we face the risk of losing such contracts or purchase orders if we are in breach of the terms of the contract or purchase orders.

To mitigate such risks, we endeavour to perform on the agreed terms and conditions stated in the respective contracts and purchase orders. We will also intensify our efforts to widen our business network to secure orders from various other customers and reduce our dependency on the above contracts and purchase orders. This move is intended to help mitigate any negative consequences if the above contracts and purchase orders are terminated and become void.

4. RISK FACTORS

4.1.5 MSC status

We had been awarded with MSC status by MDC on 1 December 2004. The MSC status entitles us to the incentives, rights and privileges provided for under the bills of guarantees subject to our continued adherence to the conditions imposed, details of which are set out in Section 5.5.3 of this Prospectus. Even though the bills of guarantees provide, among of others, unrestricted employment of local and foreign knowledge workers, freedom to source capital globally for MSC infrastructure and 100% tax exemption for up to ten (10) years or an investment tax allowance for up to five (5) years and no duties on the importation of multimedia equipment, there can be no assurance that we will be able to continuously comply with the conditions and/or we will continue to retain our MSC status.

We recognise the importance of our MSC status and hence, our Directors and key management will endeavour to maintain strict compliance with the current conditions and any new conditions, which may be imposed by MDC from time to time.

MDC has the right to withdraw any company's MSC status at any time. As such, we cannot assure that the MSC status granted to us will not be revoked or that we will continue to enjoy the incentives given which could materially and adversely affect our business, operating results and financial condition.

4.1.6 Delays in R&D

We take cognisance of our continuous R&D programmes with the purpose of developing products that meet the requirements and expectations of the market. Developing our new products may not meet targeted launch dates due to a variety of reasons such as changes to design specifications, human resource constraints, new technology announcements and evolving customer needs.

The above risk is however mitigated by the Group's current range of products, which are stable and gaining recognition by our customers, to provide the sustainable cash flow to meet the additional costs and expenses arising from any delay in product introduction due to R&D related problems.

4.1.7 Outsourced Facilities

We outsourced facilities include Foundries, and packaging and testing houses, all of which are crucial to our operations. Therefore, we need to plan in advance and schedule our production requirements in a timely manner to meet customers' orders.

However, we cannot assure that we will be able to ensure that these facilities are available at all times to match our order requirements. Failure to do so may result in a prolonged lag time between the customers' orders and the delivery time.

We will ensure continuous efforts are taken to strengthen and enhance our relationships with the current Foundries and packaging companies in Malaysia, Singapore and China. We will also build new relationships with reputed Foundries within the local industry as well as in foreign countries and packaging companies in Singapore, Hong Kong, China and Taiwan. This would provide us a wider range of outsourced facilities and hence, ensure that our operations run smoothly.

4. RISK FACTORS

4.1.8 Continuing Demand for the Group's Products and Services

Our future financial results will depend to a significant extent on the demand for our products and services. We strive to maintain a continuing demand for our products and services by maintaining high performance, competitive pricing and good customer service. Despite the above efforts, our customers may still defer or terminate their purchases of our products or engagement of our services or otherwise alter their usage patterns due to an economic slowdown or any other reason beyond our control.

As such, we cannot assure that our existing customers will continue to purchase our existing products or to consider purchasing our new products or engaging our services.

4.1.9 Adequacy of Insurance Coverage

We believe that we have adequate insurance coverage on our assets. Although we review our insurance policies on a regular basis to ensure that there is adequate coverage on our assets, we cannot assure that such coverage would be adequate for the replacement cost of our asset or any consequential loss arising from it.

4.1.10 Investment Activities

If appropriate opportunities present themselves, we intend to acquire businesses, products or technologies or enter into synergistic joint ventures that we believe will be in the interest of our Group. However, there can be no assurance that we will be able to successfully identify, negotiate or finance such investments and/or joint ventures, or to integrate such investments and joint ventures with our current business. Investments and/or joint ventures may cause us to seek additional capital, which may or may not be available on satisfactory terms.

Further, we cannot assure that we will be able to successfully mitigate all risks inherent in these investments and/or joint ventures and that such investments and/or joint ventures will benefit us.

4.1.11 Product Performance and Product Liability Risk

As part of our product liability risk management, our product sale agreements with our customers have provisions designed to limit our exposure to potential product liability claims. To date, there has been no major disruption to our business or operations and no customer claims have been made. However, no assurance can be given that a product liability suit or action will not be taken against us, whether or not meritorious, which could result in substantial costs and diversion of our management's attention and resources, and have material adverse impact on our performance.

A suit alleging a defect or breach of an express or implied warranty, if successful, may have adverse effect on our reputation and result in loss of business. As of to date, we have been able to deliver our obligations in accordance to the terms of the contracts with our customers and ensure that our products meet our customers' requirement.

However, we cannot assure that our products will satisfactorily perform the functions for which they are designed for and our products will meet applicable price and performance objectives. We also cannot assure that unanticipated technical or other problems will not occur which would result in increased costs or material delays in the development thereof.

4. RISK FACTORS

4.1.12 Domestic and/or Foreign Borrowings

As at the Latest Practicable Date, our foreign bank borrowings amounted to approximately RM1,323,377 (RM equivalent values, at the exchange rate of SGD1:RM2.2778). These borrowings, which are dependent on interest rates and future fluctuations of interest rates, could have a material impact on our ability to service its interest and principal repayments.

As at the Latest Practicable Date, we do not have any local bank borrowings.

However, our Directors believe that we are able to service such interest and principal repayments of our existing facilities in a timely manner.

4.1.13 Uncertainty of 5-Year Business Development Plan (BDP)

The success of our 5-year BDP will depend upon:

- (i) the acceptability of our new products by our target markets;
- (ii) our R&D activities;
- (iii) our ability to hire and retain skilled management/technical as well as financial, marketing and other personnel;
- (iv) our marketing and business development strategies and competitive strengths;
- (v) our ability to obtain financing as and when needed;
- (vi) our ability to explore new markets; and
- (vii) our agility of responding to changes in market conditions.

We cannot assure that we will be able to successfully implement our business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in our implementation or even deviation from our original plans which would have a financial impact on us.

4.2 Industry Specific Risks

4.2.1 Dependence on Major Customers

For the financial period ended 31 December 2005, City Chance Limited has contributed approximately 67% to our Group's revenue. City Chance Limited is one of our main distributors and the company is a supplier of electronic components, integrated circuits and product solutions provider for multinational companies in Hong Kong and China.

Our Directors acknowledge that there is a need to mitigate the risk of dependence on this main distributor. In this regard, we are continuously investing in R&D to design and produce new products as well as enhance our existing range of products in order to retain our existing customers and also enlarge our customer base. Enhanced products will enable us to meet our targeted customers' requirements. Consequently, the risk of over-dependence on the above customer, whom is one of our main distributors, is expected to be mitigated.

However, we cannot assure that we will not be adversely affected if our products are not well received by our current or potential customers or that any of our customers choose not to extend their business relationship with us.

4. RISK FACTORS

4.2.2 Dependence on Major Suppliers

Our suppliers for Foundry, testing and packaging services and EDA tools are from a few major suppliers. Therefore, we are, to a certain extent, dependent on these suppliers as our new suppliers may require a certain qualification time before we are satisfied with the quality of such suppliers. Nonetheless, we have put in efforts to mitigate the above risk by procuring other suppliers and source for new Foundries, testing and packaging companies, and EDA principals.

Although our management believes that we will not face difficulty in sourcing for suppliers of similar services, we cannot assure that there will not be any interruption to our supply of services which may have a significant impact on our performance.

4.2.3 Technological Obsolescence

There are three (3) areas involved in the development and design of our Chip products, namely, Chip design, wafer fabrication, packaging (or assembly) and testing, which are subject to technological obsolescence.

Our key management and key technical personnel understand that we need to keep abreast with the latest related technologies in order to continue to compete successfully with our competitors. Currently, we use and develop the design technologies and outsource the fabrication, packaging and testing operations. For the design technology, we will continue to maintain, upgrade and keep abreast with the latest design techniques. However, in relation to the process technology in the outsourced operations, we have to continue assess the technology capabilities, facilities and competencies of our suppliers of services.

We are subjected to risks of technological obsolescence, uncertainties and problems frequently encountered by companies in this industry. These risks include our ability to reinvest in R&D which in turn is dependent on our revenue and our suppliers' ability of services to keep abreast with changing technological standards and requirements, and our ability to qualify additional or alternative suppliers of services. However, we cannot assure that those technologies we employed will not become obsolete or subject to competition from new technologies in the future.

4.2.4 Cyclical Nature of Semiconductor Industry

The semiconductor industry is cyclical in nature, generally characterised by recurring four (4)-year cycles. Typically, these cycles had 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 demand for our Chips and consequently Chips design services is largely dependent on the performance of the global computer, communication and consumer markets.

Nonetheless, we intend to diversify our Chip design products to various applications from consumer electronics to computer and communications, and to take advantage of the future growth in the industry, which would be strongly driven by the wireless and PC markets. This would be further augmented by the growth in the consumer electronics products segment as demand for new technology and multi-functional devices such as camera phones, PDAs and DVDs gains momentum.

Although we are taking the above step to mitigate the cyclical nature of the industry, we cannot assure that the measures we have taken will be adequate if there is an industry downturn and that it will not have a material adverse effect on us.

4. RISK FACTORS

4.3 Other Risks

4.3.1 Fluctuation in Foreign Exchange Rates

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 a significant impact on our profitability.

The risk of foreign exchange fluctuation is however, mitigated by the managed float mechanism adopted by Bank Negara Malaysia since July 2005 on the RM-USD conversion rate which may prevent extreme exchange rate fluctuation.

Nevertheless, we cannot assure that the currency control will remain and that future fluctuations in the foreign currency exchanges rates will not have a material adverse effect on our financial results.

4.3.2 Foreign Operations

We have two (2) foreign subsidiaries in Hong Kong and Singapore. Accordingly the operations of these subsidiaries will be subject to the policies on foreign investment of the respective foreign countries.

As such, the ability of our foreign subsidiaries to repatriate the profits arising from our investment abroad will largely depend on the relevant legislation relating to the repatriation of profits prevailing at the point of repatriation. There can be no assurance that any changes in the policies of the foreign governments with respect to foreign investment and repatriation of profits will not materially and adversely affect our rights and/or performance with respect to our investment abroad.

However, we seek to limit the investment risk through prudent investment strategies such as setting up an experienced management team in the respective countries, implementing an appropriate business plan and cost control strategies.

The advisers' report pertaining to policies on foreign investments and repatriation of profits are set out in Section 16 of this Prospectus.

4.3.3 Marketability of our Shares

There has been no prior public market for our Shares. Our Public Issue Price of RM1.23 was agreed upon between our Directors and SIBB as our Adviser and Underwriter after taking into consideration several factors as stipulated in Section 3.6 of this Prospectus and may not be taken as an indication of the market price of our Shares after our Public Issue and Bonus Issue II.

A variety of factors may cause the price of our Shares to fluctuate, including but not limited to the sale and purchase of substantial amounts of our Shares in the public market in the future, announcements of developments relating to our business, fluctuations in our operating results and sales levels, general conditions of our Chip industry and the world-wide economy.

As such, we cannot assure that there will be an active market for our Shares on the MESDAQ Market or that the market price of our Shares will not decline below the theoretical ex-bonus price of RM0.615 per Shares upon listing.

4. RISK FACTORS

4.3.4 Underwriting Risks

The Underwriting Agreement stipulates that our Underwriter the right to terminate the Underwriting Agreement should our Underwriter be of the view that the success of our Public Issue may be adversely affected due to certain events, terms which are set out in Section 3.11 of this Prospectus.

We cannot assure that our Underwriter will not terminate Underwriting Agreement based on the conditions as set out in Section 3.11 of this Prospectus. If, as a result of the termination, our Public Issue cannot be completed, we will return all your monies in respect of your application to you without interest.

4.3.5 Controlling Shareholders and/or Promoters

Upon our admission to the MESDAQ Market of Bursa Securities, our substantial shareholders and Promoters, in aggregate, will beneficially own approximately 58.12% of our enlarged issued and paid-up share capital (before the exercise of ESOS II). They will collectively have a significant influence over matters that require the passing of ordinary and special resolutions from our shareholders resulting in resolutions being passed to the benefit of our substantial shareholders, unless they are required to abstain from voting by law and/or relevant authorities.

To mitigate this risk, we have appointed two (2) independent Directors to our Board. We have also set up an audit committee to oversee our overall operations and corporate governance. This is to ensure that all decisions made by our Board are in the best interests of our Holding Company.

4.3.6 Political, Economic and Regulatory Considerations

In general, any significant economic slowdown in Singapore, Taiwan, China, India, Hong Kong, Malaysia, the US and countries within the European community, which represent the existing and targeted overseas market for our products could materially and adversely affect our financial performance.

We cannot assure that any adverse developments in political, economic and regulatory considerations in the countries above will not have an unfavourable effect on our financial prospects. Some of the examples of political, economic and regulatory uncertainties include war, expropriation, nationalisation, global economic downturn, foreign exchange rates, taxation, tariffs and duties. While we will continue to take effective measures such as prudent financial management and efficient operating procedures, we cannot guarantee that unfavourable political and economic factors will not significantly affect our Group. Further, we cannot assure that future legislative or regulatory policy changes will not affect our operations in Malaysia and overseas.

4.3.7 Disclosure Regarding Forward-Looking Statements

This Prospectus contains forward-looking statements, that are, statements other than statements of historical facts. These statements are in relation to our expected future financial position, business strategy, plans and prospects and industry outlook. Although we believe that the expectations reflected in such statements are reasonable at the time this Prospectus is issued, we cannot assure that such predictions will prove to have been correct. Our expectations are subject to known and unknown risks, uncertainties and contingencies.

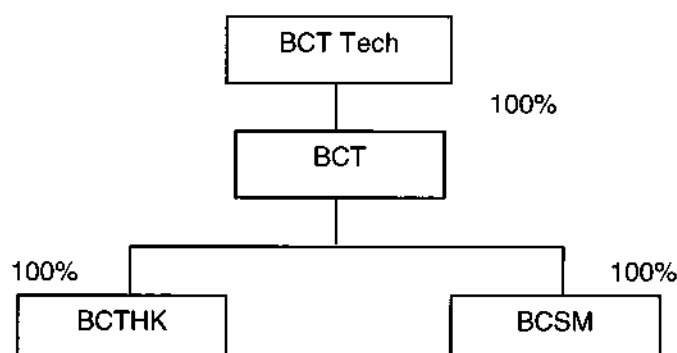
As such, we cannot assure that such expectations can be achieved and actual results may be materially different from those expected. Any differences in our expectations from our actual performance might adversely affect our results in financial and business performance and plans. Therefore, you should ensure that you read and understand the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

5. INFORMATION ON BCT TECH GROUP

5.1 History and Business

Our Holding Company was incorporated in Malaysia under the Act on 11 October 2004 as a private limited company. Our Holding Company was awarded its MSC status company on 1 December 2004 and we were subsequently converted to a public company on 13 April 2005 to facilitate our Listing on the MESDAQ Market.

We are principally involved in investment holding, management, research, development and distribution of electronic and semiconductor products and solutions. We have three (3) wholly-owned subsidiaries, namely BCT, BCSM and BCTHK and our corporate structure is set-out below:



Company	Date/Place of Incorporation	Commencement of Operations	Authorised/ Issued and Paid-up Share Capital	Principal Activities
BCT	23 July 1994, Singapore	23 July 1994	SGD5,000,000/ SGD1,343,483	Design and supply of integrated circuits, the distribution of software solutions, provision of design related services and the licensing of intellectual property in integrated circuits related fields
BCSM	27 September 2000, Malaysia	27 September 2000	RM300,000/ RM200,000	Distribution of software solutions and provision of related services
BCTHK	8 November 2002, Hong Kong	8 November 2002	HKD10,000/ HKD10,000	Provision of product design, manufacturing of semiconductors integrated circuits and related services

We do not have any associated company.

We had on 20 December 2004, disposed of our interest in BCSPL, an associate company in India.

5. INFORMATION ON BCT TECH GROUP

5.2 Share Capital and Changes in Share Capital

Our present authorised share capital is RM25,000,000 comprising 250,000,000 Shares, of which 48,780,000 Shares have been issued and fully paid-up.

The changes in our issued and paid-up capital since our incorporation are as follows:

BCT Tech Shares

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Total issued and paid-up share capital RM
11.10.2004	20	0.10	Subscribers' Shares	2
20.01.2005	3,500,000	0.10	In exchange of 1,343,483 BCT Shares	350,002
08.04.2005	280,000	0.10	ESOS I	378,002
25.04.2006	5,232,558	0.10	RCPS Conversion	901,258
25.04.2006	39,767,422	0.10	Bonus Issue I	4,878,000

BCT Tech RCPS

Date of allotment	No. of RCPS allotted	Par value RM	Consideration	Total issued and paid-up share capital RM
23.02.2005	4,500,000	0.10	Cash	450,000
25.04.2006	(4,500,000)	0.10	RCPS Conversion	Nil

Upon completion of our Public Issue and Bonus Issue II, our issued and paid-up share capital will be RM12,196,000 comprising 121,960,000 Shares.

We had also on 3 May 2006 established and implemented our ESOS II for the benefit of our Eligible Persons. Further information on ESOS II is set out in Section 5.4.3 of this Prospectus.

5.3 Restructuring Scheme

Prior to our Listing, we had undertaken an internal restructuring comprising the Acquisition, RCPS Issue, ESOS I, RCPS Conversion and Bonus Issue I.

5.3.1 Acquisition

On 18 November 2004, our Holding Company had entered into the Share Sale Agreement with the Vendors pursuant to which the Vendors had agreed to sell and our Holding Company had agreed to purchase the entire issued and paid-up share capital of our Singapore subsidiary of SGD1,343,483 comprising 1,343,483 BCT Shares for a purchase consideration of RM350,000 which was satisfied by the issuance of 3,500,000 new Shares at an issue price of RM0.10 per Share. The purchase consideration was arrived at on a "willing-buyer willing-seller" basis after taking into account the unaudited consolidated NTA of our Singapore subsidiary for the financial period ended 30 September 2004 amounting to RM566,127.

5. INFORMATION ON BCT TECH GROUP

The unaudited consolidated NTA of our Singapore subsidiary was used as the basis for determining our purchase consideration instead of the audited consolidated NTA mainly due to a timing difference, as the financial year end of our Holding Company was 31 December 2004. As such, it was not cost effective to conduct a special audit for the period ended 30 September 2004 purely for the purpose of this Acquisition. In addition to that, our Holding Company and the Vendors acknowledged that there was no material difference between the audited consolidated NTA as at 31 December 2004 and the unaudited consolidated NTA as at 30 September 2004 of our Singapore subsidiary.

Pursuant to Chapter 22 of the Prospectus Guidelines-Public Offerings, Horwath, our Reporting Accountants have prepared an independent valuer report on the fairness of the total purchase consideration for the Acquisition as set out in Section 15 of this Prospectus.

The Acquisition was completed on 20 January 2005. The effects of the Acquisition on BCT Tech's foreign ownership, NTA and EPS based on the latest audited financial statements for the financial period ended 31 December 2005 are set out below:

Category	Before the Acquisition		After the Acquisition	
	No. of Shares	%	No. of Shares	%
Malaysian	20	100.00	964,274	27.55
Foreigners	-	-	2,535,746	72.45
Total	20	100.00	3,500,020	100.00

	Before the Acquisition ¹	After the Acquisition
NTA (RM)	2	³ 9,073,612
No. of ordinary shares	20	² 3,780,020
NTA per share (RM)	0.10	2.40

	Before the Acquisition ¹	After the Acquisition
PAT (RM)	-	⁴ 5,996,705
No. of ordinary shares	-	² 3,780,020
EPS (RM)	-	1.59

Notes:

- 1 Based on issued and paid-up share capital of RM2. BCT Tech had no operating activities prior to the Acquisition.
- 2 Based on enlarged issued and paid-up share capital as at 31 December 2005
- 3 Based on NTA as at 31 December 2005
- 4 Based on PAT for financial period ended 31 December 2005

5. INFORMATION ON BCT TECH GROUP

5.3.2 RCPS Issue

On 18 November 2004, our Holding Company had entered into the Subscription Agreement with the RCPS Subscribers pursuant to which the RCPS Subscribers had agreed to subscribe for and our Holding Company had agreed to issue 4,500,000 BCT Tech RCPS at an issue price of RM1.00 per BCT Tech RCPS.

The RCPS Issue was completed on 23 February 2005.

5.3.3 ESOS I

On 29 March 2005, our Holding Company had established the ESOS I to grant Options to Eligible Persons to subscribe for new Shares of up to fifteen percent (15%) of our issued and paid-up share capital of 3,500,020 Shares at any one time during the existence of the ESOS I in accordance with the provisions of the Bye-Laws.

On 30 March 2005, we had granted Options to subscribe for 280,000 Shares representing approximately 8% of our issued and paid-up share capital of 3,500,020 Shares as at that date, at the Option price of RM0.10 each.

On 8 April 2005, our Options were fully subscribed by the Grantees whereby, 100% of our Shares allotted and issued to Grantees were deposited with the trustee appointed pursuant to the Trust Deed to be dealt with in the manner set out in the Bye-Laws.

The ESOS I has since expired on 19 April 2005. Therefore, there is no remaining outstanding Options under ESOS I after the said expiry date.

5.3.4 RCPS Conversion

After obtaining the approvals from the relevant authorities for our Restructuring Scheme and Listing Scheme, the RCPS Subscribers converted their BCT Tech RCPS into our Shares based on the conversion price stipulated in the Subscription Agreement.

Under the Subscription Agreement, the RCPS Subscribers shall convert all their BCT Tech RCPS into our Shares based on the following conversion price:

- (a) a 30% discount from our Public Issue Price after taking into consideration the Bonus Issue I and ESOS I prior to our Listing if the price to earning ratios based on the final projected PAT submitted to the SC and Bursa Securities or the relevant authorities is less than 12 times; or
- (b) a 40% discount from our Public Issue Price after taking into consideration the Bonus Issue I and ESOS I prior to our Listing if the price to earning ratios based on the final projected PAT submitted to the SC and Bursa Securities or the relevant authorities is 12 times or more.

Subject to the applicable laws, our BCT Tech RCPS are liable to be redeemed by the RCPS Subscribers at any time after the date corresponding to the 2nd anniversary of the date of the issuance of 23 February 2005 unless mutually agreed by the RCPS Subscribers and us to extend for a longer period.

5. INFORMATION ON BCT TECH GROUP

Further, pursuant to the Subscription Agreement, our existing shareholders and us shall procure and ensure that for any subsequent issue of our Shares, our new Shares shall be offered to each RCPS Subscriber for subscription in proportion to the RCPS Subscribers' shareholding. Our existing shareholders shall also have the first right of refusal for any sale and/or transfer of all or any part of our Shares by other existing shareholders.

However, in the present situation, the RCPS Subscribers have decided not to exercise their redemption rights over the BCT Tech RCPS. In this respect, the BCT Tech RCPS were converted into our Shares based on the conversion price computed in accordance with paragraph (a) above of RM0.86 each, which is at a 30% discount from our Public Issue Price of RM1.23 and was completed on 25 April 2006. Based on the said conversion price, the 4,500,000 BCT Tech RCPS were converted into 5,232,558 Shares.

Our new Shares arising pursuant to the RCPS Conversion will, with effect from the relevant conversion date, rank for any dividends, rights, allotments or other distributions on the conversion date. Such new Shares will however, not rank for any dividends or other distributions declared or to be declared in respect of our financial year prior to the financial year in which the relevant RCPS were converted and will not rank for any distribution, declared or to be declared by us, the record date of which precedes the relevant conversion date. Subject to the above, our new Shares will rank *pari passu* in all respects with our existing Shares.

5.3.5 Bonus Issue I

We had also on 25 April 2006 completed the bonus issue of 39,767,422 new Shares to our existing shareholders except for the new Shares issued pursuant to the RCPS Conversion to the RCPS Subscribers, on the basis of approximately 10.52 new Shares for every one (1) existing Share held. For the avoidance of doubt, the RCPS Subscribers after the RCPS conversion are not entitled to our Bonus Issue I.

Our Bonus Issue I had been capitalised from the share premium account arising from the RCPS Issue. Our new Shares issued will rank *pari passu* with our existing Shares in all respects except that they will not be entitled to any dividends, rights, allotments and/or other distributions the entitlement date of which is prior to the allotment of the Bonus Issue I Shares.

The rest of the page is intentionally left blank

5. INFORMATION ON BCT TECH GROUP

5.4 Listing Scheme

In addition to the Restructuring Scheme, we will also undertake a Public Issue and Bonus Issue II.

5.4.1 Public Issue

In conjunction with our Listing on the MESDAQ Market, we will undertake a Public Issue of 12,200,000 new Shares at the Public Issue/Placement Price of RM1.23 per Share payable in full on application.

Our Public Issue of 12,200,000 new Shares shall be subject to the terms and conditions of this Prospectus and, upon acceptance, our Public Issue Shares will be allocated and allotted in the following manner:

(i) Placement

10,000,000 of our new Shares representing approximately 16.40% of our enlarged issued and paid-up share capital after our Public Issue (but assuming before Bonus Issue II and full exercise of ESOS II Options) will be made available for placement to selected investors;

(ii) Public

1,000,000 of our new Shares representing approximately 1.64% of our enlarged issued and paid-up share capital after our Public Issue (but assuming before Bonus Issue II and full exercise of ESOS II Options) will be made available for application by public investors; and

(iii) Directors, eligible employees and business associates

1,200,000 of our new Shares representing approximately 1.97% of our enlarged issued and paid-up share capital after our Public Issue (but assuming before Bonus Issue II and full exercise of ESOS II Options) will be made available for our directors, eligible employees and business associates.

Any Public Issue Shares not subscribed for under (i) and (iii) above will be made available for subscription by the public investors under (ii) above.

Our Underwriter will underwrite our Public Issue Shares under (ii) and (iii) in compliance with the MMLR and based on terms and conditions as specified in the Underwriting Agreement.

If there is an under-subscription pursuant to our Public Issue, the Shares not applied for will be made available for subscription by our Underwriter in proportions specified in the Underwriting Agreement.

5.4.2 Bonus Issue II

As part of our Listing Scheme and an incentive to our shareholders subsequent to our Public Issue, we are proposing to implement a bonus issue of 60,980,000 new Shares to be issued to all our shareholders on the basis of one (1) new Share for every one (1) existing Share held after our Public Issue which is to be completed prior to our Listing.

5. INFORMATION ON BCT TECH GROUP

Our Bonus Issue II will be capitalised from the share premium account arising from our Public Issue. Our new Shares to be issued pursuant to the Bonus Issue II will rank *pari passu* with our existing Shares in all respects except that they will not be entitled to any dividends, rights, allotments and/or other distributions the entitlement date of which is prior to our allotment of the Bonus Issue II Shares.

5.4.3 ESOS II

We have obtained the approval-in-principle of Bursa Securities on ESOS II on 1 September 2005 and our existing shareholders' approval on 10 April 2006. The ESOS II will involve our grant of Options to Eligible Persons to subscribe for our new Shares of up to fifteen percent (15%) of our issued and paid-up share capital at any one time during the existence of the Scheme in accordance with the provisions of the Bye-Laws. The ESOS II is for a period of ten (10) years.

According to the Bye-Laws, only the Grantee could exercise our Options subject to the following conditions:

- (a) 50% of our Options will be exercisable only after the date falling 12 months from the date of acceptance by the Grantee of the Offer relating to such Options; and
- (b) the remaining 50% of our Options will be exercisable only after the date falling 24 months from the date of acceptance by the Grantee of the Offer relating to such Options.

Thereafter, all unexercised or partially exercised Options shall become null and void after the Date of Expiry as defined in the Bye-Laws.

Our Option Price at which the Eligible Person is entitled to subscribe for each of our new Share under an Option simultaneously with our Listing shall not be less than our Public Issue Price. After our Listing, the Option Price at which the Eligible Person is entitled to subscribe for each of our new Share under an Option shall be based on the weighted average market price of our Shares as shown in the daily Official List issued by Bursa Securities for the five (5) market days immediately preceding the date of offer of our Options subject to a discount of not more than ten per cent (10%) (if deemed appropriate by the ESOS Committee) subject to such adjustments in accordance to the Bye-Laws, provided that the price at which the Eligible Person shall be entitled to subscribe for our new Share shall be in no event be less than the par value of our Share.

Our new Shares to be allotted and issued upon any exercise of our Options will upon such allotment and issuance, rank *pari passu* in all respects with our existing issued and fully paid-up Shares except that our new Shares so allotted and issued will not be entitled to any dividends, rights, allotments and/or other distributions declared, our entitlement date (namely the date as at the close of business on which the names of shareholders must appear on the record of depositors maintained by Bursa Depository, in order to be entitled to such dividends, rights, allotments and/or other distributions) of which is prior to the date of allotment and issuance of our new Shares and will be subject to all the provisions of our Articles of Association relating to transfer, transmission and otherwise of our Shares.

The effective date for the implementation of ESOS II shall be the date of full compliance with all relevant requirements under Chapter 3 of the MMLR including:

- (a) submission of the final copy of the ESOS II Bye-Laws to Bursa Securities;
- (b) receipt of approval-in-principle for the issuance and listing of our Shares to be issued under ESOS II from Bursa Securities;
- (c) procurement of our shareholders' approval for ESOS II;
- (d) receipt of approval of any other relevant authorities, where applicable; and

5. INFORMATION ON BCT TECH GROUP

(e) fulfilment of all conditions attached to the above approvals, if any.

SIBB shall submit a confirmation to Bursa Securities of full compliance above stating the effective date of implementation together with a certified true copy of the relevant resolution passed by our shareholders in general meeting. The submission of the confirmation shall be made no later than five (5) market days after the effective date of implementation.

In this respect, our ESOS II was established and implemented on 3 May 2006. However, no Options have been granted as of todate. Options entitlement of each Eligible Persons will only be determined at a later date.

The proceeds from the exercise of our Options shall be used for our working capital purposes.

The Bye-Laws of the ESOS II is set out in Section 18 of this Prospectus.

5.4.4 Listing

We will seek admission to the Official List of the MESDAQ Market and listing of and quotation for our entire enlarged issued and paid-up share capital of RM12,196,000 comprising 121,960,000 new Shares on the MESDAQ Market.

We will also seek for an additional listing of and quotation for up to RM1,829,400 comprising 18,294,000 new Shares that may be issued upon the exercise of ESOS II Options on the MESDAQ Market.

5.5 Business Overview of our Group

Our Holding Company was incorporated on 11 October 2004 and we are principally involved in investment holding, management, research, development and distributions of electronic and semiconductor products and solutions. We have three (3) subsidiaries, namely BCT, BCSM and BCTHK as follows:

Company	Effective Equity Interest (%)	Principal Activities
Subsidiary		
BCT	100.0	Design and supply of integrated circuits, the distribution of software solutions, provision of design related services and the licensing of intellectual property in integrated circuits related fields
Subsidiaries of BCT		
BCSM	100.0	Distribution of software solutions and provision of related services
BCTHK	100.0	Provision of product design, manufacturing of semiconductors integrated circuits and related services

5. INFORMATION ON BCT TECH GROUP

5.5.1 Principal Products and Services

5.5.1.1 Chip Products

We focus on Chip products for the five (5) main applications as set out below:

- (i) Power management;
- (ii) Solid State lighting;
- (iii) Display;
- (iv) ASIC; and
- (v) Wireless application.

(i) Power management

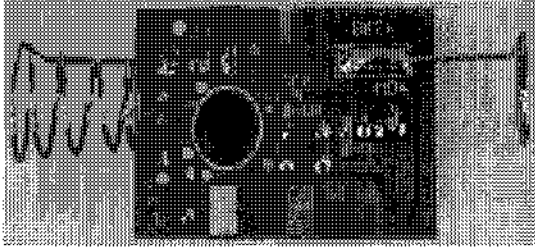
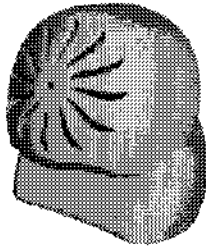
(a) Fragrance/insect repellent dispensing platform

Our fragrance/insect repellent dispensing platform ASIC product is supplied to our customer for its portable fragrance/insect repellent dispenser application which is battery-operated. We deploy a power management technology developed by us, which results in ultra-low power consumption. Our Chip product operates the dispenser and at the same time, conserves power consumption to lengthen the average battery life-span from approximately 1.5 months to 4 months under continuous use.

As of the Latest Practicable Date, we have the following fragrance/insect repellent dispensing platforms:

Chip Product	Feature
Fragrance/Insect Repellent – Dice Form	The Chip product is supplied as a Chip without any packaging.
Fragrance/Insect Repellent – PDIP Form	The Chip product is supplied as a Chip packaged in a PDIP form. The Chip is encased using plastic compound with metal lead frames for contact points.

An image of the fragrance dispensing platform is shown in the picture below:

Reference solution image where our Chip product is embedded	End application –Fragrance dispenser
	

5. INFORMATION ON BCT TECH GROUP

(b) DC/DC Converters

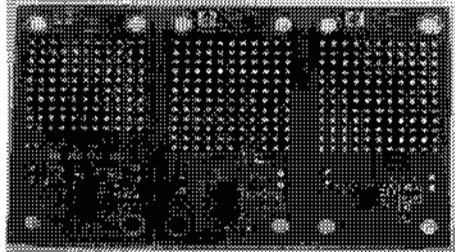
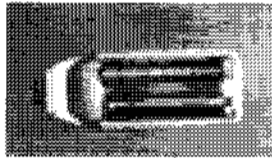
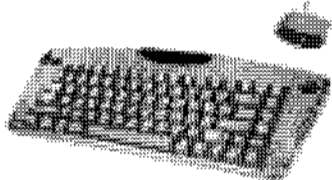
A DC/DC converter is a device that converts a DC voltage to another DC voltage. There are two (2) types of DC/DC converters, one (1) is step down, which converts high voltage to lower voltage. The other is step-up, which converts low voltage to higher voltage. As at the Latest Practicable Date we have DC/DC converters with 100mA, 200mA and 350mA.

Our DC-DC converters are targeted at the following applications:

1. Backlight applications including backlights for handheld devices such as PDA and cell phones;
2. All battery operated devices such as MP3 players, digital cameras and toys; and
3. Laptops/notebooks.

Our target customers for the DC/DC converters are consumer electronic manufacturers.

A sample of our DC/DC converters is shown in the picture below:

<p>Reference solution image where our Chip product is embedded</p>	<p>End application – Battery charger</p>
	
	<p>End application – Wireless keyboard</p> 

(c) High Efficiency Power Supply

We are currently working with a design partner, Bonn Drafting Co. to finalise the system design and build a prototype for our High Efficiency Power Supply ZVS product. Please refer to Section 5.5.7.1(ii) of this Prospectus for further information on this product.

5. INFORMATION ON BCT TECH GROUP

(d) VRM Controller

We are working in collaboration with the University of Hong Kong whereby the University of Hong Kong provides the technology on their proprietary IP rights and our engineering team will use and integrate the IP rights to develop functional Chips by carrying out the Chip design, implementation, fabrication and assembly for our Chip products.

We are translating the said technology into a customised VRM Controller Chip product. Please refer to Section 5.5.7.1 (iii) of this Prospectus for further information on our VRM Controller.

(ii) Solid State lighting

LED stands for Light Emitting Diode. It is a semiconductor device that emits visible light when an electric current passes through it. The electrical current injects positive and negative charge carriers which recombine to create light. LEDs are Solid State devices and do not use filaments, unlike traditional bulbs which contain wire filaments that emit light when heated. Solid State devices are electronic components, devices and systems based on semiconductors. This makes LEDs very reliable with a long lifespan (typically 100,000 hours). LEDs have low power consumption and low heat output, making them an ideal replacement for traditional bulbs.

We currently offer a wide range of Bright LED Drivers using the Solid State lighting technology to cater for different application markets. These include the LED Driver 100mA, LED Driver 200mA and LED Driver 1 Watt with different features tailored to different application areas. Our products are offered at competitive prices. Examples of Bright LED Driver applications are in mobile phones, PDA, monitors and LED panels.

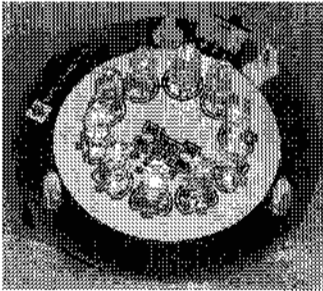


As of the Latest Practicable Date, we have the following Bright LED Drivers:

LED Driver product	Features	Application
LED Driver 100mA	<ul style="list-style-type: none"> ▪ 100mA drive 	<ul style="list-style-type: none"> ▪ LED torch
LED Driver 200mA	<ul style="list-style-type: none"> ▪ 200mA drive ▪ Charge Pump Technology ▪ Low power consumption 	<ul style="list-style-type: none"> ▪ Toys ▪ Back lights for mobile devices
LED Driver 1 Watt	<ul style="list-style-type: none"> ▪ 1 Watt drive ▪ Charge Pump Technology ▪ Low power consumption 	<ul style="list-style-type: none"> ▪ High brightness down light ▪ Torch

Essentially, our team has customised the LED Driver to allow the circuitry within the driver to work at a low voltage with high efficiency and high drive capability. This LED Driver can be used to implement a number of ASSP Driver Chips for Solid State lighting. Additionally, by integrating a timer and micro controller, other applications can be derived from the said LED Driver.

5. INFORMATION ON BCT TECH GROUP

A sample of our LED Driver is shown in the picture below:

Reference solution image where our Chip product is embedded	End application – LED torch
	
	<p data-bbox="935 689 1337 723">End application – LED exit sign</p> 




(iii) Display

As of the Latest Practicable Date, we have the following LED display product:

LED display product	Features	Application
LED display Driver	Temperature protection build-in to avoid over heating	<ul style="list-style-type: none"> ▪ DVD players ▪ VCD players

We currently offer LED display Drivers for the DVD and VCD player markets. This LED display Driver is used to drive the display panel of DVD and VCD players. The LED display Driver has a temperature protection build-in to avoid over heating and is offered at competitive prices to our customers.

An image of the display panel is shown in the picture below:

Reference solution image where our Chip product is embedded	End-Applications
	DVD Player
	
	Weighing Scale
	

5. INFORMATION ON BCT TECH GROUP

(iv) ASIC

As of the Latest Practicable Date, apart from our fragrant/insect repellent dispensing platform ASIC products, we have also developed the ASIC electronic candle and ASIC induction cooker product. Please refer to Section 5.5.7.4 of this Prospectus for further information on these products.

(v) Wireless application

As of the Latest Practicable Date, we have developed the wireless application Chip product, PLL (Phase Lock Loop) for digital radios that is in the product qualification stage. Please refer to Section 5.5.7.5 of this Prospectus for further information on this product.

5.5.1.2 Sale of EDA tools

The following companies have appointed us as their distributor for EDA tools in the ASEAN region. The types of EDA tools that we distribute and the respective lists of our customers are set out below:

Company	EDA tools category	Type/Usage of EDA tools	Customer
Valor Computerized Systems Far East Ltd	System design	Design for manufacturing tools for product design companies, contract manufacturers/PCBA companies	The main target customers are contract manufacturers or any PCBA assembly companies
Anchor Semiconductors Inc	Foundry	Design for manufacturing tools for Foundries for deep sub-micron (0.13u and below) technology	Foundry, Chip design houses, product design houses, Government R&D departments and educational institutions
DownStream Technologies, LLC	System design	Design for PCB fabrications	PCB design houses, R&D departments and PCB fabricators
Mentor Graphics (Ireland) Limited	PCB/Chip design	Design for PCB/Chip products	PCB/Chip design houses, educational institutions and contract manufacturers

5.5.1.3 Design Service

Apart from the above business areas, we will also continue to licence our IP Cores to customers for use in their product design. Where necessary, we will also help customise using our IP Cores and license them out to our customers for a licence fee, which ranges from USD18,000 to USD35,000 for each product/licence used.

5. INFORMATION ON BCT TECH GROUP

5.5.2 Technology Used or to be Used on Chip Design and Process Technology

The technology used or to be used in the development of our ASIC and ASSP products are elaborated under the following development stages:

(a) System and circuit design

The system and circuit design steps are aided by the use of EDA tools. These EDA tools are software tools used by Chip designers for the development of Chips and systems. The EDA tools allow the creation and simulation of Chip functionalities and performance. The usage period of the EDA tools are governed by their respective licensing terms.

Our R&D team carries out the system and circuit design function. Currently, we are developing products in the form of Analog and Mixed-Signal Chips. To design our Analog Chip products, the design flow starts with schematic entry, followed by pre-layout Analog simulation using SPICE. After the design functionality has been proven by simulation, our Chip is laid out using full custom layout software.

Parasitic extraction is done after our Chip custom layout to extract Gate and inter connect delays for another round of simulation to confirm that the design is within specifications. Finally, design verification using DRC (Design Rule Check) and LVS (Layout vs Schematics) checks are used to confirm whether our Chip can be manufactured prior to sending our Chip design to the Foundry for manufacturing.

For this Analog design flow, the EDA tools used includes the Cadence Composer schematic entry, Hspice and/or Cadence Spectre Analog simulators for pre and post-layout simulations, Cadence Virtuoso Layout Editor for full custom layout, and Mentor Graphics xCalibre and Calibre DRC/LVS for parasitic extraction and final verification.

As part of our business development plan, we will continue to refine the design technique for our product development with higher specifications. Additionally, we intend to develop techniques in RF design and high speed Analog technology design.

For ASIC and ASSP products, both the system and circuit design steps are aided by the use of EDA tools and are the end products from these systems and circuit design. In the case for ASSP products, the following technology is used and/or is to be used:

- (a) Charge Pump and PWM for DC/DC converter;
- (b) ZVS for High Efficiency Power Supply; and
- (c) PWM for VRM Controller.

(b) Wafer fabrication

Being a Fabless Chip product group, our business model is such that we outsource the fabrication process to Foundries. Fabless business model are on the increasing trend due to the relatively high cost of investment to set-up an in-house fabrication manufacturing facility. As a Fabless Chip product group, we are able to focus our time, effort and resources to carry out research work, as well as design and develop innovative and advance Chip products. This business strategy will enable us to maintain our competitive edge in terms of cost efficiency. It will also allow us to diversify away the business risk of having to maintain and operate an in-house fabrication manufacturing facility.

5. INFORMATION ON BCT TECH GROUP

Our Foundries' process technology is made available to our customers for fabrication of Chips in the form of specialised process design kits. These design kits are sets of parameters and rules laid out by our Foundries for Chip design houses to follow through as the base parameter to be used in the various design steps. The current fabrication technologies used by us for our Chips is CMOS technology with high voltage options which include 0.6 μ , 0.5 μ , 0.35 μ and 0.18 μ process.

Future technologies being evaluated by us include EEPROM and one time programming (OTP) technologies. There are several Foundries offering these technologies and we will continue to assess the suitability of the technology from each Foundry. EEPROM will cater for our future ASIC projects which are MCU based Chip products with EEPROM option, as the Chips can be reprogrammed with different programs onto a standard Chip and yet it will have the flexibility of use on different applications and this will accord similar flexibility to our products for use into different applications. OTP is less flexible as compared with EEPROM as it only allows a one time programming process only.

The wafers and process technologies used in the fabrication are in the form of wafer diameters of 6 and 8 inches utilising 0.6, 0.5 and 0.35 μ m process geometry. Future fabrication technologies being evaluated are 0.35 μ m with EEPROM and OTP option.

(c) Packaging and Chip testing

We outsource the package manufacturing to contract houses. Packaging technology involves development of mechanical, chemical and electrical parameters for the material, such as wire and plastic compound and type of packaging, such as DIP, SOIC, QFN and Bare Die by the contract houses. We will continue to assess the packaging requirements and availability for current and future needs.

With the current outsourcing model, the cost to test each ASSP Chip is fixed by the outsourced test and packaging companies, which include ASE Electronic (M) Sdn Bhd and China Resources Semiconductor Co Ltd. As the number of ASSP products designed by us increases, the amount of Chips to be tested will increase proportionately. We intend to test our ASSP products internally to address the increasing volume of our testing needs. As the cost of testing is one of the key cost components of our ASSP products, we will assess the feasibility of testing our ASSP products internally to increase margins as opposed to outsourcing for our requirements.

For this purpose, we will analyse the cost of purchasing our own test equipments as well as our maintenance cost against the cost of outsourcing the testing. As a start, we have employed two (2) test engineers and have purchased additional test and measurement equipments for trial run on in-house quality assurance review. We expect to carry out our own in-house quality assurance review on ASSP Chips by 2007.

5. INFORMATION ON BCT TECH GROUP

5.5.3 Approvals, Major Licences and Permits Obtained, Conditions Attached (if any) and Status of Compliance

We had obtained the following approvals, major licences and permits as at the Latest Practicable Date:

Issuer	Date of Issue/ Expiry	Nature of Licence/Permits/Material Conditions Attached	Status of compliance
MDC	1 December 2004	Material Condition Attached	
		1. To commence operations within six (6) months from the date of the letter.	We had in May 2005 complied with the condition
		2. To design and market Application Specific Standard Product (ASSP) series of integrated circuit products (MSC Qualifying Activities) within six (6) months from the date of the letter or by such date as may be specified in the business plan and thereafter continue with such business and activities unless otherwise approved by MDC.	We had complied with the condition and the first invoice was issued in September 2005
		3. To locate the implementation and operation of the MSC Qualifying Activities in Cyberjaya within six (6) months from the date of the letter and to seek MDC's prior written approval if any changes in location or address of BCT Tech.	We had in May 2005 complied with the condition
		4. To ensure that at all times at least 15% of our total number of employees (excluding support staff) shall be "knowledge workers", which are workers to be recruited, employed and/or appointed solely for the purpose of undertaking the MSC Qualifying Activities.	Complied
		5. To comply with the MSC's environmental guidelines as determined by MDC from time to time.	Not Applicable

5. INFORMATION ON BCT TECH GROUP

Issuer	Date of Issue/ Expiry	Nature of Licence/Permits/Material Conditions Attached	Status of compliance
		<p>6. To submit to MDC a copy of BCT Tech annual report and audited statement in parallel with submission to the ROC.</p> <p>7. To ensure that all information and/or documents furnished by BCT Tech to MDC or any other authority or agency do not contain any false, untrue or inaccurate statements or omit to state any facts, the omission of which would make any statements made therein in the light of the circumstances under which they are misleading.</p> <p>8. To inform and obtain the prior approval of MDC for any proposed change in the name of BCT Tech.</p> <p>9. To inform MDC of any change in the equity structure or shareholding structure of BCT Tech, or such other changes that may affect the direction or operation of BCT Tech. MDC must be informed of any change before steps are taken to effect such change.</p> <p>10. To comply with all such statutory, regulatory and/or licensing requirements as may be applicable.</p>	<p>The annual report and audited statement as at 31 December 2005 was submitted to MDC on 28 April 2006</p> <p>Complied</p> <p>To be complied, if applicable</p> <p>To be complied, if applicable</p> <p>To be complied, if applicable</p>

The rest of the page is intentionally left blank

5. INFORMATION ON BCT TECH GROUP

Issuer	Date of Issue/ Expiry	Nature of Licence/Permits/Material Conditions Attached	Status of compliance
BNM	23 December 2004	<p data-bbox="595 387 914 416">Material Conditions Attached:</p> <p data-bbox="595 450 1098 555">The general permission given by the Controller of Foreign Exchange under section 39(1)(a) of the Exchange Control Act 1953 is subject to the following conditions:</p> <ol data-bbox="595 589 1098 1518" style="list-style-type: none"> <li data-bbox="595 589 1098 667">1. BCT Tech must be a MSC Company. <li data-bbox="595 734 1098 869">2. BCT Tech gives a letter of undertaking to the Controller that the permission would only be used for us and not for the benefit of any other company, within 30 days from the date of this letter. <li data-bbox="595 902 1098 1070">3. BCT Tech to submit its audited annual accounts to Foreign Exchange Administration (Jabatan Pentadbiran Pertukaran Asing (JPPA)), BNM within three (3) months at the end of every financial year. <li data-bbox="595 1238 1098 1317">4. BCT Tech not to deal in Restricted Currencies (the currencies of Israel, Serbia and Montenegro). <li data-bbox="595 1350 1098 1518">5. BCT Tech not to deal with Specified Persons which comprise the residents, authorities, agencies and instrumentalities and any entities owned or controlled, directly or indirectly, by Israel, Serbia and Montenegro. 	<p data-bbox="1126 589 1369 701">Complied. We obtained our MSC status on 1 December 2004</p> <p data-bbox="1126 734 1377 846">Complied. BCT Tech issued a letter of undertaking to BNM on 24 December 2004</p> <p data-bbox="1126 902 1377 1205">Complied. An extension of time was sought by BCT Tech to submit the audited annual accounts by end of April 2006. The audited accounts for the financial period ended 31 December 2005 was submitted on 28 April 2006.</p> <p data-bbox="1126 1238 1241 1267">Complied</p> <p data-bbox="1126 1350 1241 1379">Complied</p>

5. INFORMATION ON BCT TECH GROUP

Issuer	Date of Issue/ Expiry	Nature of Licence/Permits/Material Conditions Attached	Status of compliance
BNM (cont'd)		<p>6. BCT Tech to register with JPPA by completing the registration forms below before undertaking any of the transactions below for the Controller to assign the relevant identification numbers :</p> <p>a) Credit facilities to non-residents (Form SSC6B)</p> <p>b) Overseas account (Form SSC7C)</p> <p>c) Investment abroad, including issuance of redeemable preference shares to non-residents (Forms SSC9A, SSC9B and SSC9C)</p> <p>d) Offshore loan (Forms SSC10A, SSC10F, SSC10G)</p> <p>e) Offsetting agreement (Form SSC11)</p> <p>7. BCT Tech to submit, if applicable, statistical form/statement/report on foreign currency account maintained with bank overseas, inter-company account maintained with non-resident non-bank party, quarterly report on extension of credit facilities to non-residents, quarterly report on investment abroad, quarterly report on foreign currency loans above the equivalent of RM5,000,000 obtained from offshore sources.</p>	<p>a) To be complied, if applicable</p> <p>b) To be complied, if applicable</p> <p>c) Complied and Relevant Form filed for non-resident</p> <p>d) To be complied, if applicable</p> <p>e) To be complied, if applicable</p> <p>To be complied, if applicable</p>
Singapore Government	10 March 1997	<p>Registration under Singapore Goods and Services Tax Act</p> <p>Material Conditions Attached: NIL</p>	Complied
Hong Kong Government	8 November 2005 and expiring on 7 November 2006	<p>Hong Kong Business Registration Certificate issued under Business Registration Ordinance</p> <p>Material Conditions Attached: NIL</p>	Complied
Hong Kong Government	11 July 2005 and expiring on 10 July 2006	<p>Hong Kong Business Registration Certificate issued under Business Registration Ordinance</p> <p>Material Conditions Attached: NIL</p>	Complied

5. INFORMATION ON BCT TECH GROUP

In respect of our licence issued by MDC, the incentives enjoyed by us as provided for under the bill of guarantees by MSC are as follows:

- (a) to provide a world-class physical and information structure;
- (b) to allow unrestricted employment of local and foreign knowledge workers;
- (c) to ensure freedom of ownership by exempting companies with MSC status from local ownership requirements;
- (d) to provide competitive financial incentives, including Pioneer Status (100% tax exemption) for up to ten(10) years or an investment tax allowance for up to five years and no duties in the importation of multimedia equipment; and
- (e) to provide globally competitive telecommunications tariffs.

We had on 30 September 2005 made an application to determine the effective date for the Pioneer Status under the Promotion of Investment Act 1986 by filling in the form prescribed by MITI for the Pioneer Status to become effective from the date of our first sale of products as set out in Section 5.5.1.1 of this Prospectus. As of the Latest Practicable Date, we have yet to receive a confirmation of the effective date for the Pioneer Status from MITI.

5.5.4 Brand names, patents, trademarks, licences, technical assistance agreements, franchises and other IP rights

Save as disclosed below, we do not own any registered brand names, trademarks, licences, technical assistance agreements, franchises or other similar IP rights.

(i) Patents

We had applied for a patent with the Intellectual Property Office of Singapore on 20 June 2002 and applied for the similar patent with the United States Patent And Trademark Office (claiming priority from the Singapore patent application) to patent a circuit within the Precision Linear category on 19 June 2003. Our patented circuit is used in a voltage regulator design, which includes a reference voltage source, an operational amplifier and an output transistor. However, while such a voltage regulator produces a satisfactory regulated voltage output, it is relatively expensive and cumbersome, and as a result not suitable for use as a voltage regulator in VLSI circuit. The circuit within the Precision Linear category however, provides for a voltage regulator which produces a satisfactory regulated voltage output, and is thus relatively simple and inexpensive to manufacture.

The approval of the Singapore patent is still pending whereas the United States patent was granted with Patent No. US 6,861,831 B2. The said circuit is currently being used in our process technology in power management, Solid State lighting and display technologies, and IP such as EEPROM and RF front-end for various wireless applications.

On 26 August 2005, we had applied for a patent with the Intellectual Property Office of Singapore to patent E-Square Charge Pump. We also intend to patent our future products.

(ii) Domain Names

We also endeavour to protect our trade name by registering www.bluechipstech.com under BCT.

5. INFORMATION ON BCT TECH GROUP

(iii) Licence to use

(a) Replacement model

We are currently licensing a patented technology from PowerElab Ltd and the University of Hong Kong, which has the potential to replace our existing VRM to be used in PC motherboards. We have signed an exclusive agreement with PowerElab Ltd and the University of Hong Kong for six (6) years to commercialise the said technology. We have the option to acquire the IP at a pre-agreed price after the third (3rd) anniversary of the agreement date.

(b) EDA tools

We have purchased a number of licences to use the EDA tools such as Process Simulation Software, Device Simulation Software, Circuit Simulator Software, Layout Editor Software, Design Verification Software, Schematic Capture Software and Modeling Software from Cadence, Cadence is one of the main suppliers of EDA tools for our system and circuit design team.

We pay approximately USD12,000 to USD250,000 in cash, depending on the modules and application of the EDA tools to Cadence. Apart from a limited 30-day warranty on any defect of the medium on which programs are recorded, the purchase of the software is provided "as is" and no other warranty is given by Cadence.

(iv) Other forms of IP

As IP covers the ownership and control over the tangible or virtual representation of ideas, our IP will also cover various Schematic Diagram, Layout Diagram and Chip product design idea which is set out in Technical Record Logsheets.

We have 46 different IP Cores as at the Latest Practicable Date under our stable with target applications ranging from PC motherboards to Smart Card RF ID (identification). As we own the IP Core rights, the time taken to design ASSPs will be reduced depending on the type of Chip being designed.

a) Schematic Diagram

Schematic Diagram refers to the design of an electronic circuit. The diagram reflects the functionality of the device which is being developed. It contains normally all the electronic components being used to design the particular electronic device. We store all completed Schematic Diagrams in our data server which are saved on external tapes and compact discs for storage. Our employees are also subject to confidentiality obligations under their contract of employment. In Chip design the schematic is usually translated to the layout design.

5. INFORMATION ON BCT TECH GROUP

b) **Layout Diagram**

Layout Diagram refers to the design of the geometric-physical structure of a Chip. We customise each Layout Diagram according to customer's request. After the layout design, the layout data is converted into a standard data format (GDSII) and stored. It will then be sent to the Foundries. There, a set of Masks is generated from the Mask data, which is obtained from the engineering data sheet prepared by the Group's design team. The result of the layout diagram is a set of Masks. We treat our Layout Diagram, the generated GDSII data and Masks as our IP.

Foundries are only provided with the GDSII data. As such, even though Foundries may copy the design, they are not capable of modifying the design as they do not have the Layout Diagrams. Further, we protect our IP rights over the GDSII data by ensuring that the Foundries are bound by confidentiality obligations.

c) **Technical Record Logsheets**

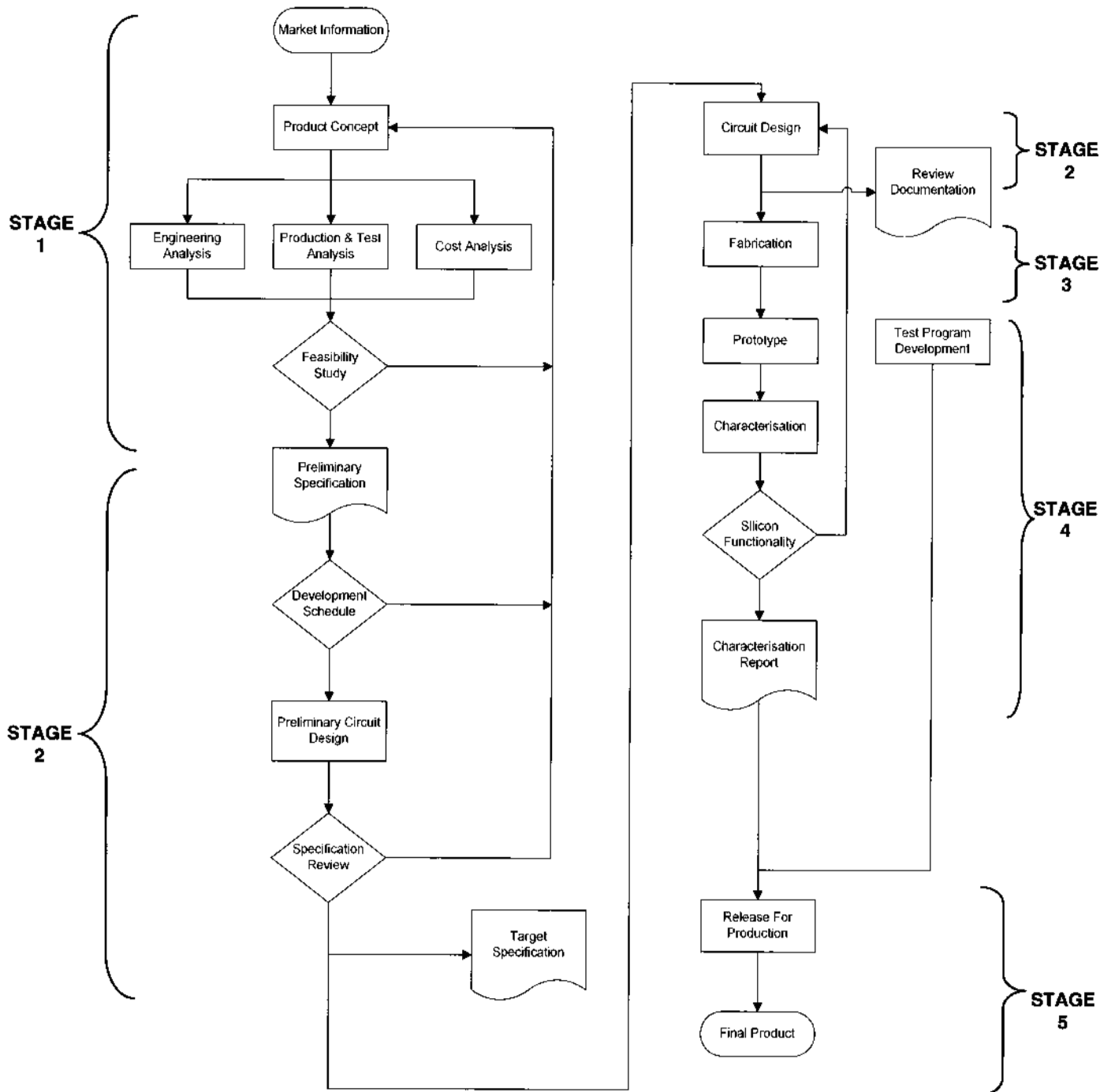
Technical Record Logsheets are maintained to enable us to identify and protect our IP. The Technical Record Logsheets is basically the record of research, notes, meetings and design iterations. It is to assist us in accumulating legal evidence of ownership of our ideas in the Schematic Diagram and the Layout Diagram developed by us. Our Head Designer keeps the physical logsheets at our office while the soft copy of the logsheets, which is updated constantly, are kept in different locations.

The rest of the page is intentionally left blank

5. INFORMATION ON BCT TECH GROUP

5.5.5 Chip Design and Product Development

A step-by-step production flow-chart for our products is set out below:



5. INFORMATION ON BCT TECH GROUP

Our finished products are realised through a multi-step process combining in-house design activity with outsourced manufacturing. Our full product flow is divided into the following stages:

1. Stage 1 - Product definition and feasibility study;
2. Stage 2 - System and circuit design;
3. Stage 3 - Wafer fabrication;
4. Stage 4 - Packaging and Chip testing; and
5. Stage 5 - Sales and marketing.

<p>Product definition and feasibility study</p>	<p>This is the most important stage in our product development cycle. It involves a comprehensive understanding of current and future market requirements prior to initiating the definitions of our target Chip products. A detailed study will be carried out to understand our target market and trend, the current solution's function and how the Chips are being used. Then, a detailed competitive analysis will be conducted on our targeted Chip product in which we believe that there is a demand for the product.</p>
<p>System and circuit design</p>	<p>We will then design the layout of circuit diagrams for individual functions using EDA tools as well as logic diagrams to connect all such functions to perform specific tasks. The results are a pattern of circuit design that defines the function of our Chip. Depending on the complexity of the circuitry and the number of functions that our Chip is required to perform, our Chip may comprise many layers of circuitry superimposed on each other. The circuit design of our Chip would normally take three (3) to four (4) months to complete. However, as we already have many proven IP Cores to build our ASSP products, our design time can be reduced significantly in most cases.</p>
<p>Wafer fabrication</p>	<p>Circuit elements of our Chip are formed by repeating a series of processes in which a photosensitive material is deposited on the wafer and exposed to light through the Mask. The unwanted photosensitive material is then etched away, leaving only the desired circuit pattern on the wafer. This process is repeated for each Mask layer. The final product will be thoroughly inspected and tested before leaving the Foundry.</p> <p>We do not have wafer fabrication facilities and rely on external Foundries to complete our fabrication process.</p> <p>The wafer fabrication process requires approximately six (6) to ten (10) weeks for completion.</p> <p>Prior to the delivery of Wafers, the Foundries will conduct their own quality assurance review.</p> <p>The finished Wafers are then shipped for testing and packaging.</p>
<p>Packaging and Chip testing</p>	<p>The finished Wafers are then tested and sawed into individual Bare Die after which the good Die are then delivered to our customers if packaging is not required. Otherwise, the Wafers will be sent to packaging houses for final packaging and testing prior to delivery to customers.</p>

5. INFORMATION ON BCT TECH GROUP

Sales & Marketing	Marketing of Chip devices comprises product introduction to potential customers, discussions with customers on the application of Chips, obtaining system designs contract using our Chips, and creation of distribution and technical support channels. Our aim is to provide a ready made (reference design) solution to customers, making it is easier for them to adopt the use of Chip products.
------------------------------	---

5.5.6 Market Penetration

We have succeeded on making inroads into the semiconductor industry on account of the following factors:

- (i) We have completed our own designs and succeeded in introducing our ASIC fragrance/insect repellent dispensing platform to our customer;
- (ii) Our LED display Driver has also been recognised internationally via the EDN Electronics magazine covering Asia;
- (iii) We have obtained awards from our former EDA tools principal namely, Egelware-Elanix Corporation for being the best distributor in the Asian region for 2004;
- (iv) We have established a network of distributors around the region to sell and market our ASSP products. There are currently several appointed distributors covering Hong Kong, China, ASEAN region, India and Taiwan;
- (v) We have formed collaboration with PowerElab Ltd and the University of Hong Kong to license the latter's patented technology to replace existing VRMs to be used in PC motherboards. This strategic collaboration will enable us to position ourselves as a leading Chip designer in the power management technology;
- (vi) We have also formed collaboration with Bonn Drafting Co. to co-develop a High Efficiency Power Supply system using our ZVS Chip. This strategic collaboration will enable us to position ourselves as a leading Chip provider in the power supply market; and
- (vii) An experienced team of Chip designers, product and process engineers.

Our existing competition is mainly from Taiwan, USA and China. Nonetheless, with our Analog design focus, market knowledge and ability to define products, our Directors are of the opinion that we are able to compete with our competitors in terms of product features and pricing and being customer and product-centric on our ASIC designs and production of ASSPs.

5. INFORMATION ON BCT TECH GROUP

5.5.7 Significant New or Proposed Products/Services

Mixed-Signal and Analog ASICs and ASSPs will be the main focus business area for us. We expect to derive our income from Chip products for the following applications:

1. Power management;
2. Solid State lighting;
3. Display;
4. ASIC; and
5. Wireless application.

Information on our various new Chip products under the above categories is set out below:

5.5.7.1 Power management

We will be launching a product family of DC/DC converters and power switching controllers to explore our new markets in power management technologies.

Our product family of power management comprise the following categories:

- (i) DC/DC converter;
- (ii) High Efficiency Power Supply - ZVS; and
- (iii) VRM Controller.

Information on above power management products is set out below:

(i) DC/DC converters

We have recently launched DC/DC converters of 450mA using Charge Pump technology. We also expect to launch high-powered DC/DC converters from 1A to more than 2A using PWM technology by 2nd half of 2006. Our target customers for the DC/DC converters are consumer electronic manufacturers.

The DC/DC converters will initially focus on converting low voltages to higher voltages with emphasis on high efficiency, low power consumption and lower system cost. Future developments will yield DC/DC converters which are capable of converting high voltages to lower voltages at high efficiency.

PWM technology is mostly used in current applications. However, it has certain deficiencies under certain operating conditions. Nonetheless, by adopting the two (2) technologies, Charge Pump and PWM, we are able to offer a more comprehensive solution to our customers. As each technology offers different advantages under different operating conditions, using a mix of the two (2) technologies will offer a more effective solution for target applications.

5. INFORMATION ON BCT TECH GROUP

(ii) High Efficiency Power Supply - ZVS

We are proposing to launch the ZVS high efficiency controller for our target applications that includes LCD TV and digital audio, high powered home appliances and high efficiency green SMPS.

We are currently working with a design partner, Bonn Drafting Co. to finalise the system design and build a prototype for our High Efficiency Power Supply ZVS (Zero Volt Switching) product. Upon finalising our system design in the 1st half of 2006, our target Chip specifications will be set out and our engineering process is expected to start in the 2nd half of 2006 with our engineering sample expected to be ready by the 2nd half of 2006.

Our High Efficiency Power Supply is targeted at the following applications:

1. Small form factor power supply for mid/high end PCs;
2. LCD TV and digital audio products;
3. High power home appliances which include, amongst others, induction cookers, heaters and fast chargers for industrial grade power tools; and
4. High efficiency green SMPS (Switching-Mode Power Supply).

Being a relatively new and closely-held technology dominated by a few major players in the US and Japan, and owing to its capital intensive nature and shortage of expertise in the High Efficiency Power Supply technology, there are few competitors in this technology. This provides an opportunity for us to penetrate and gain market share with our innovative technology and competitive pricing strategy.

The advantages of our solution in the High Efficiency Power Supply products are as follows:

1. It has high efficiency in terms of power conversion as there will be less heat being generated and there will be near zero loss of energy or electric output in the process of power conversion;
2. It uses none or fewer cooling fans, thus decreasing the audible noise since the number and size of the fans required to cool off the electronic components in the relevant devices will be reduced by at least 30%;
3. It uses smaller and fewer heat sink devices because with less heat generated in the electronic components, the design and size of the heat sink devices will be reduced accordingly. Heat sink devices promote heat dissipation from a hot surface to a cooler medium such as air. Such heat sink is to maintain the device temperature below the maximum allowable temperature specified by the device manufacturers for optimal use;
4. It has a smaller form factor in terms of end-product size resulting from general reduction in size and total components required in the devices which will in turn reduce the overall sizes of the end products; and
5. It uses less energy as the power consumption will be relatively lower since there will be less energy being transformed into heat and being lost.

Our intention is to provide a complete reference solution to the customer rather than just the ZVS Chip itself. Our ASSP's unique Chip functionality together with a production ready reference solution is designed for a particular application. This ready-made solution's function and performance are customised and therefore, may not be directly comparable to the advantages of other competitors solutions.

5. INFORMATION ON BCT TECH GROUP

(iii) VRM Controller

The VRM Controller will be launched to target PC motherboard applications. Our target customers will be the PC manufacturers in Taiwan and China.

We had on 26 March 2004 acquired the world-wide exclusive "rights to use" a patented technology from 26 March 2004 to 25 March 2010 through the Project Agreement entered into between The University of Hong Kong, us and PowerElab Ltd dated 26 March 2004.

Under the agreement, we will develop Chips using the university's owned IP rights and the university will grant us a sole right to sell the product by incorporating or utilising the IP rights world wide for a period of three (3) years for a payment sum of HKD45,000 not later than 1 May 2004 and a royalty and administration fee based on the product shipment quantity payable by us to the university and PowerElab Ltd.

For the 4th, 5th and 6th year, the exclusive arrangement may continue only if we pay the minimum royalty and administration fees, that are, HKD30,000 per quarter, HKD120,000 per quarter and HKD240,000 per quarter respectively. Under the agreement, we have the option to acquire the IP rights at the end of the 3rd year by paying the maximum acquisition price of USD2,500,000. The mode of purchase consideration is cash.

We are working in collaboration with the university whereby the university provides the technology on their proprietary IP rights and our engineering team provides the technical expertise by using and integrating the IP rights to develop functional Chips by carrying out the Chip design, implementation, fabrication and assembly for our Chip products. PowerElab Ltd is managing the project on behalf of the university.

We are translating the said technology into a customised VRM Controller Chip product. Our Chip has the potential to replace existing VRMs used in PC motherboards. VRM is used to power the PC microprocessor Chips to enable it to operate at multi Giga Hertz speed.

The VRM Controller is targeted at the following applications:

1. Motherboard power supply to PC microprocessors;
2. Add-on card power supply to Graphic Chip; and
3. Embedded system power supply to fast DSP.

Our target customers include motherboard manufacturers or PC manufacturers.

The requirement to power microprocessors is stringent. In order to meet the specifications, our current Chip solutions used to control the VRM requires a complex technique called multi-phase PWM, which is expensive and requires more external components.

In this respect, our VRM Controller has an added advantage over our competitors as set out below:

1. The patented solution has a simple design architecture to meet the VRM specifications. A simple design architecture will allow us to build the Chip solution according to VRM specifications at minimal cost and effort (as further explained below);

5. INFORMATION ON BCT TECH GROUP

2. Our patented solution allows higher integration with less external components to be used, hence reducing the total VRM cost; and
3. Our technology uses the external components to adjust the system to meet current and future VRM specifications without having to use a new Chip. As such, our solution is scalable to meet the current and future VRM specifications without much added cost compared to other traditional technologies such as the multi-phase PWM.

Our product roadmap for the VRM Controller is as follows:

1. The proto-type is ready and has displayed good test results;
2. The Chip specifications are being finalised for our first test Chip development work;
3. We are targeting to start our design for sample manufacturing by the 2nd half of 2006; and
4. Our Chip sample and pre-marketing of the VRM Controller is expected to commence by the 1st half of 2007 and full production by 2nd half of 2007.

5.5.7.2 Solid State lighting

Moving forward, we expect to launch the following product family of Bright LED Drivers:

- (i) LED Driver 3 Watt;
- (ii) LED flash 1A for digital camera/mobile phone applications; and
- (iii) LED Driver 5 Watt.

Both the LED Drivers 3 Watt and 5 Watt can be used to drive the DC and AC powered LED Driver and the automotive DC/DC LED Driver, as further explained below.

(i) DC and AC powered LED Driver

DC/DC powered LED Driver

The family of DC/DC powered LED Driver comprising the initial series of LED Drivers 100mA, 200mA and 1 Watt was launched in 2004. Our target applications of the DC/DC powered LED Driver include battery powered torches and portable lighting equipment while our customers include those in the lighting and torch markets, automobile market and the consumer electronics market.

We intend to further develop this market by introducing the LED Drivers 3 Watt and 5 Watt by the 2nd half of 2006.

As LEDs are energy efficient and have a long lifespan, there is significant energy and cost saving capabilities as opposed to existing florescence lighting. Additionally, LED lighting can provide a range of lifestyle enhancement capabilities such as multiple colour or mood lighting (mixing of Red, Green and Blue (RGB) lights), dimming and flashing. This potential evolution in lighting provides us with vast business opportunities.

AC/DC powered LED Driver

We also intend to launch the AC/DC powered LED Driver in 2007. Our target application of the AC/DC powered LED Driver includes down lighting to replace existing halogen lamp in our target customers' products in the consumer electronics market.

5. INFORMATION ON BCT TECH GROUP

Our AC/DC powered LED Driver allows the design to be used directly to the main supply i.e. 110V or 220V whereby the bright LEDs will be plugged directly to the mains using our AC/DC Driver module. As such, a consumer can buy a LED light with our AC/DC Driver module built-in to replace the existing light bulb directly. Hence, a plug-and-play concept for the consumer's easy adoption can be produced.

(ii) LED Flash for Digital Cameras and Mobile Phones

We had recently developed and are testing our LED flash 450mA as a precursor to the design and development of our LED flash 1A. We expect to launch the high-powered LED flash 1A after having tested the market's response to the lower powered LED flash 450mA. Our target applications of the LED flash include cameras, mobile phones and stand alone digital cameras with target customers being in the consumer electronic market.

The LED flash will have a low voltage operation feature to provide longer battery life and small form factor which is in line with the trend of miniaturisation of mobile phones and pocket digital cameras. Additionally, the higher power drive of 1A will enable our design to provide a brighter light source or flashlight for capturing night shots.

(iii) Automotive DC/DC LED Driver

We also intend to launch the automotive 12V DC/DC LED Driver. Our target applications of the Driver include the LED lamps for the rear, indicator and fog lights in automobiles with target customers being in the automotive sector.

The features such as high-powered Drivers, high efficiency and programmable brightness control will provide a brighter and energy efficient light source for automobile lighting for both internal and external use.

5.5.7.3 Display

Moving forward, we expect to launch another LED display Driver with added features. Our target applications of the LED display Driver include the DVD recorder (or in the technical term, DVD RW (Read Write)) and home appliances. The DVD RW disc is used to store media. Our targeted customers for the LED display Driver is in the consumer electronics market.

The added features include a high number of LED segment drive, standby features and RGB LED real colour backlight. These added colour enhancements on the panel of a consumer product will enhance the product's visual image.

5.5.7.4 ASIC

Our new ASIC Products are as follows:

Product	Features	Application
ASIC electronic candle	<ul style="list-style-type: none"> ▪ It has a sensor to imitate flame movements; and ▪ It has a movement-sensitive feature with a blow-off function 	<ul style="list-style-type: none"> ▪ Consumer electronics
ASIC induction cooker	<ul style="list-style-type: none"> ▪ It has automatic soft start operation ▪ It has integrated thermal protection circuit and support external temperature sensor ▪ It has low power consumption 	<ul style="list-style-type: none"> ▪ Portable induction cooker ▪ Induction hot plates ▪ Instant induction cooker

5. INFORMATION ON BCT TECH GROUP



Our above products have been customised specifically for our customers based on their requirements.

Our ASIC products in the form of an electronic candle is intended to imitate the function of a real candle, which is prone to fire hazard incident, and yet provide the versatility for integration into various consumer electronic products such as consumer display product and are expected to be used by households, churches and restaurants.

Our ASIC products in the form of a Chip incorporating our ZVS technology used in the induction cooker will result in high efficiency power usage and with added features built in to mitigate the risk of over heating. In order to commercialise this product, we are working together with an ODM to provide a complete, off the shelf solution with customised parts for our target market.

Currently, induction cookers are widely used in Japan and there is a significant growth potential in China's market. Further, induction cookers are expected to be an emerging technology replacing other more traditional cooking appliances. As such, with the advanced safety features of our ASIC Chip built in the induction cooker, we are expecting to penetrate into the European and China markets.

An image of our ASIC induction cooker power management product is shown in the picture below:

Chip Product image	End application – induction cooker
	

Apart from the above ASIC product, we are currently negotiating with several other customers for potential ASIC projects.

5.5.7.5 Wireless application

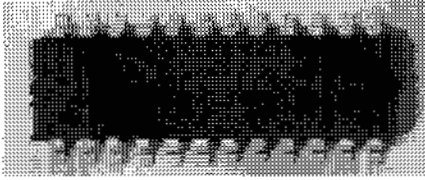
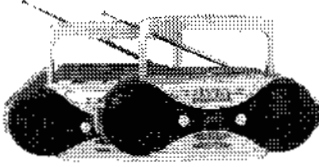
Another product in the pipeline is the development and launch of our RF products, i.e. the PLL digital tuner under wireless application as follows:

Product	Features	Application
PLL for digital radios	<ul style="list-style-type: none"> ▪ Allows high integration of components in a digital radio ▪ Uses less components in a digital radio ▪ Low audible noise ▪ Low voltage operation ▪ Built in power supply 	<ul style="list-style-type: none"> ▪ Digital Tuning System Radio

Our PLL for digital radio applications combines the functions of multiple Chips into fewer or one (1) Chip. This combination of functions within a Chip allows a small form factor in terms of end-product size, offers higher reliability and lower costs due to the reduced number of components used in the application and thus, can be competitively priced.

5. INFORMATION ON BCT TECH GROUP

An image of our PLL for digital radios is shown in the picture below:

Chip Product Image	End-Application - Radio
	

Its target applications are in PLL radio and smart RF control, which are expected to be used by portable slim radios and consumer products with RF controls. Our targeted customers for our wireless application products are the radio and wireless application markets.

The PLL digital tuner will initially operate on higher frequency and low radiation noise with a two-battery operation. It will have three (3) stages of phone detectors and built-in DC/DC converters. Our product is expected to help reduce the final product size and external component cost.

The rest of the page is intentionally left blank

5. INFORMATION ON BCT TECH GROUP

5.5.7.6 Product roadmap

In summary, our product roadmap on the design, development and marketing of Chip products is as follows:

(a) Power management technology

Product	Expected Commercialisation
(i) DC/DC converters – 1A to 2A	By 2 nd half of 2006
(ii) High Efficiency Power Supply – ZVS	By 2 nd half of 2006
(iii) VRM Controller	By 2 nd half of 2007

(b) Solid State lighting technology

Product	Expected Commercialisation
(i) LED Driver 3 Watt	By 2 nd half of 2006
(ii) LED flash 1A for digital camera/ mobile phone applications	By 2 nd half of 2006
(iii) LED Driver 5 Watt	By 2 nd half of 2006
(iv) AC/DC powered LED Driver	By 2 nd half of 2007

(c) Display technology

Product	Expected Commercialisation
(i) LED display Driver for DVD Read-Write (RW) with added features	By 1 st half of 2007

(d) ASIC products

Product	Expected Commercialisation
(i) ASIC electronic candle	Dependent on customers' specification
(ii) ASIC induction cooker	By 2 nd half of 2006

(e) Wireless application technology

Product	Expected Commercialisation
(i) PLL digital tuner for radio	By 2 nd half of 2006

5. INFORMATION ON BCT TECH GROUP

5.5.8 Principal Markets

The breakdown of our main product range for the past three (3) financial period/years ended 31 December 2003 to 2005 is set out below:

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	1,213	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

5. INFORMATION ON BCT TECH GROUP

5.5.9 Cyclical nature of our business

As stated in Section 4 of this Prospectus, the semiconductor industry is cyclical in nature, generally characterised by recurring four (4)-year cycles. Typically, these cycles had 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 demand for our Chips and consequently Chips design services is largely dependent on the performance of the global computer, communication and consumer markets.

Consequently, our business is driven and affected by the above cyclical pattern of the semiconductor industry.

5.5.10 Competitive strength and advantages

Our strengths and advantages are set out below:

(a) Experienced management team and strong technical knowledge

In a highly technical and specialised semiconductor environment, we need to implement appropriate key business strategies, keep abreast with technological changes and stay ahead of competition by being innovative.

For this purpose, we have in place an experienced management team and strong Analog design team. Our senior management, comprising Lee Wai Kuen, Chong Yew Peng, Ho Choon Ngiap, Cheung Tsz Wing and Chong Chee Seng, have relevant working experience to their current position for the following number of years:

Name	Approximate number of years
Lee Wai Kuen	18
Chong Yew Peng	18
Ho Choon Ngiap	16
Cheung Tsz Wing	10
Tong Ki Kuen	22
Chong Chee Seng	20
Average	17

Our senior management also heads the technical team and together, have helped defined the product roadmap for the development of new Chip design ideas and ASSPs. Our Group's R&D effort culminated in the development of our first power management Chip application i.e. the fragrance/insect repellent dispensing platform in 2003. Our Group is also reliant on the strong financial background and business acumen of the above senior management team to steer the Group towards a financially-stable position.

The profile of the management and technical team is set out in Section 8.4.2 of this Prospectus.

(b) Customer-centric driven business model

We have modelled our business plan on mainly being customer-centric as opposed to being product-centric. On this basis, we design and develop ASICs or ASSPs with a view to meet customers' immediate demand as opposed to developing products for new markets.

5. INFORMATION ON BCT TECH GROUP

Our first ASIC product was developed on this concept which culminated in its power management Chip product for Computime. This strategy limits the risk of capital investment in R&D and marketing expenses.

(c) Technical track record and IP Core portfolio

We have ventured into the ASIC and ASSP markets with the successful development of the fragrance/insect repellent dispensing platform, LED display panel and LED Drivers 100mA, 200mA and 1Watt. We currently have 46 different IP Cores as at the Latest Practicable Date with target applications ranging from PCB motherboards to smart card RF ID (Identification). As we own the IP rights, the time taken to design ASSPs will be reduced depending on the type of Chip being designed.

Additionally, we had in 2002 applied for a patent with the United States/Singapore Patent and Trademark Office to patent a circuit within the Precision Linear category. The patent was granted with Patent No. US 6,861,831 B2. The said circuit is currently being used in our process technology in power management, Solid State lighting and display technologies, and IP such as EEPROM and RF front-end for various wireless applications. On 26 August 2005, we had applied for a patent with the Intellectual Property Office of Singapore to patent E-Square Charge Pump.

Further, we are currently licensing a patented technology from PowerELab Ltd and University of Hong Kong, whereby we have signed an exclusive agreement for six (6) years to commercialise the said technology.

(d) Commitment to R&D

We have earmarked a total of RM4.5 million from the listing proceeds to R&D. The R&D activities will include power management technology, Solid State lighting technology, display technology and wireless application technology. The goal of the Group's R&D is to develop next generation Chip products with a higher ASSP value for use in the consumer, PC and telecommunication industries.

(e) Established and diverse customer base

Our fragrance/insect repellent dispensing platform ASIC customer is Computime, the contract manufacturer for a company that provides consumer household products. Other customers for our EDA and ASSP products include City Chance Ltd (Hong Kong), Chartered Semiconductor Manufacturing Ltd (Singapore) and Valor Computerised Systems Ltd (Middle East) as set out in Section 5.7 of this Prospectus. The successful establishment of our customers base will provide a good leverage for chain marketing for our other newer products, namely the VRM Controller and High Efficiency Supply Power.

(f) Well-distributed network and location within the Asian region

We are currently operating out of Singapore, Hong Kong and Malaysia. These locations are strategically placed to take advantage of the proximity to customers, suppliers and business associates. Hong Kong and Singapore represent gateways to the more established regional markets and in the case of Hong Kong, to the burgeoning China market. We are also poised to benefit from tax benefits and MSC incentives by having our headquarters in the MSC (Multimedia Super Corridor) in Malaysia. With the Government's continuous support in the MSC development, we envisage that the MSC will be an investment hub for global information and communication technology (ICT) and multimedia companies within the Asia region in the future.

5. INFORMATION ON BCT TECH GROUP

Apart from the above operations, we have also established various distribution channel with foreign-based companies for the distribution of all its ASIC and ASSP products such as Esmart Distribution Pte Ltd in Singapore, City Chance Ltd in Hong Kong, Loyal Master Limited in Hong Kong, Fahon Opto Technology (HK) Limited in Hong Kong and New Life Electronic Technology Company Limited in China.

5.5.11 Types, sources and availability of raw materials/input

As we focus on Chip designing, the system and circuit designs are aided by the use of EDA tools, which are software tools, used for the development of Chips and Systems. These EDA tools allow the creation and simulation of Chip functionalities and performance. We purchase our EDA tools from various suppliers to facilitate the various design and simulation requirements. The supply of the said tools is generally adequate for our Chip design process.

We outsource our manufacturing operations to suppliers. These suppliers offer Wafer Fabrication, Packaging and Testing functions. The Wafer Fabrication, Packaging and Testing are the manufacturing processes of our Chips' product development.

Our major suppliers of raw materials, in the form of finished Wafers are from Foundries in Singapore and China. As Foundries have specialised processes in fabrication, we have started to source for other Foundries for our different process requirements. Sourcing for other Foundries are also necessary to provide an alternative to our current Foundries. The prices of the above raw materials/inputs are fairly competitive driven by demand and supply but not volatile.

5.5.12 Quality control procedures

In the semiconductor industry where technical specifications are highly complex with limited room for errors, quality control is most essential for our Chip design and product development process.

We practice the following quality control procedures as described below:

1. Internal quality control and procedures

(a) Purchasing and procurement policies

The quality control begins at the initial checkpoint upon sourcing of materials. The main material used for our Chip product which is Wafer, is sourced from established suppliers. We outsource the Wafer sourcing and manufacturing to Foundries. The Foundries have their respective quality assurance reviews prior to delivering the processed Wafer to our Wafer testing suppliers.

Sourcing of materials from reputable suppliers is important as it ensures quality Wafers are supplied, thus minimising incidences of defective Chip product output. These suppliers will also ensure deliveries are made on a timely basis.

(b) System and circuit design

We have established a proven design process which has been refined over the past four (4) years. This process has various checks and crosschecking incorporated within the design flow to ensure quality results at each key stage of the flow. We have used this process for the past four (4) years to deliver quality silicon to our design service customer as well as in the development of our own ASIC product, the fragrance/insect repellent dispensing platform.

5. INFORMATION ON BCT TECH GROUP

(c) In-house testing and evaluation

After receiving the processed and packaged Chip from the Foundries and packaging contract houses, we will perform in-house quality control procedures with the aid of computerised testing equipment. An advanced Logic Analyser, Spectrum Analyser and Oscilloscope are used in the testing process. These testing will confirm the functionality of the Chip devices against our design specifications.

2. External quality control and procedures

As we outsource our manufacturing processes to external contract houses, we will evaluate the supplier's quality control procedures to ensure that all stages of the manufacturing process conform to quality standards and design specifications. The above confirmation is normally certified by third-party certification. The areas outsourced involve Wafer Fabrication and Packaging (or assembly) and Testing.

5.5.13 R&D

(a) R&D policy

As R&D activities are crucial for our business in Chip designing and product development, we will continue to invest in our R&D activities to enhance our ASIC and ASSP product range. Our R&D policy will be driven by the need to design and develop innovative products in line with technological changes and advances as opposed to maintaining a fixed allocation for R&D each year. In this respect, our R&D will focus on core power management technology which main products include ZVS and VRM. We are also exploring MCU based Chip products.

(b) R&D team

As at the Latest Practicable Date, all of our technical team of 18 engineers, with an average six (6) years of relevant experience, are involved in R&D activities. Ho Choon Ngiap heads the R&D. The engineers' competencies in R&D are in the design of advanced Mixed-Signal and Analog Chips. Of the above, nine (9) of them have on average six (6) years of experience in designing ASSP products. We carry out detailed product feasibility studies based on market requirements, competitive analysis and risk management prior to product commitment. This step is essential to minimise obsolete products and increase the success rate of each product roll out.

(c) R&D Focus

As at the Latest Practicable Date, our R&D activities have yielded us with the successful development of our first three (3) ASICs and ASSPs under the following technology areas:

- (a) Power management technology, which led to the development of a fragrance/insect repellent dispenser platform specifically customised for our customer and DC/DC converters;
- (b) Solid State lighting technology, which led to the development of Bright LED Driver series i.e. LED Driver 100mA, 200mA and 1Watt; and
- (c) Display technology, which led to the development of LED display Driver for DVD players.

5. INFORMATION ON BCT TECH GROUP

For the financial period/years ended 31 December 2003 to 2005, the amount spent on R&D as a percentage of our Group revenue is set out below:

	2003 RM '000	2004 RM '000	2005 RM'000	Total RM '000
Revenue	3,289	10,337	20,324	33,950
R&D cost	3,934	2,396	2,798	9,128
R&D cost (% of revenue)	119.61%	23.17%	13.77%	26.89%

We will continue to invest heavily in R&D activities and has allocated RM4.5 million from our listing proceeds towards R&D. Please refer to Section 3.8 of this Prospectus for further information on the R&D activities to be implemented within two (2) years from our listing.

As at the Latest Practicable Date, the status of our R&D activities as per Section 3.8 of this Prospectus is as follows:

Area of focus	R&D Activity	Status
VRM Controller	Design circuit for the high voltage built-in MOSFET Driver. MOSFETs are useful for high speed switching applications and also on Chips in computers.	The design work is at the early stage whereby feasibility studies are being carried out. We expect to commence the detailed design of the circuit by the 2 nd half of 2006.
High Efficiency Power Supply	To develop architecture for ZVS (Zero Voltage switch power supply)	We have developed the prototype of the Chips and are currently carrying out testing and evaluation activities. We expect to complete this process by 3 rd quarter of 2006 before commercial production begins.
Bright LED Drivers	Develop a high current, high efficiency charge pump Develop a high voltage circuit for Solid State Light	We target to commence our R&D activity in the 2 nd half of 2006.

Further, as part of our five (5)-year business development plan, we will remain focussed on the development of new product variants under power management, Solid State lighting, display Driver and wireless application technologies. We will also leverage on our past track record of having successfully developed and commercialised our first customer-specific ASIC product and promote this area of activity.

(d) R&D set-up

Our R&D facility is currently located at our office in Singapore. We have set up another 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.

5. INFORMATION ON BCT TECH GROUP

5.5.14 Interruptions to Operations

There has been no material interruption to our business or operations in the past twelve (12) months. Though in the past, we have experienced longer production cycle at the Foundries when they faced simultaneous strong demand from their customers. Therefore, our management has adopted the necessary strategies as set out below to mitigate this risk:

- We have a buffer stock policy in place;
- We have a sales team that liaise continuously with our customers on production and delivery schedules at least 3-4 months prior to the actual delivery dates; and
- We have alternative suppliers for back up services which can turn around at very short notice.

5.5.15 Key Achievements/Milestones

Our key achievements, milestones and awards since our incorporation are set out below:

Month/Year	Major events
1994	Incorporation of BCT in Singapore
1995	Started as an EDA tool distributor in the ASEAN region
1999	Diversification of the business with the starting-up of an Analog circuit design team
2000	Awarded a major contract by an established US Semiconductor Corporation to provide advance Analog Chip design services
October 2002	Opening of the sales and marketing office in Hong Kong with two (2) experienced professionals to establish direct sales channel and tap the growing Chip product market in the northern Asia region and to better understand the market requirements
2003	Transition from a Chip design service company to a Chip product company. Definition of ASSP product roadmap was completed and the Group started its internal development towards its first ASIC/ASSP product
May 2003	Entered into a contract on 29 May 2003 with an electronic manufacturing services company to design and supply ASIC products
December 2003	Received the first order for one (1) million Chips from a customer for the Fragrance/Insect Repellent Dispensing Platform
October 2004	The Group had a total of five (5) Chip products available for sale in the market as follows: 1. Fragrance/Insect Repellent Dispensing Platform; 2. LED display Driver for DVD player; 3. LED Driver 100mA; 4. LED Driver 200mA; and 5. LED Driver 1Watt.
October 2004	BCT Tech was formed to facilitate the listing of BCT on the MESDAQ Market
December 2004	BCT Tech was granted MSC status by MDC
March 2005	Granted patent no: US 6,861,831 B2 for Voltage Regulator from United States
May 2005	Established its Chip design set-up in Cyberjaya, Selangor, Malaysia
31 March 2006	BCT Tech has 25 Chip products to-date

5. INFORMATION ON BCT TECH GROUP

5.5.16 Modes of Marketing/Distribution/Sales

The marketing and promotion activities undertaken by us are led by our Director of Technical Marketing, Cheung Tsz Wing and Director of Sales, Tong Ki Kuen, under the guidance of Lee Wai Kuen, our CEO. Our offices in Hong Kong and Singapore are currently spearheading the marketing activities for our ASSPs. Our business strategy is to target specific customers with the intention of designing and developing ASICs and ASSPs customised for their applications. We also market our products directly to customers by providing them with technical updates and advisory services (design-in capability). Samples and test kits are often supplied to potential customers for product sampling and qualification. Apart from focussing on our existing markets in Hong Kong, China, India, Taiwan, Singapore and the Asian region, we intend to pursue new markets such as in Japan, Korea, the US and Europe. Our marketing strategy would include the following:

- (i) To tie up with other contract manufacturers, original equipment manufacturers and original design manufacturers to provide custom ASIC solutions;
- (ii) To work closely with product manufacturers to study and envisage their needs in order to design and develop a commercially-acceptable and marketable ASSPs;
- (iii) To appoint distributors to cover new market regions such as Japan, Korea, the US and Europe with a view to increase our reach to potential customers;
- (iv) To collaborate with product design partners to design and market our new products in power management technology; and
- (v) To actively promote our products and brand name awareness through road shows, trade shows, exhibitions and advertising in trade journals.

5.5.17 Operating Locations

Our operations, principal place of business and marketing offices are located at the following rented premises:

Office	Postal address	Term/Date of expiry of tenancy	Disclosure of breaches of the tenancy agreement
Cyberjaya headquarters	First Floor, Rajawali Block Cyberview Garden Villa and Office Complex Persiaran Multimedia 63000 Cyberjaya Selangor Darul Ehsan	Term of 1 year which expired on 14 May 2006 with the option to renew for a further term of 2 years pursuant to the Tenancy Agreement dated 10 June 2005 between BCT Tech and Cyberview Lodge Sdn Bhd. BCT Tech did not exercise the option to renew the tenancy but the parties have mutually agreed to extend the tenancy until 31 July 2006. BCT Tech is in the midst of finalising the tenancy for its new headquarters.	None

5. INFORMATION ON BCT TECH GROUP

Office	Postal address	Term/Date of expiry of tenancy	Disclosure of breaches of the tenancy agreement
Penang office	8-1-5 Sunny Point Complex Jalan Sultan Azlan Shah 11700 Batu Uban Penang	Term of 2 years which expired on 31 August 2004 with the option to renew for a further term of 2 years pursuant to the Tenancy Agreement dated 1 September 2002 between SPSDA Sdn Bhd (now known as BCSM) and Soong Siew Loong. The tenancy was renewed for a further term of 2 years from 1 September 2004 to 31 August 2006 pursuant to a letter dated 12 August 2004 from Soong Siew Loong.	None

We are not in breach of any law, rules and building regulations in relation to the use of the above rented premises.

We also maintain the following offices in the region which are located at the following rented premises:

Office	Postal address	Term/Date of expiry of tenancy	Disclosure of breaches of the tenancy agreement
Singapore office	3 International Business Park #03-18/19/20 Nordic European Centre Singapore 609927	Term of 2 years expiring on 15 December 2007 with the option to renew for a further term of 2 years pursuant to the Tenancy Agreement dated 20 January 2006 between BCT and Nordic European Centre Pte Ltd.	None
Hong Kong office	Unit 906-911, 9 th Floor Stanhope House 734-738 King's Road, North Point Hong Kong	<ul style="list-style-type: none"> Tenancy Agreement dated 15 May 2004 for a term of 3 years expiring on 16 March 2007 between Hang Lung Real Estate Agency Limited (the agent for the landlord, ZARAT Limited) (HK Landlord) and B.E.L. Systems Ltd (BELSL). The HK Landlord, BELSL, Hectrix Limited, CWLinux Ltd and BCTHK have entered into a Guarantee and Indemnity dated 15 May 2004, by which the HK Landlord did not object to BELSL allowing BCTHK to hold, use and occupy the said premises and to enjoy all rights and privileges granted to BELSL under the Tenancy Agreement dated 15 May 2004 subject to BCTHK agreeing to indemnify the HK Landlord against any losses or damages arising out of the use and occupation of the said premises. 	None

We are not in breach of any law, rules and building regulations in relation to the use of the above rented premises.

5. INFORMATION ON BCT TECH GROUP

5.5.18 Location of Principal Assets

Our principal assets, both tangible and intangible, are located at:

Office	Address
Cyberjaya, Headquarters	First Floor, Rajawali Block Cyberview Garden Villa and Office Complex Persiaran Multimedia 63000 Cyberjaya Selangor Darul Ehsan
Singapore office	3 International Business Park #03-18/19/20 Nordic European Centre Singapore 609927

We are principally involved in the design and supply of integrated circuits and therefore our intangible principal assets consist of IP and IP Cores. To protect our interest on IP, we have applied for registration of our patents. IP Cores are protected under copyright.

Further information on our IP is set out in Section 5.5.4 of this Prospectus.

5.5.19 Summary of Landed Properties

As at the Latest Practicable Date, we do not own any land or buildings.

5.6 Information on our Subsidiary, BCT

(i) History and Business

Our Singapore subsidiary (199405194M) was incorporated in Singapore on 23 July 1994 as a private limited company. Our Singapore subsidiary's principal activities are in the design and supply of integrated circuits, the distribution of software solutions, provision of design related services and the licensing of intellectual property in integrated circuits related fields. Our Singapore subsidiary had commenced operations on 23 July 1994 under the name of SPS-DA Ptd Ltd, which was subsequently changed to its current name on 8 April 2002.

Further information on the history and principal activities of our Singapore subsidiary is set out in Section 2.1 of this Prospectus.

(ii) Substantial Shareholders

The substantial shareholder of our Singapore subsidiary and its effective interest held is as follows:

Name	Effective interest held (%)
BCT Tech	100.0

5. INFORMATION ON BCT TECH GROUP

(iii) Share Capital

Our Singapore subsidiary presently has an authorised share capital of SGD5,000,000 comprising 5,000,000 ordinary shares of SGD1.00 each, of which SGD1,343,483 ordinary shares of SGD1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of our Singapore subsidiary since its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Par value	Consideration	Total issued and paid-up share capital
		SGD		SGD
23.07.1994	2	1	Subscribers' Shares	2
10.07.1995	54,998	1	Cash	55,000
10.06.1996	25,000	1	Cash	80,000
20.12.2003	420,000	1	Bonus Issue ¹	500,000
17.07.2003	26,316	1	Satisfaction of debt	526,316
31.12.2003	122,928	1	Cash	649,244
31.12.2003	67,674	1	Satisfaction of debt	716,918
01.01.2004	22,673	1	In exchange of 30,000 ordinary shares in BCTHK	739,591
30.06.2004	441,298	1	Cash	1,180,889
31.07.2004	80,134	1	Cash	1,261,023
12.11.2004	82,460	1	Bonus Issue ²	1,343,483

Notes:

- 1 Bonus issue was undertaken to the existing shareholders of BCT on the basis of one (1) new ordinary share for every five point two five (5.25) existing shares held by the shareholders of BCT.
- 2 Bonus issue was undertaken to the existing shareholders of BCT on the basis of one (1) new ordinary share for every ten (10) existing shares held by the shareholders of BCT.

(iv) Subsidiary and associated company

As at the Latest Practicable Date, our Singapore subsidiary has two (2) wholly-owned subsidiaries.

The rest of the page is intentionally left blank

5. INFORMATION ON BCT TECH GROUP

5.6.1 Information on BCT's Subsidiary, BCSM

(i) History and Business

Our Malaysia subsidiary (Company No. 527452-D) was incorporated in Malaysia on 27 September 2000 as a private limited company, under the Act. Our Malaysia subsidiary's principal activity is distribution of EDA tools and provision of related services. Our Malaysia subsidiary had commenced operations on 27 September 2000.

Further information on history and principal activities of our Malaysia subsidiary is set out in Section 2.1 of this Prospectus.

(ii) Substantial Shareholders

The substantial shareholder of our Malaysia subsidiary and its effective interest held is as follows:

Name	Effective interest held (%)
BCT	100.0

(iii) Share Capital

Our Malaysia subsidiary presently has an authorised share capital of RM300,000 comprising 300,000 ordinary shares of RM1.00 each, of which RM200,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of our Malaysia subsidiary since its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Total issued and paid-up share capital RM
27.09.2000	3	1	Subscribers' Shares	3
11.10.2001	99,997	1	Cash	100,000
21.12.2001	100,000	1	Cash	200,000

(iv) Subsidiary and associated company

As at the Latest Practicable Date, our Malaysia subsidiary does not have any subsidiary nor associated company.

5.6.2 Information on BCT's Subsidiary, BCTHK

(i) History and Business

Our Hong Kong subsidiary (Company No. 820861) was incorporated in Hong Kong on 8 November 2002 as a private limited company. Our Hong Kong subsidiary's principal activity is sales and marketing of semiconductor chips and related services. Our Hong Kong subsidiary had commenced operations on 8 November 2002.

5. INFORMATION ON BCT TECH GROUP

Further information on history and principal activities of our Hong Kong subsidiary is set out in Section 2.1 of this Prospectus.

(ii) Substantial Shareholders

The substantial shareholder of our Hong Kong subsidiary and its effective interest held is as follows:

Name	Effective interest held (%)
BCT	100.0

(iii) Share Capital

Our Hong Kong subsidiary presently has an authorised share capital of HKD10,000 comprising 100,000 ordinary shares of HKD0.10 each, all of which have been issued and fully paid-up.

The changes in the issued and paid-up share capital of our Hong Kong subsidiary since its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Par value	Consideration	Total issued and paid-up share capital
		HKD		HKD
24.10.2002	100,000	0.10	Subscribers' Shares	10,000

(iv) Subsidiary and associated company

As at the Latest Practicable Date, our Hong Kong subsidiary does not have any subsidiary nor associated company.

5.7 Major Customers

For the financial period/years ended 31 December 2003 to 2005, our major customers contributing 10% or more to our Group's revenue are as follows:

No	Customer	Level of revenue	% of sales	Country of origin	Products sold
		RM'000			
FYE 2003					
1	Chartered Semiconductor Manufacturing Ltd	769	23	Singapore	EDA tools
2	Silterra Malaysia Sdn Bhd	585	18	Malaysia	EDA tools
3	IST Silicon (M) Sdn Bhd	387	12	Malaysia	EDA tools
FYE 2004					
1	Computime Limited	4,767	46	Hong Kong	ASIC chips
FYE 2005					
1	City Chance Limited	13,584	67	Hong Kong	ASSP chips
2	Valor Computerized Systems Ltd	2,067	10	Middle East	EDA tools

5. INFORMATION ON BCT TECH GROUP

Approximately, 67% of our Group's revenue is from the sale of ASSP which is generated mainly from one of our major customers, City Chance Limited. City Chance Limited is one of our main distributors and the company is a supplier of electronic components, integrated circuits and product solutions provider for multinational companies in Hong Kong and China.

To mitigate the risk of over-dependence on our existing customers, we will continuously invest in R&D to design and produce new products as well as enhance our existing range of products. A wider range of products with enhanced features will enable us to keep abreast with customers' requirements and help promote a larger customer base. Consequently, the risk of over-dependence on our existing customers is expected to be mitigated in line with the progress of the above measures.

5.8 Major Suppliers

For the financial period/years ended 31 December 2003 to 2005, our major suppliers are as follows:

No	Supplier's name	Level of purchases RM'000	% of purchases	Country of Origin	Products purchased
FYE 2003					
1	Cadence Design Systems (Ireland) Ltd	275	58	Ireland	EDA tools
2	Chartered Semiconductor Manufacturing Ltd	64	14	Singapore	Wafer
FYE 2004					
1	Chartered Semiconductor Manufacturing Ltd	2,831	48	Singapore	Wafer
2	Cadence Design Systems (Ireland) Ltd	1,975	33	Ireland	EDA tools
FYE 2005					
1	CSMC Manufacturing Co Ltd	3,283	46	China	Wafer
2	Valor Computerized Systems Ltd	1,690	24	Middle East	EDA tools

Our suppliers include the Foundries, packaging and testing houses and we are, to a certain extent, dependent on our current suppliers for services as new suppliers may be required by us to undergo a certain qualification time before we are satisfied with the quality of such suppliers. Nonetheless, the above risk is being mitigated by our current efforts to procure other suppliers for similar services.

These efforts include an assessment of our new supplier's quality control procedures to ensure that all stages of the manufacturing, Testing and packaging steps conform to quality standards and specified requirements.