

CIRCULAR DATED 5 APRIL 2006

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.**

If you have sold or transferred all your shares in the capital of Baker Technology Limited (the "Company"), you should immediately send this Circular, the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any statements made, reports contained or opinions expressed in this Circular.



## **BAKER TECHNOLOGY LIMITED**

(Company Registration Number 198100637D)

(Incorporated in the Republic of Singapore)

### **CIRCULAR TO SHAREHOLDERS**

**in relation to the proposed**

- (1) RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE (THE "RIGHTS ISSUE") OF UP TO 570,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY ("RIGHTS SHARES") AT AN ISSUE PRICE OF S\$0.025 FOR EACH RIGHTS SHARE WITH UP TO 28,500,000 FREE DETACHABLE WARRANTS ("WARRANTS"), EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW ORDINARY SHARE IN THE CAPITAL OF THE COMPANY ("NEW SHARE") AT AN EXERCISE PRICE OF S\$0.025 FOR EACH NEW SHARE, ON THE BASIS OF TWENTY (20) RIGHTS SHARES WITH ONE (1) FREE DETACHABLE WARRANT FOR EVERY TWO (2) EXISTING ORDINARY SHARES EACH HELD BY SHAREHOLDERS OF THE COMPANY AS AT A DATE AND TIME TO BE DETERMINED BY THE DIRECTORS OF THE COMPANY ("BOOKS CLOSURE DATE"), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED**
- (2) CAPITAL REDUCTION EXERCISE TO REDUCE THE SHARE CAPITAL OF THE COMPANY ("CAPITAL REDUCTION EXERCISE")**
- (3) AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY ("ARTICLES")**

*Manager*

### **ASIAN CORPORATE ADVISORS PTE LTD**

(Company Registration Number: 200310232R)

(Incorporated in the Republic of Singapore)

#### **Important dates and times**

- |  |   |   |
|--|---|---|
| Latest date and time for lodgement of Proxy Form | : | 26 April 2006 at 10.30 a.m.   |
| Date and time of Extraordinary General Meeting   | : | 28 April 2006 at 10.30 a.m. or immediately after the conclusion of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day at the same place |
| Place of Extraordinary General Meeting           | : | Nautica III, Level 2,<br>Republic of Singapore Yacht Club,<br>52 West Coast Ferry Road,<br>Singapore 126887   |

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## DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or unless otherwise stated:–

“Act” or “Companies Act”	:	Companies Act, Chapter 50 of Singapore, as may be amended or modified from time to time
“ACRA”	:	Accounting and Corporate Regulatory Authority
“ARE”	:	Application form for Rights Shares with Warrants and excess Rights Shares with Warrants to be issued to Entitled Depositors setting out the provisional allotments of Rights Shares with Warrants of such Entitled Depositors under the Rights Issue
“ARS”	:	Application form for Rights Shares with Warrants to be issued to purchasers of the provisional allotments of Rights Shares with Warrants under the Rights Issue traded on the SGX-Sesdaq through the book-entry (scripless) settlement system
“Articles”	:	The Articles of Association of the Company for the time being
“Board”	:	The board of Directors of the Company as at the date of this Circular
“Books Closure Date”	:	The time and date to be determined by the Directors, at and on which the Register of Members and the Transfer Books of the Company will be closed to determine the provisional allotments of Rights Shares with Warrants of Entitled Shareholders under the Rights Issue and in the case of Entitled Depositors, at and on which their provisional allotments under the Rights Issue will be determined
“Capital Reduction Exercise”	:	The proposed capital reduction exercise undertaken by the Company pursuant to section 78 of the Act to reduce the issued and paid-up share capital of the Company
“CDP”	:	The Central Depository (Pte) Limited
“Closing Date”	:	The time and date to be determined by the Directors, being the last time and date for acceptance and/or excess application and payment, and renunciation and payment of, the Rights Shares with Warrants under the Rights Issue; or time and date to be determined by the Directors, being the last time and date for acceptance and/or excess application and payment of the Right Shares with Warrants under the Rights Issue through an automated teller machine of a participating bank
“Company”	:	Baker Technology Limited
“Deed Poll”	:	The deed poll to be executed by the Company constituting the Warrants and containing, <i>inter alia</i> , provisions for the protection of the rights and interests of the Warrantholders

“Directors”	:	The directors of the Company as at the date of this Circular
“Effective Date”	:	The date on which the Capital Reduction Exercise becomes effective
“EGM”	:	The extraordinary general meeting of the Company, notice of which is set out on Appendix III of this Circular
“Entitled Depositors”	:	Entitled Shareholders with Shares entered against their names in the Depository Register as at the Books Closure Date
“Entitled Scripholders”	:	Entitled Shareholders with Shares registered in their own names as at the Books Closure Date
“Entitled Shareholders”	:	Shareholders as at the Books Closure Date whose registered addresses with the Company or CDP, as the case may be, are in Singapore or who have, at least five (5) Market Days prior to the Books Closure Date, provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents
“EPS”	:	Earnings per share
“Exercise Period”	:	The period during which the Warrants may be exercised commencing on and including the date of issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the fifth (5 <sup>th</sup> ) anniversary of the date of issue of the Warrants, unless such date is a date on which the Register of Members of the Company is closed or is not a Market Day, in which event the Warrants shall expire on the date prior to closure of the Register of Members of the Company or on the immediately preceding Market Day, as the case may be (but excluding such period(s) during which the Register of Warrantholders may be closed), subject to the terms and conditions of the Warrants to be set out in the Deed Poll
“Exercise Price”	:	The sum payable in respect of each New Share to which the Warrantholder will be entitled to subscribe upon the exercise of a Warrant which shall be S\$0.025, subject to certain adjustments in accordance with the terms and conditions of the Warrants to be set out in the Deed Poll
“Foreign Shareholders”	:	Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five (5) Market Days prior to the Books Closure Date, provided to CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents
“FY”	:	Financial year ended or ending 31 December, as the case may be
“Gearing”	:	The ratio of total borrowings to shareholders’ funds
“Group”	:	The Company and its subsidiaries

“Latest Practicable Date”	:	28 March 2006, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended or modified from time to time
“Manager”	:	Asian Corporate Advisors Pte Ltd
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Memorandum”	:	Memorandum of the Company
“NTA”	:	Net tangible assets
“New Shares”	:	The new Shares to be issued by the Company upon the exercise of the Warrants subject to and in accordance with the terms and conditions of the Warrants to be set out in the Deed Poll
“Offer Information Statement”	:	The offer information statement, together with the PAL, the ARE, the ARS and accompanying documents, to be issued by the Company in connection with the Rights Issue
“Options”	:	Options to subscribe for Shares granted pursuant to the Scheme
“PAL”	:	Provisional allotment letter to be issued to Entitled Shareholders (not being Entitled Depositors), setting out the provisional allotment of Rights Shares with Warrants under the Rights Issue
“Principal Shareholder”	:	Saberon Investments Pte Ltd, a substantial shareholder of the Company
“Record Date”	:	In relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or with CDP, as the case may be, in order to participate in such dividends, rights, allotments or other distributions
“Register of Members”	:	Register of Members of the Company
“Rights Issue”	:	The proposed renounceable non-underwritten rights issue by the Company of up to 570,000,000 Rights Shares at an issue price of S\$0.025 for each Rights Share with up to 28,500,000 free detachable Warrants, each Warrant carrying the right to subscribe for one (1) New Share at an exercise price of S\$0.025 for each New Share, on the basis of twenty (20) Rights Shares with one (1) free detachable Warrant for every two (2) existing Shares held as at the Books Closure Date, fractional entitlements to be disregarded
“Rights Shares”	:	Up to 570,000,000 new Shares to be allotted and issued by the Company pursuant to the Rights Issue

“Scheme”	:	Baker Group Share Option Scheme 2002, as may be amended from time to time
“Securities Account”	:	A securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
“Securities and Futures Act” or “SFA”	:	Securities and Futures Act, Chapter 289 of Singapore, as may be amended or modified from time to time
“SGX-Sesdaq”	:	SGX-ST Dealing and Automated Quotation System
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shares”	:	Ordinary shares in the capital of the Company
“Share Registrar” and “Warrant Agent”	:	Lim Associates (Pte) Ltd
“Shareholders”	:	Persons (other than CDP) who are registered as holders of the Shares in the Register of Members and Entitled Depositors who have Shares entered against their names in the Depository Register
“Undertaking”	:	Irrevocable undertaking dated 24 February 2006 given by the Principal Shareholder to the Company as described on section 2.6 of this Circular
“Warrantholders”	:	Registered holders of Warrants, except that where CDP is the registered holder, the term “Warrantholders” shall, in relation to such Warrants, mean the Entitled Depositors whose Securities Accounts are credited with such Warrants
“Warrants”	:	Up to 28,500,000 free detachable warrants, in registered form to be issued by the Company together with the Rights Shares pursuant to the Rights Issue, and (where the context so admits) such additional warrants as may be required or permitted to be issued by the Company pursuant to the terms and conditions of the warrants to be set out in the Deed Poll (any such additional warrants to rank <i>pari passu</i> with the warrants to be issued together with the Rights Shares and for all purposes to form part of the same series), subject to the terms and conditions to be set out in the Deed Poll, each warrant entitling the holder thereof to subscribe for one (1) New Share at the Exercise Price, subject to the terms and conditions to be set out in the Deed Poll
“\$”, “S\$” and “cents”	:	Singapore dollars and cents, respectively
“%” or “per cent.”	:	Per centum

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in section 130A of the Act.

The term “subsidiary” shall have the meaning ascribed to it under section 5 of the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Act, the SFA or the Listing Manual, or any statutory modification thereof, and used in this Circular shall, where applicable, have the meaning ascribed to it under the Act, the SFA or the Listing Manual, or such modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in figures included in this Circular between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.



# BAKER TECHNOLOGY LIMITED

(Company Registration Number 198100637D)  
(Incorporated in the Republic of Singapore)

## Directors:

Lim Ho Seng  
Dr. Benety Chang  
Anthony Sabastian Aurol  
Tan Yang Guan  
Robert Wong Kwan Seng

## Registered Office:

No. 6 Pioneer Sector 1  
Singapore 628418  
Tel: 65 6262 1380  
Fax: 65 6262 2108

5 April 2006

To: The Shareholders of Baker Technology Limited

Dear Sir/Madam

- (1) **PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE (THE "RIGHTS ISSUE") OF UP TO 570,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY ("RIGHTS SHARES") AT AN ISSUE PRICE OF S\$0.025 FOR EACH RIGHTS SHARE WITH UP TO 28,500,000 FREE DETACHABLE WARRANTS ("WARRANTS"), EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW ORDINARY SHARE IN THE CAPITAL OF THE COMPANY ("NEW SHARE") AT AN EXERCISE PRICE OF S\$0.025 FOR EACH NEW SHARE, ON THE BASIS OF TWENTY (20) RIGHTS SHARES WITH ONE (1) FREE DETACHABLE WARRANT FOR EVERY TWO (2) EXISTING ORDINARY SHARES EACH HELD BY SHAREHOLDERS OF THE COMPANY AS AT A DATE AND TIME TO BE DETERMINED BY THE DIRECTORS OF THE COMPANY ("BOOKS CLOSURE DATE"), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED**
- (2) **PROPOSED CAPITAL REDUCTION EXERCISE TO REDUCE THE SHARE CAPITAL OF THE COMPANY ("CAPITAL REDUCTION EXERCISE")**
- (3) **PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY ("ARTICLES")**

## 1. INTRODUCTION

On 24 February 2006, the Company announced the Rights Issue, subject to, *inter alia*, the in-principle approval of the SGX-ST for the listing of and quotation for the Rights Shares, the Warrants and the New Shares on the SGX-Sesdaq and the approval of the Shareholders for the Rights Issue at the EGM. The Company also announced the Capital Reduction Exercise and amendments to the Memorandum and Articles. The Rights Issue, the Capital Reduction Exercise and the amendments to the Memorandum and Articles of the Company are not inter-conditional.

The Rights Issue will be undertaken by the Company on a non-underwritten basis.

On 30 March 2006, the Company has been informed that SGX-ST has granted in-principle approval for the listing of and quotation for the Rights Issue on the SGX-Sesdaq, subject to, *inter alia*, the following conditions:-

- (a) Compliance with the SGX-ST's listing requirements and guidelines;
- (b) Shareholders' approval for the Rights Issue;
- (c) Compliance with Rule 723 of the Listing Manual requiring the Company to ensure that at least 10% of its shares are in public hands, failing which the SGX-ST may suspend trading of its shares pursuant to Rule 724(2) of the Listing Manual;

- (d) Confirmation by the Manager, that there is a sufficient spread of holdings of the Warrants to provide an orderly market in the Warrants;
- (e) Confirmation that preference will be given to the rounding of odd lots in the allotment of any excess Rights Shares. Directors and substantial shareholders should rank last in priority in the allotment of any excess Rights Shares;
- (f) Submission of notification in Rule 864(4) of the Listing Manual, if applicable, upon any significant changes affecting the matter in the application; and
- (g) Submission of an undertaking to
  - (i) make periodic announcements on the use of proceeds from the Rights Issue when materially disbursed; and to
  - (ii) provide a status report on the use of proceeds in the annual report.

The in-principle approval of the SGX-ST is not an indication of the merits of the Rights Issue. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

**Shareholders should note that in the event permission is not granted by the SGX-ST for the listing and quotation of the Warrants due to an inadequate spread of holdings for the Warrants to provide for an orderly market in the trading of the Warrants, holders of Warrants will not be able to trade their Warrants on the SGX-Sesdaq. Pursuant to the listing manual, SGX-ST normally requires a sufficient spread of holdings to provide an orderly market in the securities and as a guide the SGX-ST expects at least 100 warrant holders for a class of company warrants. The Company shall nevertheless proceed with and complete the Rights Issue in such an event. The Principal Shareholder has undertaken to use its best endeavours to sell, transfer or otherwise dispose of such number of Warrants in order to create an adequate spread of holdings for the Warrants.**

In connection to Rule 877(10) of the Listing Manual, the Company has on 24 February 2006 confirmed and undertook to SGX-ST that the allotment of any excess Rights Shares, preference will be given to the rounding of odd lots. Directors and substantial shareholders of the Company will rank last in priority.

The purpose of this Circular is to provide Shareholders with information relating to the Rights Issue, the Capital Reduction Exercise and the amendments to its Memorandum and Articles and to seek Shareholders' approval for the proposed resolutions set out in the Notice of EGM on Appendix III of this Circular.

## **2. THE RIGHTS ISSUE**

### **2.1 Basis of the Rights Issue**

The Rights Issue is to be made on a renounceable non-underwritten basis to Entitled Shareholders on the basis of twenty (20) Rights Shares with one (1) free detachable Warrant for every two (2) existing Shares held by Shareholders as at the Books Closure Date at an issue price of S\$0.025 for each Rights Share, fractional entitlements to be disregarded. The Rights Shares are payable in full upon acceptance and/or application. The Rights Shares, when allotted and issued, will rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions, the Record Date for which falls on or after the date of issue of the Rights Shares.

The Principal Shareholder has undertaken to the Company to, *inter alia*, subscribe and/or procure subscription in full for his provisional allotments of Rights Shares with Warrants under the Rights Issue. In view of the Undertaking given by the Principal Shareholder (as described in

section 2.6 of this Circular) and the savings in costs by the Company in respect of underwriting fees for an underwritten rights issue, the Directors have decided to proceed with the Rights Issue on a non-underwritten basis.

The issue price of S\$0.025 for each Rights Share is at a discount of approximately 68.8 per cent. to the last transacted price of S\$0.08 per Share on 23 February 2006, being the Market Day immediately preceding the date of announcement of the Rights Issue, and a discount of approximately 86.5 per cent. to the last transacted price of S\$0.185 per Share as at the Latest Practicable Date.

As at the Latest Practicable Date, the issued share capital of the Company comprised 57,000,000 Shares. There are no outstanding Options granted under the Scheme<sup>(1)</sup>. Hence up to 570,000,000 Rights Shares with up to 28,500,000 Warrants will be issued pursuant to the Rights Issue as at the Books Closure Date.

Entitled Shareholders will be at liberty to accept (in full or in part), decline or otherwise renounce or trade their provisional allotments of Rights Shares with Warrants and will be eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights Issue.

Disregarded fractional entitlements of Rights Shares with Warrants will be aggregated with entitlements to the Rights Shares with Warrants which are not taken up or allotted for any reason, and shall be used to satisfy excess applications for Rights Shares with Warrants (if any) or otherwise disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company. In the allotment of excess Rights Shares with Warrants, preference will be given to the rounding of odd lots.

Provisional allotments of the Rights Shares with Warrants which would otherwise have been made to Foreign Shareholders will be dealt with in the manner described on section 2.5 of this Circular.

## 2.2 Principal Terms of the Rights Shares

Number of Rights Shares	:	Up to 570,000,000 Rights Shares with Warrants to be issued.
Basis of Provisional Allotment	:	Twenty (20) Rights Shares for every two (2) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.
Issue Price	:	S\$0.025 for each Rights Share, payable in full on acceptance and/or application.
Status of the Rights Shares	:	The Rights Shares, when allotted and issued, will rank <i>pari passu</i> in all respects with the then existing Shares for any dividends, rights, allotments or other distributions, the Record Date for which falls on or after the date of issue of the Rights Shares.

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(1) A total of 1,062,500 Options were granted and remained outstanding under the Scheme as at 31 December 2005, of which 100,000 Options lapsed due to the resignation of an employee who was granted such Options. On 3 March 2006, the balance of the 962,500 Options granted was rescinded by the mutual agreement between each of the Option holders and the Company. Hence there were no outstanding Options as at the Latest Practicable Date.

Listing of the Rights Shares	:	The Company has been informed by SGX-ST on 30 March 2006 on the in-principle approval for the listing of and quotation for the Rights Shares on the SGX-Sesdaq subject to certain conditions, the details of which are set out on section 2.4 of this Circular.
Trading of the Rights Shares	:	Upon the listing of and quotation for the Rights Shares on the SGX-Sesdaq, the Rights Shares will be traded on the SGX-Sesdaq under the book-entry (scripless) settlement system. For the purposes of trading on the SGX-Sesdaq, each board lot of Shares will comprise 1,000 Shares.
Governing Law	:	Laws of the Republic of Singapore.

### **2.3 Principal Terms of the Warrants**

Number of Warrants	:	Up to 28,500,000 Warrants to be issued free together with the Rights Shares subscribed for.
Basis of Allotment	:	One (1) free detachable Warrant with every twenty (20) Rights Shares subscribed for every two (2) existing ordinary shares, fractional entitlements to be disregarded.
Detachability and Trading	:	The Warrants will be detached from the Rights Shares on issue and will be listed and traded separately on the SGX-Sesdaq under the book-entry (scripless) settlement system upon the listing of and quotation for the Warrants on the SGX-Sesdaq, subject to, <i>inter alia</i> , an adequate spread of holdings of the Warrants to provide for an orderly market in the Warrants. Each board lot of Warrants will consist of 1,000 Warrants or such other number as may be notified by the Company.
Listing of the Warrants	:	The Company has been informed by SGX-ST on 30 March 2006 on the in-principle approval for the listing of and quotation for the Warrants on the SGX-Sesdaq subject to certain conditions, the details of which are set out on section 2.4 of this Circular.
Form and Subscription Rights	:	The Warrants will be issued in registered form and will be constituted by the Deed Poll. Subject to the terms and conditions of the Warrants to be set out in the Deed Poll, each Warrant shall entitle the Warrantholder, at any time during the Exercise Period, to subscribe for one (1) New Share at the Exercise Price in force on the relevant exercise date.
Exercise Price	:	S\$0.025 for each New Share.

- Exercise Period : The Warrants may be exercised at any time from and including the date of issue of the Warrants up to 5.00 p.m. on the day immediately preceding the fifth (5<sup>th</sup>) anniversary of the date of issue of the Warrants unless such date is a date on which the Register of Members is closed or is not a Market Day, in which event the Warrants shall expire on the date prior to the closure of the Register of Members or the immediately preceding Market Day, as the case may be (but excluding such period(s) during which the register of Warrantheolders may be closed), subject to the terms and conditions of the Warrants to be set out in the Deed Poll. Warrants remaining unexercised at the expiry of the Exercise Period shall lapse and cease to be valid for any purpose.
- Mode of Payment for Exercise of Warrants : Warrantheolders who exercise their Warrants must pay the Exercise Price by way of (a) a remittance in Singapore currency by banker's draft or cashier's order drawn on a bank operating in Singapore in favour of the Company; or (b) subject to the Warrants being listed on the SGX-Sesdaq, by debiting the relevant Warrantheolder's CPF Investment Account with the specified CPF Approved Bank for the credit of the Special Account (each term as defined in the Deed Poll); or (c) subject to the Warrants being listed on the SGX-Sesdaq, partly in the form of remittance and/or partly by debiting such Warrantheolder's CPF Investment Account with the CPF Approved Bank for the credit of the Special Account.
- Adjustments : The Exercise Price and the number of Warrants to be held by each Warrantheolder will, after their issue, be subject to adjustments under certain circumstances to be set out in the Deed Poll. Any additional Warrants issued shall rank *pari passu* with the Warrants issued under the Rights Issue and will for all purposes form part of the same series. Any such adjustments shall (unless otherwise provided under the rules of the SGX-ST from time to time) be announced by the Company to the SGX-ST.
- Status of the New Shares : The New Shares arising from the exercise of the Warrants, upon issue and allotment, will rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions, the Record Date for which is on or after the relevant exercise date of the Warrants.
- Modification of Rights of Warrantheolders : The Company may, without the consent of the Warrantheolders but in accordance with the terms of the Deed Poll, effect any modification to the terms of the Deed Poll including the terms and conditions of the Warrants which, in the opinion of the Company is:–
- (a) not materially prejudicial to the interests of the Warrantheolders;
  - (b) of a formal, technical or minor nature;

- (c) to correct a manifest error or to comply with mandatory provisions of Singapore law; or
- (d) to vary or replace provisions relating to the transfer or exercise of the Warrants including the issue of New Shares arising from the exercise thereof or meetings of the Warranholders in order to facilitate trading in or the exercise of the Warrants or in connection with the implementation and operation of the book-entry (scripless) settlement system in respect of trades of the Company's securities on the SGX-Sesdaq.

Winding-Up : Where there is a members' voluntary winding-up of the Company (other than a winding-up for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement), the Warranholders may elect to be treated as if they had immediately prior to the commencement of such winding-up exercised the Warrants and had on such date been the holders of the Shares to which they would have become entitled pursuant to such exercise. The Company shall give notice to the Warranholders in accordance with the terms and conditions to be set out in the Deed Poll of the passing of any such resolution within seven (7) days after the passing thereof.

Subject to the foregoing, if the Company is wound up for any other reason, all Warrants which have not been exercised at the date of the passing of such resolution for the winding-up of the Company shall lapse and cease to be valid for any purpose.

Further Issues : Subject to the terms and conditions of the Warrants to be set out in the Deed Poll, the Company shall be at liberty to issue Shares to Shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit. However, the Warranholders shall not have any participation rights in any such issues of Shares by the Company unless otherwise resolved by the Company in general meeting.

Warrant Agent : Lim Associates (Pte) Ltd.

Governing Law : Laws of the Republic of Singapore.

The above terms and conditions of the Rights Issue are subject to such changes as the Directors, may in consultation with the Manager, deem fit. The final terms and conditions of the Rights Issue will be set out in the Offer Information Statement to be despatched to Entitled Shareholders in due course, subject to, *inter alia*, the approval of the Shareholders for the Rights Issue at the EGM.

## 2.4 Conditions for the Rights Issue

The Rights Issue is conditional upon, *inter alia*, the following:–

- (a) the in-principle approval of the SGX-ST for the listing of and quotation for the Rights Shares, the Warrants and the New Shares on the Official List of the SGX-Sesdaq;
- (b) the Rights Issue being approved by the Shareholders at the EGM; and

- (c) the lodgement of the Offer Information Statement in respect of the Rights Issue with the Monetary Authority of Singapore.

On 30 March 2006, the Company has been informed that SGX-ST has granted in-principle approval for the listing of and quotation for the Rights Issue on the SGX-Sesdaq, subject to, *inter alia*, the following conditions:–

- (a) Compliance with the SGX-ST's listing requirements and guidelines;
- (b) Shareholders approval for the Rights Issue;
- (c) Compliance with Rule 723 of the Listing Manual requiring the Company to ensure that at least 10% of its shares are in public hands, failing which the SGX-ST may suspend trading of its shares pursuant to Rule 724(2) of the Listing Manual;
- (d) Confirmation by the Manager, that there is a sufficient spread of holdings of the Warrants to provide an orderly market in the Warrants;
- (e) Confirmation that preference will be given to the rounding of odd lots in the allotment of any excess Rights Shares. Directors and substantial shareholders should rank last in priority in the allotment of any excess Rights Shares;
- (f) Submission of notification in Rule 864(4) of the Listing Manual, if applicable, upon any significant changes affecting the matter in the application; and
- (g) Submission of an undertaking to
  - (i) make periodic announcements on the use of proceeds from the Rights Issue when materially disbursed; and to
  - (ii) provide a status report on the use of proceeds in the annual report.

The in-principle approval of the SGX-ST is not an indication of the merits of the Rights Issue. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

## **2.5 Eligibility of Shareholders to Participate in the Rights Issue**

### **Entitled Shareholders**

Entitled Shareholders will be entitled to participate in the Rights Issue and to receive the Offer Information Statement together with the AREs or PALs, as the case may be, at their respective Singapore addresses. Entitled Shareholders (being Entitled Depositors) who do not receive the Offer Information Statement and the AREs may obtain them from CDP, Share Registrar or any stockbroking firm during the period up to the Closing Date. Entitled Shareholders (not being Entitled Depositors) who do not receive the Offer Information Statement and the PALs may obtain them from the Share Registrar during the period up to the close of the Rights Issue.

Entitled Shareholders will be provisionally allotted the Rights Shares with Warrants under the Rights Issue on the basis of their shareholdings as at the Books Closure Date. They are at a liberty to accept, decline, renounce or trade on the SGX-Sesdaq, during the provisional allotment trading period prescribed by the SGX-ST, in full or in part their provisional allotments of Rights Shares with Warrants and are eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights Issue. Entitled Depositors, who wish to accept their provisional allotments of Rights Shares with Warrants and (if applicable) apply for excess Rights Shares with Warrants, may only do so through CDP and or by way of an electronic application through an automated teller machine(s) of a participating bank. Full details of the Rights Issue, including an indicative timetable of the key events, will be set out in the Offer Information Statement to be despatched to the Entitled Shareholders in due course.

All dealings in and transactions of the provisional allotments of the Rights Shares with Warrants through the SGX-Sesdaq will be effected under the book-entry (scripless) settlement system. Accordingly, the PALs to be issued to Entitled Shareholders (not being Entitled Depositors) will not be valid for delivery pursuant to trades done on the SGX-Sesdaq.

Entitled Shareholders (not being Entitled Depositors) are encouraged to open Securities Accounts if they have not already done so and to deposit such share certificates with CDP before the Books Closure Date so that their Securities Accounts may be credited by CDP with their Shares and the provisional allotments of Rights Shares with Warrants. Entitled Shareholders should note that their Securities Accounts will only be credited with the Shares on the twelfth (12<sup>th</sup>) Market Day from the date of lodgement of the share certificates with CDP or such later date as CDP may determine.

### **Foreign Shareholders**

The Offer Information Statement and its accompanying documents have not been and will not be registered or filed in any jurisdiction other than Singapore. The distribution of the Offer Information Statement and its accompanying documents may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than in Singapore, the Offer Information Statement and its accompanying documents will not be despatched to Foreign Shareholders.

Foreign Shareholders will not be entitled to participate in the Rights Issue. Accordingly, no provisional allotment of the Rights Shares with Warrants will be made to Foreign Shareholders and no purported acceptance thereof or application therefor by Foreign Shareholders will be valid.

The Offer Information Statement and its accompanying documents will also not be despatched to persons purchasing the provisional allotments of Rights Shares with Warrants through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore (the "Foreign Purchasers"). Foreign Purchasers who wish to accept the provisional allotments of Rights Shares with Warrants credited to their Securities Accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore.

The Company further reserves the right to reject any acceptances of the Rights Shares with Warrants and/or applications for excess Rights Shares with Warrants where it believes, or has reason to believe, that such acceptances and/or applications may violate the applicable legislation of any jurisdiction.

### **Entitled Depositors should note that all correspondences and notices will be sent to their last registered addresses with CDP.**

Foreign Shareholders who wish to be eligible to participate in the Rights Issue may provide a Singapore address by notifying in writing, as the case may be, (i) **CDP at 4 Shenton Way, #02-01 SGX Centre 2, Singapore 068807** or (ii) **Baker Technology Limited c/o the Share Registrar, Lim Associates (Pte) Ltd, 10 Collyer Quay #19-08 Ocean Building, Singapore 049315** not later than five (5) Market Days before the Books Closure Date.

If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares with Warrants which would otherwise have been provisionally allotted to Foreign Shareholders to be sold "nil-paid" on the SGX-Sesdaq as soon as practicable after dealings in the provisional allotments of Rights Shares with Warrants commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred in relation thereto.



The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Books Closure Date and sent to them at their own risk by ordinary post. If the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall be retained or dealt with as the Directors may, in their absolute discretion, deem fit for in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager or CDP in connection therewith.

Where such provisional allotments of Rights Shares with Warrants are sold “nil-paid” on the SGX- Sesdaq, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager or CDP in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares with Warrants or the Rights Shares with Warrants represented by such provisional allotments.

If such provisional allotments of Rights Shares with Warrants cannot be or are not sold on the SGX-Sesdaq as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares with Warrants, the Rights Shares with Warrants represented by such provisional allotments will be allotted and issued to satisfy excess applications or disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager or CDP in connection therewith.

Shareholders should note that the special arrangements described above will apply only to Foreign Shareholders.

**Notwithstanding the above, Shareholders and any other person having possession of the Offer Information Statement and/or its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the Offer Information Statement and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any Rights Shares with Warrants unless such offer, invitation or solicitation could lawfully be made without compliance with any regulatory or legal requirements in those territories.**

The procedures for acceptance, renunciation and/or sale of the provisional allotments of Rights Shares with Warrants and for application for excess Rights Shares with Warrants pursuant to the Rights Issue will be set out in the Offer Information Statement and its accompanying documents to be despatched by the Company to Entitled Shareholders in due course.

## **2.6 Undertaking**

As at the Latest Practicable Date, Saberon Investments Pte Ltd, the Principal Shareholder holds through CDP 39,651,700 Shares, representing approximately 69.56% of the existing issued share capital of the Company. To demonstrate its commitment to the Company, it has given to the Company an irrevocable undertaking on 24 February 2006 to subscribe and/or procure subscriptions for its Rights Shares with Warrants entitlements under the Rights Issue, which based on such shareholding, will amount to 396,517,000 Rights Shares with 19,825,850 Warrants.

The obligations of the Principal Shareholder above are subject to and conditional upon:–

- (a) the lodgement of the Offer Information Statement in connection with the Rights Issue together with all other accompanying documents by the Company with the Monetary Authority of Singapore; and
- (b) approval in-principle having been granted by SGX-ST (and such approval not having been withdrawn or revoked on or prior to the closing date of the offer of the Rights Shares with Warrants under the Rights Issue) for the listing and quotation of the Rights Shares, the Warrants and the New Shares on the SGX-Sesdaq and, if such approval is granted subject to conditions, such conditions being acceptable to the Company.

In view of the above undertakings and the savings in costs by the Company in respect of underwriting fees for an underwritten rights issue, the Company has decided to proceed with the Rights Issue on a non-underwritten basis.

**On the assumption that only the Principal Shareholder subscribes to its entitlement for the Rights Shares, the Principal Shareholder's resultant enlarged shareholdings in the Company will be increased from approximately 69.56% to approximately 96.17%. According to Rules 723 and 724 of the Listing Manual, the Company must ensure that at least 10% of its issued Shares are held by the public, failing which the SGX-ST may suspend trading of its Shares. The Principal Shareholder has undertaken to use its best endeavours to sell, transfer or otherwise dispose of such number of Shares as shall be sufficient to ensure that at least 10% of the issued Shares are held by the public, and also to sell, transfer or otherwise dispose of such numbers of Warrants in order to create an adequate spread of holdings for the Warrants.**

In connection with Rule 877(10) of the Listing Manual, the Company has on 24 February 2006 confirmed and undertook to SGX-ST that the allotment of any excess Rights Shares, preference will be given to the rounding of odd lots. Directors and substantial shareholders of the Company will rank last in priority.

## **2.7 Purpose of the Rights Issue and Use of Proceeds**

The purpose of the Rights Issue is to increase the capital base and to improve the gearing of the Company and its subsidiaries.

The estimated net proceeds of the Rights Issue, after deducting estimated expenses, are expected to be a minimum of approximately S\$9.5 million (assuming only the Principal Shareholder subscribes for its full entitlement to the Rights Shares) and a maximum of approximately S\$13.9 million (assuming full subscription of the Rights Shares) before the exercise of the Warrants.

Depending on the amount of proceeds received, the Company intends to utilise the net proceeds of the Rights Issue as follows:

- (1) between S\$8 million and S\$9.5 million will be used to repay the bank borrowings of the Company's subsidiaries;
- (2) approximately S\$0.6 million will be used to repay loans advanced by the Principal Shareholder; and
- (3) the balance (if any) for working capital.

Pending the deployment of the net proceeds for the aforesaid use, the net proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments, or used for any other purpose on a short-term basis as the Directors may deem fit.

As and when the Warrants are exercised, the net proceeds arising therefrom may be used by the Company for general working capital purposes and/or such other purposes as the Directors may in their absolute discretion deem fit.

## 2.8 Financial Effects of the Rights Issue

For illustrative purposes only and based on the latest audited consolidated financial statements of the Group for FY 2005, assuming that the Rights Shares with Warrants are subscribed only by the Principal Shareholder (“Minimum Subscription”) and all Rights Shares with Warrants are fully subscribed (“Maximum Subscription”), the financial effects of the Rights Issue on the Company and the Group on a proforma basis is set out below:–

**The proforma analysis below has been prepared solely for illustrative purposes and does not purport to be indicative or a projection of the results and financial position of the Company and the Group after the completion of the Rights Issue.**

### (a) Share Capital

The effect of the Rights Issue on the issued share capital of the Group is expected to be as follows:–

	Minimum Subscription		Maximum Subscription	
	No. of Shares	(\$'000)	No. of Shares	(\$'000)
<b>Issued share capital<sup>(1)</sup></b>	57,000,000	16,048	57,000,000	16,048
Add:–				
Rights Shares to be issued	396,517,000	9,913	570,000,000	14,250
Issued share capital after the Rights Issue (before the exercise of any Warrants)	453,517,000	25,961	627,000,000	30,298
Add:–				
New Shares assuming the exercise of all the Warrants <sup>(2)</sup>	19,825,850	496	28,500,000	713
Issued share capital after the Rights Issue and assuming the exercise of all the Warrants	473,342,850	26,457	655,500,000	31,011

#### Notes:–

(1) Based on the issued and paid-up share capital of the Group as at the Latest Practicable Date

(2) Assuming that there are no adjustments to the number of Warrants.

**(b) Net Tangible Assets**

The Rights Issue will have the following impact on the NTA and the NTA per Share of the Company and the Group based on the latest audited balance sheets of the Company and the Group as at 31 December 2005:–

	Minimum Subscription		Maximum Subscription	
	Group (\$'000)	Company (\$'000)	Group (\$'000)	Company (\$'000)
NTA as at 31 December 2005	7,283	6,408	7,283	6,408
Add: Net proceeds from the Rights Issue	9,513	9,513	13,850	13,850
NTA after the Rights Issue	16,796	15,921	21,133	20,258
Add: Proceeds assuming the exercise of all the Warrants	496	496	713	713
NTA after the Rights Issue and assuming the exercise of all the Warrants	17,292	16,417	21,846	20,971
Number of Shares in issue as at 31 December 2005 ('000)	57,000	57,000	57,000	57,000
NTA per Share as at 31 December 2005 (cents)	12.8	11.2	12.8	11.2
Number of Shares in issue after the Rights Issue ('000)	453,517	453,517	627,000	627,000
NTA per Share after the Rights Issue (cents)	3.7	3.5	3.4	3.2
Number of Shares in issue after the Rights Issue and assuming the exercise of all the Warrants ('000)	473,343	473,343	655,500	655,500
NTA per Share, after the Rights Issue and assuming the exercise of all the Warrants (cents)	3.7	3.5	3.3	3.2

Upon exercise of the Warrants, the NTA of the Company and the Group will be increased by an amount equivalent to the aggregate value of the subscription monies received from the issue of the New Shares. The effect on the NTA per Share of the Company and the Group will depend on the number of Warrants exercised, the number of Shares then in issue.

**(c) Earnings per Share**

The Rights Issue is expected to have a dilutive effect on the EPS of the Company or the Group in view of the enlarged issued share capital of the Company after the Rights Issue. The financial effects of the Warrants on the EPS of the Group cannot be ascertained as at the Latest Practicable Date as this will depend on, *inter alia*, the number of Warrants exercised and the earnings or returns realised from the proceeds raised from the issue of the New Shares pursuant to the exercise of the Warrants.

**(d) Gearing**

The Rights Issue will have the following impact on the gearing of the Group, based on the latest audited consolidated financial statements of the Group as at 31 December 2005:–

	<b>Minimum Subscription (\$'000)</b>	<b>Maximum Subscription (\$'000)</b>
Total borrowings as at 31 December 2005	12,571	12,571
Net proceeds from the Rights Issue used to repay bank borrowings	(8,000)	(9,500)
Total borrowings after the Rights Issue	4,571	3,071
Proceeds arising from the exercise of all Warrants used to repay bank borrowings <sup>(1)</sup>	—	—
<b>Total Borrowings after the Rights Issue and the exercise of all the Warrants</b>	<b>4,571</b>	<b>3,071</b>
Shareholders' funds as at 31 December 2005	7,377	7,377
Add: Net proceeds from the issue of the Rights Shares	9,513	13,850
Shareholders' funds after adjusting for the Rights Issue	16,890	21,227
Add: Proceeds from the exercise of all the Warrants <sup>(1)</sup>	496	713
<b>Shareholders' funds after the Rights Issue and assuming the exercise of all the Warrants</b>	<b>17,386</b>	<b>21,940</b>
Gearing as at 31 December 2005 (times)	1.70	1.70
Gearing after the Rights Issue (times)	0.27	0.14
Gearing after the Rights Issue and assuming the exercise of all the Warrants (times)	0.26	0.14

**Notes:–**

- (1) Assuming that all the Warrants are exercised and there are no adjustments to the Exercise Price and the number of Warrants
- (2) For the purpose of the above calculations, the following expressions bear the meanings set out below:–
  - (a) "Shareholders' funds": the aggregate of the issued and paid-up share capital, share premium account, revenue reserves and other reserves of the Group.
  - (b) "Total borrowings": the total amount of consolidated liabilities arising from borrowings from banks, other financial institutions (including hire purchase financing) and interest-bearing borrowings.
  - (c) "Gearing": the ratio of Total Borrowings to Shareholders' Funds.

## 2.9 Summary of Past Performance

The Company was incorporated on 14 February 1981. The audited consolidated profit and loss statement of the Group for FY 2003 to FY 2005 are set out below:-

(S\$'000)	Audited		
	FY 2003	FY 2004	FY 2005
Revenue	41,628	53,579	55,274
Cost of sales	(31,549)	(42,379)	(43,757)
<b>Gross Profit</b>	10,079	11,200	11,517
Royalty and interest income	369	444	626
Administrative expenses	(6,143)	(6,677)	(6,969)
Selling and distribution expenses	(3,462)	(3,787)	(4,510)
Other operating income/(expenses)	540	(378)	(405)
<b>Profit from operations</b>	1,383	802	259
Interest expenses	(375)	(433)	(545)
<b>Profit/(loss) before income tax</b>	1,008	369	(286)
Income tax expenses	(9)	(136)	(638)
<b>Net profit/(loss) for the year</b>	999	233	(924)

### FY 2003 vs FY 2004

#### *Revenue*

Revenue increased by approximately S\$12.0 million or 28.7% from approximately \$41.6 million in FY 2003 to \$53.6 million in FY 2004. The key areas which contributed to the growth were Asia, Middle East and Africa and this was largely due to higher trailer building activities and coupled with growing awareness and higher acceptances of the Company's brands and products. The Group's aggressive sales and marketing campaign in these regions also led to the growth in Middle East and Africa markets. For FY 2004, Australia market has remained flat, primarily due to keen domestic competition.

#### *Gross profit*

The Group's gross profit increased by approximately S\$1.1 million or 11.1% to \$11.2 million due mainly to higher revenue. However, gross profit margin decreased by 3% from 24.2% in FY 2003 to 20.9% in FY 2004 due to a lower gross profit margin during the second half of the financial year. The lower gross profit margin in the second half was attributable to a surge in worldwide steel prices and additional cost for urgent delivery caused by shortages and inconsistency in supplies of materials. The aggressive pricing strategy undertaken in view of keen competition in certain markets, primarily in the South East Asia market has also resulted in the decline in gross profit margin.

#### *Royalty and interest income*

Royalty and interest income increased by S\$75,000 or 20.3% from approximately S\$369,000 in FY 2003 to S\$444,000 in FY 2004. This was mainly due to the increase in annual royalty income from approximately S\$369,000 to S\$444,000. This royalty income was received from the licensing and technical agreement between a Singapore subsidiary and a Chinese party.

### *Operating expenses*

Operating expenses increased by approximately S\$1.8 million or 19.6% from approximately S\$9.1 million in FY 2003 to S\$10.8 million in FY 2004.

The increase was mainly attributable to the following factors:

- (a) administrative expenses increased by approximately S\$534,000 or 8.7%. This was attributable to higher professional fees incurred in respect of the renewal of trademark for York, higher bank charges from higher utilisation of banking facilities for working capital purposes. The translation losses incurred due to weakening of Singapore dollars against Australia dollars in the case where the administrative expenses were denominated in Australia dollars also attributed to the increase in administrative expenses;
- (b) selling and distribution expenses increased by approximately S\$325,000 or 9.4% due to higher freight charges as a result of the shortage and inconsistent supplies of materials. This was coupled with higher commission paid for higher revenue and translation losses incurred arising from the the weakening of Singapore dollars against Australia dollars in respect of expenses denominated in Australia dollars; and
- (c) other operating income/expenses increased by approximately S\$918,000 or 170.0% due mainly to the foreign exchange losses of S\$280,000 in FY 2004 as compared to a foreign exchange gain of S\$680,000 in FY 2003. The losses were due mainly to the weakening of Thai Baht and US dollars against the Singapore dollars.

### *Interest expenses*

Interest expenses increased by approximately S\$58,000 or 15.5% from approximately S\$375,000 in FY 2003 to S\$433,000 in FY 2004 mainly due to higher utilisation of bank facilities that resulted from higher working capital requirements and financing of its operating cash flow.

### *Profit before income tax*

Profit before income tax decreased by approximately S\$639,000 or 63.4% from approximately S\$1.0 million in FY 2003 to S\$369,000 in FY 2004. The decline in profit before income tax was attributable to the decline in gross profit margin coupled with the increase in operating expenses.

The Group's operations in Asia, Middle East and Africa were able to generate positive results due to their strong growth in revenue, despite having a lower gross profit margin for FY 2004. However, this growth was offset by a net loss of \$0.9 million reported by its Australia operation.

### *Income tax expenses*

Income tax expenses increased by approximately S\$127,000 or 1,411.1% from approximately S\$9,000 in FY 2003 to S\$136,000 in FY 2004. The higher tax charge in FY 2004 was due to there being no available unabsorbed tax losses to offset the Singapore subsidiaries' taxable profits.

## **FY 2004 vs FY 2005**

### *Revenue*

Revenue increased by approximately S\$1.7 million or 3.2% from approximately \$53.6 million in FY 2004 to S\$55.3 million in FY 2005. During this period, the Middle East, Africa, Europe markets continued to be the key growth areas due to the increase in trailer building activities in these regions. However, the growth in these areas was negated by keen competition in Singapore, Asia, Australia and New Zealand markets.

### *Gross profit*

The Group's gross profit increased by approximately S\$317,000 or 2.8% to \$11.5 million due mainly to higher revenue. However, gross profit margin remained constant at approximately 21.0% in both FY 2004 and FY 2005. Against the backdrop of continuing pressure on margin due to keen competition, the Group constantly reviewed its material and production costs and managed it by diversifying its sourcing of materials.

### *Royalty and interest income*

Royalty and interest income increased by S\$182,000 or 41.0% to S\$626,000 due to the increase in royalty income from S\$444,000 to S\$626,000. This royalty income was received from the licensing and technical agreement between a Singapore subsidiary and a Chinese party .

### *Operating expenses*

Operating expenses increased by approximately S\$1.0 million or 9.6% from approximately S\$10.8 million in FY 2004 to S\$11.9 million in FY 2005.

The increase was mainly attributable to the following factors:

- (a) administrative expenses increased by approximately S\$292,000 or 4.4% due to increase in staff costs especially in administrative payroll;
- (b) selling and distribution expenses increased by approximately S\$723,000 or 19.1% due to higher payroll for sales and distribution and higher warranty claims; and
- (c) other operating expenses increased by approximately S\$27,000 or 7.1% due to foreign exchange losses.

### *Interest expenses*

Interest expenses increased by approximately S\$112,000 or 25.9% from approximately S\$433,000 in FY 2004 to S\$545,000 in FY 2005. This was mainly due to higher interest rates incurred on higher bank loans which was used to finance its working capital and to fund its operating cash flow requirements.

### *Loss before income tax*

Profit before income tax decreased by approximately S\$655,000 or 177.5% from a profit before income tax of approximately S\$369,000 in FY 2004 to a loss before income tax of S\$286,000 in FY 2005. This was mainly due to the S\$3.0 million net loss reported by the Australia subsidiary for the following reasons:

- (a) lower margin resulting from keen competition;
- (b) higher manufacturing cost;
- (c) higher warranty claims; and
- (d) higher foreign exchange losses.

### *Income tax expenses*

Income tax expenses increased by approximately S\$502,000 or 369.1% from approximately S\$136,000 in FY 2004 to S\$638,000 in FY 2005. The higher tax charge in FY 2005 was due to there being no available unabsorbed tax losses to offset the Singapore subsidiaries' taxable profits.



## 2.10 Working Capital

The working capital of the Group as at financial years ended 31 December was as follows:–

(S\$'000)	Audited		
	As at 31 December 2003	As at 31 December 2004	As at 31 December 2005
<b>Current assets</b>			
Cash at bank and on hand	1,488	868	503
Trade debtors	7,545	10,494	12,353
Other debtors	616	618	714
Stocks	11,588	14,254	17,941
<b>Total current assets</b>	<b>21,237</b>	<b>26,234</b>	<b>31,511</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	10,108	10,905	12,385
Trade creditors	6,248	8,767	12,171
Accruals and other creditors	1,718	2,195	2,663
Provision for taxation	41	188	600
Amount due to holding company	—	605	578
<b>Total current liabilities</b>	<b>18,115</b>	<b>22,660</b>	<b>28,397</b>
<b>Net current assets</b>	<b>3,122</b>	<b>3,574</b>	<b>3,114</b>

### FY 2003 vs FY 2004

Trade debtors increased by approximately \$2.9 million or 39.1% as compared to the previous year. This was inline with the increase in revenue for the year.

Stocks increased by approximately \$2.7 million or 23.0% which was primarily due to the Company's strategy in the accumulation of certain categories of stocks in order to have a faster response time in meeting customers' requirements, and in anticipation of meeting higher demand from customers.

Interest bearing loans and borrowings increased by approximately S\$797,000 or 7.9%. This was due to additional bank loans to finance its operating cash flow and higher utilisation of trade facilities for working capital purposes.

Trade creditors increased by approximately \$2.5 million or 40.3% as a result of higher level of stock purchases in anticipation of higher sales requirement.

Accruals and other creditors increased by approximately S\$477,000 or 27.8% due to higher operating expenses incurred for freight charges and sundry consumables. The increase was also attributed to higher deposit received from customers for their orders during the year under review.

The cash position of the Group as at the end of FY 2004 declined significantly as compared to the cash position as at the end of FY 2003 due to negative cash flow from operation amounting to S\$1.6 million arising due to losses in certain subsidiaries.

## **FY 2004 vs FY 2005**

Trade debtors increased by approximately \$1.9 million or 17.7% as compared to the previous year. This was mainly due to the increase in revenue and slower collection from customers particularly in Asia.

Stocks increased by approximately \$3.7 million or 25.9% due to the accumulation of certain categories of stocks arising from the Company's strategy to have a faster response time in meeting customers' requirements. The increase in stocks was also due to the Group's efforts in streamlining its manufacturing activities and that led to an increase in production at certain manufacturing facilities in Asia during this transition period.

Interest bearing loans and borrowings increased by approximately S\$1.5 million or 13.6%, this was due to additional bank loans to finance its operating cash flow and higher utilisation of trade facilities for working capital purposes.

Trade creditors increased by approximately \$3.4 million or 38.8% as a result of higher purchase for the purpose of maintaining a higher stock holding. The increase was also due to the Group's centralised procurement policy which has enabled the Company to secure better credit terms from suppliers.

Accruals and other creditors increased by approximately S\$468,000 or 21.3%. This was due to higher operating expenses incurred for freight charges and sundry consumables during the year under review.

The cash position of the Group as at the end of FY 2005 was S\$503,000. This decline as compared to the cash position as at the end of FY 2004 was due to usage of funds to finance the working capital and operating losses.

The Group's working capital was positive as at 31 December 2005. As at the Latest Practicable Date, having regard to the existing banking facilities available to the Group and the maximum net proceeds of the Rights Issue, and taking into account the cash used in operations, the Directors are of the opinion that barring unforeseen circumstances, the working capital available to the Group is sufficient to meet its present requirements.

In the event, having regard to the existing banking facilities available to the Group and the minimum net proceeds of the Rights Issue, and taking into account the cash used in operations, the Directors are of the opinion that barring unforeseen circumstances, the working capital available to the Group may be insufficient to meet its immediate requirements.

However the Directors are of the view that the Company will be able to obtain additional banking and/or other financial facilities against the security of its unencumbered assets estimated to be more than S\$15 million as at 31 December 2005. This will provide the Group with sufficient working capital.

### **3. OFFER INFORMATION STATEMENT**

An Offer Information Statement will be despatched to the Entitled Shareholders subject to, *inter alia*, the approval of Shareholders for the Rights Issue being obtained at the EGM. Acceptances and applications under the Rights Issue may only be made on the PAL (in the case of Entitled Shareholders whose Shares are registered in their own names and who are not Entitled Depositors) or the ARE (in the case of Entitled Shareholders who are Entitled Depositors) or the ARS (in the case of persons purchasing provisional allotments of Rights Shares with Warrants through the book-entry (scripless) settlement system whose registered addresses with CDP are in Singapore), as the case may be, accompanying and forming part of the Offer Information Statement.

#### **4. THE CAPITAL REDUCTION EXERCISE**

##### **4.1 Details of the Capital Reduction Exercise**

The Directors propose to carry out a Capital Reduction Exercise pursuant to section 78 of the Act.

The Capital Reduction Exercise will be effected in the following manner:–

- (a) reducing the share capital of the Company from S\$16,047,707 to S\$4,039,996 by reducing the share capital of the Company which has been lost or is unrepresented by available assets to the extent of S\$12,007,711; and
- (b) an amount equal to S\$12,007,711 being the credit arising from the cancellation of share capital the Company will be applied to write-off the accumulated losses of the Company as at 31 December 2005 amounting of S\$12,007,711.

As at the Latest Practicable Date, the Company has share capital of S\$16,047,707. Upon completion of the Capital Reduction Exercise, the Company will have share capital of S\$4,039,996.

The Capital Reduction Exercise will reduce the Company's accumulated losses as at 31 December 2005 from S\$12,007,711 to S\$Nil.

**There will be no change in the number of Shares in the Company held by the Shareholders immediately after the Capital Reduction Exercise, nor will the Capital Reduction Exercise involve the payment to any Shareholders of any paid-up share capital of the Company.**

##### **4.2 Rationale of the Capital Reduction Exercise**

The Company's audited accumulated losses as at 31 December 2005 amounted to S\$12,007,711. The accumulated losses arose mainly due to impairment in investment in subsidiaries of S\$9.3 million, exceptional losses amounting to S\$1 million and other operating losses amounting to S\$1.7 million.

The purpose of the Capital Reduction Exercise is to write-off S\$12,007,711 representing accumulated losses of the Company as at 31 December 2005. This is to better reflect the financial position and share capital of the Company and position it for its prospects as well as cancel or reduce any capital which has been lost or unrepresented by available assets as the case may be.

##### **4.3 Financial Effects of the Capital Reduction Exercise**

The implementation of the Capital Reduction Exercise will not have any effect on the earnings, NTA and gearing of the Company as the Capital Reduction Exercise is an accounting procedure that writes off all the accumulated losses amounting to S\$12,007,711 of the Company as at 31 December 2005 against the issued and paid-up share capital of the Company.

No capital will be returned to Shareholders and the number of issued New Shares immediately after the Capital Reduction Exercise remains the same.

The financial effects are for illustrative purposes only. The Capital Reduction Exercise on the share capital and shareholders' funds of the Company is based on the audited consolidated financial statements of the Group for FY 2005 and the Capital Reduction Exercise is assumed to have been completed on 31 December 2005.

**(i) Share Capital**

The effect of the Capital Reduction Exercise on the issued and paid-up share capital of the Company as at 31 December 2005 is set out below:–

	<b>No. of shares</b>	<b>S\$</b>
Issued and paid-up share capital		
Before the Capital Reduction Exercise	57,000,000	16,047,707
Capital Reduction	—	(12,007,711)
After the Capital Reduction Exercise	57,000,000	4,039,996

**(ii) Shareholders' Fund**

The Capital Reduction Exercise will have the following impact on the shareholders' funds of the Company as at 31 December 2005:–

	<b>Before the Capital Reduction Exercise S\$</b>	<b>After the Capital Reduction Exercise S\$</b>
Share capital	16,047,707	4,039,996
Capital reserve	2,344,269	2,344,269
Employee share option reserve	24,000	24,000
Accumulated losses	(12,007,711)	—
Shareholders' funds	6,408,265	6,408,265

**4.4 Effective Date of Capital Reduction Exercise**

After Shareholders' approval have been obtained for the Capital Reduction Exercise at the EGM, the Company will send a notice to the Comptroller of Income Tax stating that the special resolution for the Capital Reduction Exercise has been duly passed at the EGM.

If no application has been received from creditors for the cancellation of the special resolution for the Capital Reduction Exercise within six weeks commencing from the date on which the special resolution is passed, the Company will lodge the relevant documents with ACRA, upon which the Capital Reduction Exercise will take effect

The Company will then publicly announce and notify Shareholders of the Effective Date of the Capital Reduction Exercise through a SGXNET announcement to be posted on the SGX-ST website at <http://www.sgx.com>.

**4.5 Conditions of the Capital Reduction Exercise**

The Capital Reduction Exercise is subject to, *inter alia*, the following:–

- (a) the approval of the Shareholders of the Company by way of a special resolution at the EGM;
- (b) notifying the Comptroller of Income Tax that the special resolution of the Capital Reduction Exercise has been passed at the EGM;
- (c) no objections has been received by the Company from any creditors to the Capital Reduction Exercise; and

- (d) filing of the relevant documents with ACRA after the end of the six weeks period commencing from the date on which the special resolution is passed to effect the Capital Reduction Exercise.

## **5. THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES**

**5.1** The Company is proposing to amend its Memorandum and Articles in view of, *inter alia*, the recent amendments to the Companies Act, Cap. 50 that came into effect on 30 January 2006.

**5.2** The proposed alterations to the Memorandum and Articles are set out below:-

(a) Clause 5 of the Memorandum

Clause 5 of the Memorandum is proposed to be deleted in its entirety following the abolishment of the concepts of authorised share capital and par value.

(b) Article 6 — Authorised share capital

Article 6 is proposed to be deleted in its entirety following the abolishment of the concept of authorised share capital.

(c) Article 6A — Repurchase of shares

Article 6A is proposed to be amended to allow the Company to hold repurchased shares as treasury shares and to delete reference to capital redemption reserve in view of the repeal of section 76G of the Act.

(d) Article 8(i) — Issue of New Shares

Article 8(i) is proposed to be amended by deleting the word “nominal” thereof following the abolishment of the concept of par value.

(e) Article 12 — Power to pay commission and brokerage

Article 12 is proposed to be deleted in its entirety in view of the repeal of section 67 of the Act in relation to the power to pay commissions, prohibition of payment of all other commissions, discount, etc.

(f) Article 32 — Calls on shares

Article 32 is proposed to be amended by deleting the words “(whether on account of the nominal value of the shares or by way of premium)” following the abolishment of the concept of par value.

(g) Article 35 — Sum due to allotment

Article 35 is proposed to be amended by deleting the words “(whether on account of the nominal value of the shares or by way of premium)” following the abolishment of the concept of par value.

(h) Article 37 — Payment in advance of calls

Article 37 is proposed to be amended by deleting the words “(whether on account of the nominal value of the shares or by way of premium)” following the abolishment of the concept of par value.

(i) Article 55 — Power to reduce capital

Article 55 is proposed to be amended by deleting the words “, any capital redemption reserve fund or share premium account” following the abolishment of the concept of par value and to modify the Article to provide that the capital reduction shall be subject to the provisions of the Act.

(j) Article 57 — Transfer of stock

Article 57 is proposed to be amended by deleting the words “, provided that such units shall not be greater than the nominal amount of the shares from which the stock arose” following the abolishment of the concept of par value.

(k) Article 87A — Directors may approve and implement voting methods

Article 87A is proposed to be deleted in its entirety as it may not be possible for the Company to verify the authenticity of members who vote in absentia by way of mail, electronic mail or facsimile.

(l) Article 129 — Payment of dividends

Article 129 is proposed to be amended to provide that the profits for payment of dividend shall exclude any gains derived by the Company from the sale or disposal of treasury shares following the amendment to section 403(1C) of the Act.

(m) Article 131 — Payment of preference and interim dividends

Article 131 is proposed to be amended to provide that the profits for payment of preference and interim dividends shall exclude any gains derived by the Company from the sale or disposal of treasury shares following the amendment to section 403(1C) of the Act.

(n) Article 132 — Share premium account

Article 132 is proposed to be amended by deleting it in its entirety following the abolishment of the concept of par value.

(o) Article 142 — Power to capitalise profits

Article 142 is proposed to be amended by (a) deleting reference to the share premium account and capital redemption reserve fund following the abolishment of the concept of par or nominal value of shares and the repeal of section 76G of the Act on capital redemption reserve; and (b) deleting the words “(or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid” thereof.

**5.3** The text of the relevant Memorandum and Articles with the proposed amendments marked are set out in Appendix II of this Circular

## **6. EXTRAORDINARY GENERAL MEETING**

An EGM will be held at Nautica III, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on 28 April 2006 at 10.30 a.m. or immediately after the conclusion of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day at the same place for the purpose of considering and, if thought fit, passing, with or without modifications, the ordinary resolutions set out in the Notice of EGM on Appendix III of this Circular.

As stipulated under section 130D of the Act, a Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register not less than 48 hours before the time appointed for the EGM.

## **7. ACTION TO BE TAKEN BY SHAREHOLDERS**

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote on their behalf, will find attached to this Circular a proxy form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at No. 6 Pioneer Sector 1, Singapore 628418, not less than 48 hours before the time fixed for the EGM. The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the EGM if he is able to do so.

## **8. BOOKS CLOSURE DATE**

The Books Closure Date for the purpose of determining Entitled Shareholders' entitlements under the Rights Issue will be announced at a later date.

## **9. DIRECTORS' RECOMMENDATION**

After having considered the rationale for the Rights Issue, the terms of the Capital Reduction Exercise and proposed amendments to the Memorandum and Articles, the Directors are of the opinion that the Rights Issue, Capital Reduction Exercise and proposed amendments to the Memorandum and Articles are in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of resolutions relating to the Rights Issue, Capital Reduction Exercise and proposed amendments to the Memorandum and Articles to be proposed at the EGM as stated in the Notice of EGM on Appendix III of this Circular.

The Principal Shareholder, who had an interest in approximately 69.56 per cent. of the issued share capital of the Company as at the Latest Practicable Date, has undertaken to, *inter alia*, vote in favour of the ordinary resolution relating to the Rights Issue set out in the Notice of EGM.

## **10. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects and that there are no material facts the omission of which would make any statement in this Circular misleading or false.

Where any information contained in this Circular has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources.

**11. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in Appendix I to this Circular.

Yours faithfully  
For and on behalf of the Board of Directors of  
Baker Technology Limited

Anthony Sabastian Auroi  
Director



## ADDITIONAL INFORMATION

## 1. AUDITED BALANCE SHEETS OF THE GROUP AND THE COMPANY AS AT 31 DECEMBER 2005

	Group S\$'000	Company S\$'000
<b>Non-current assets</b>		
Fixed assets	4,423	1
Investment in subsidiaries	—	8,000
Intangible assets	94	—
	4,517	8,001
<b>Current assets</b>		
Stocks	17,941	—
Trade debtors	12,353	—
Other debtors	714	55
Amount due from subsidiaries	—	893
Cash at bank and on hand	503	17
	31,511	965
<b>Less: Current liabilities</b>		
Interest-bearing loans and borrowings	12,385	—
Trade creditors	12,171	—
Accruals and other creditors	2,663	146
Amount due to holding company	578	578
Provision for taxation	600	17
	28,397	741
<b>Net current assets</b>	3,114	224
<b>Non-current liabilities</b>		
Amount due to subsidiaries	—	(1,817)
Interest-bearing loans and borrowings	(186)	—
Deferred tax liabilities	(68)	—
	(254)	—
<b>Net assets</b>	7,377	6,408
<b>Capital and reserves</b>		
Share capital	11,400	11,400
Share premium	4,648	4,648
Reserves	(8,671)	(9,639)
<b>Shareholders' funds</b>	7,377	6,408

## 2. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### (a) Directors

The interests of the Directors in the Shares as at the Latest Practicable Date, based on information in the Register of Directors' Shareholdings as maintained pursuant to section 164 of the Act, were as follows:—

	Direct Interest		Deemed Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
<b>Director</b>				
Dr. Benety Chang <sup>(2)</sup>	—	—	39,651,700	69.56
Anthony Sabastian AuroI <sup>(2)</sup>	—	—	39,651,700	69.56
Tan Yang Guan <sup>(2)</sup>	20,000	0.035	39,651,700	69.56

#### Notes:—

- (1) Based on the total issued and paid-up share capital of the Company comprising 57,000,000 Shares as at the Latest Practicable Date.
- (2) Deemed to be interested in 39,651,700 Shares held by Saberon Investments Pte Ltd by virtue of section 7 of the Companies Act, Cap 50.

### (b) Substantial Shareholders

The interests of the substantial Shareholders in the Shares as at the Latest Practicable Date, based on information in the register of substantial Shareholders as maintained pursuant to section 88 of the Act, were as follows:—

	Direct Interest		Deemed Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
<b>Substantial Shareholder</b>				
Saberon Investments Pte Ltd	39,651,700	69.56		
Dr. Benety Chang <sup>(2)</sup>	—	—	39,651,700	69.56
Dr. Doris Heng Chin Ngor <sup>(2)</sup>	—	—	39,651,700	69.56
Anthony Sabastian AuroI <sup>(2)</sup>	—	—	39,651,700	69.56
Tan Yang Guan <sup>(2)</sup>	20,000	0.035	39,651,700	69.56

#### Notes:—

- (1) Based on the total issued and paid-up share capital of the Company comprising 57,000,000 Shares as at the Latest Practicable Date.
- (2) Deemed to be interested in 39,651,700 shares held by Saberon Investments Pte Ltd by virtue of section 7 of the Companies Act, Cap 50.

- (c) Our Independent Director, Mr Robert Wong Kwan Seng, is also a director of Straits Law Practice LLC, the legal adviser to the Company in relation to the Rights Issue, the Capital Reduction Exercise and the proposed amendments to the Memorandum and Articles.

### **3. MATERIAL LITIGATION**

Our Australia subsidiary, York Transport Equipment Pty. Limited is seeking advice from its lawyers with regard to a possible claim against one of its suppliers. As at the Latest Practicable Date, York Transport Equipment Pty. Limited is still evaluating the situation and has not decided on a course of action. Save as disclosed, the Directors have no knowledge of any other legal or arbitration proceedings pending or threatened against any member of the Group during the last twelve (12) months preceding the date of this Circular which might materially and adversely affect the financial position of the Group taken as a whole.

### **4. MATERIAL CONTRACTS**

Save for the Undertaking dated 24 February 2006 executed by Principal Shareholder in favour of the Company whereby the Principal Shareholder undertook to *inter alia*, subscribe and/or procure subscriptions for its Rights Shares with Warrants entitlements under the Rights Issue, there are no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and its subsidiaries during the two (2) years preceding the date of this Circular.

### **5. LETTER OF CONSENT**

The Manager has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all references thereto in the form and context in which they appear in this Circular.

### **6. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at No. 6 Pioneer Sector 1, Singapore 628418, during normal business hours from the date of this Circular up to and including the date of the EGM:–

- (i) Memorandum and Articles;
- (ii) the annual reports of the Company for FY 2004 and FY 2005;
- (iii) the material contracts referred to in section 4 above; and
- (iv) the letter of consent referred to in section 5 above.

## THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES

The amendments that are proposed to be made to the Memorandum and Articles are set out below. For ease of reference, the text of the relevant Memorandum and Articles which are recommended for alteration have also been reproduced.

(a) Clause 5 of the Memorandum

~~The share capital of the Company is Dollars Twenty Million (\$20,000,000.00) divided into One hundred Million (100,000,000) shares of Cents Twenty (\$0.20) each.~~

(b) Article 6 — Authorised share capital

~~The authorised capital of the Company is Singapore Dollars Twenty Million (S\$20,000,000) divided into 100,000,000 ordinary shares of S\$0.20 each or from time to time such other amounts divided into such class and number of shares with such rights attaching thereto as provided in accordance with the provisions of these Articles.~~

(c) Article 6A — Repurchase of shares

~~The Company may authorise the Directors of the Company in General Meeting to purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Act and any other relevant rule, law or regulation enacted or promulgated by any relevant competent authority including the Exchange's listing rules from time to time (hereafter, the "Relevant Laws"), on such terms and subject to such conditions as the Company may think fit and in the manner prescribed by the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid shall be cancelled or held by it as treasury shares in accordance with the provisions of the Relevant Laws. The amount of the Company's issued share capital which is diminished on cancellation of the shares purchased shall be transferred to the Company's capital redemption reserve.~~

(d) Article 8(i) — Issue of New Shares

~~the total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time;~~

(e) Article 12 — Power to pay commission and brokerage

~~The Company may exercise the powers of paying commission conferred by the Act, provided that the rate per cent, or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and the commission shall not exceed the rate of ten per cent of the price at which the shares in respect whereof the same is paid are issued or an amount equal to ten per cent of that price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares, or partly in one way and partly in the other. The Company may also on any issue pay such brokerage as may be lawful.~~

(f) Article 32 — Calls on shares

~~The Directors may from time to time make such calls as they think fit upon the Members in respect of any money unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the terms of the issue thereof made payable at fixed times, and each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine.~~

(g) Article 35 — Sum due to allotment

Any sum ~~(whether on account of the nominal value of the share or by way of premium)~~ which by the terms of issue and allotment of a share becomes payable upon allotment or at any fixed date shall for all purposes of these Articles be deemed to be a call duly made and payable on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of the Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

(h) Article 37 — Payment in advance of calls

The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the money ~~(whether on account of the nominal value of the shares or by way of premium)~~ uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish (so far as the same shall extend) the liability upon the shares in respect of which it is made, and upon the money so received or so much thereof as from time to time exceeds the amount of the calls then made upon the shares concerned, the Company may pay interest at such rate not exceeding without the sanction of the Company in General Meeting ten per cent per annum as the Member paying such sum and the Directors agree upon. Capital paid on shares in advance of calls shall not whilst carrying interest confer a right to participate in profits and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as part of its capital and shall be repayable at any time if the Directors so decide.

(i) Article 55 — Power to reduce capital

The Company may by Special Resolution reduce its share capital, ~~any capital redemption reserve fund or share premium account~~ in any manner and subject to ~~any incident authorised and consent required by law~~ the provisions of the Act.

(j) Article 57 — Transfer of stock

The holders of stock may transfer the same or any part thereof in the same manner and subject to these Articles and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit but no stock shall be transferable except in such units as the Directors may from time to time determine, ~~provided that such units shall not be greater than the nominal amount of the shares from which the stock arose.~~

(k) Article 87A — Directors may approve and implement voting methods

~~Subject to these Articles and any applicable legislation, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.~~

(l) Article 129 — Payment of dividends

The Company may, by Ordinary Resolution declare dividends but (without prejudice to the powers of the Company to pay interest on share capital as hereinbefore provided) no dividend shall be payable except out of the profits (excluding any gains derived by the Company from the sale or disposal of treasury shares) of the Company, or in excess of the amount recommended by the Directors. The Directors may, if they think fit, from time to time declare and pay to the Members such interim dividends as appear to them to be justified by the position of the Company.

(m) Article 131 — Payment of preference and interim dividends

Notwithstanding Article 130, if, and so far as in the opinion of the Directors, the profits (excluding any gains derived by the Company from the sale or disposal of treasury shares) of the Company justify such payments, the Directors may pay fixed preferential dividends on any express class of shares carrying a fixed preferential dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and subject thereto may also from time to time pay to the holders of any other class of shares interim dividends thereon of such amounts and on such dates as they may think fit.

(n) Article 132 — Share premium account

~~If the Company issues shares at a premium, whether for cash or otherwise, the Directors shall transfer a sum equal to the aggregate amount or value of the premiums to an account called the "Share Premium Account" and any amount for the time being standing to the credit of such account shall not be applied in the payment of any cash dividend.~~

(o) Article 142 — Power to capitalise profits

The Directors may, with the sanction of an Ordinary Resolution of the Company, capitalise any sum standing to the credit of any of the Company's reserve accounts, ~~(including Share Premium Account, Capital Redemption Reserve Fund or other undistributable reserve)~~ or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares ~~(or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares)~~ for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

**BAKER TECHNOLOGY LIMITED**

(Company Registration Number: 198100637D)

(Incorporated in the Republic of Singapore)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Baker Technology Limited (the "Company") will be held at Nautica III, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on Friday, 28 April 2006 at 10.30 a.m. or immediately after the conclusion of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day at the same place for the purpose of considering and if thought fit, passing with or without amendments, the following resolutions:-

**AS ORDINARY RESOLUTION**

- (1) That the renounceable non-underwritten rights issue (the "Rights Issue") of up to 570,000,000 new ordinary shares in the capital of the Company (the "Rights Shares") with up to 28,500,000 free detachable warrants (the "Warrants") be and is hereby approved and the Board of Directors be and is hereby authorised to:-
- (A) create and issue:-
- (i) such number of Rights Shares as the Directors may determine up to 570,000,000 Rights Shares at an issue price of S\$0.025 for each Rights Share;
  - (ii) such number of Warrants as the Directors may determine up to 28,500,000 Warrants in registered form to be issued together with the Rights Shares, each such Warrant to entitle the holder thereof to subscribe for one (1) new ordinary share in the capital of the Company (the "New Share") at an exercise price of S\$0.025 for each New Share at any time during the period commencing on the date of issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the fifth (5<sup>th</sup>) anniversary of the date of issue of the Warrants subject to the terms and conditions of the deed poll (the "Deed Poll") constituting the Warrants to be executed by the Company on such terms and conditions as the Directors may think fit;
  - (iii) such further Warrants as may be required or permitted to be issued in accordance with the terms and conditions of the Deed Poll (any such further Warrants to rank *pari passu* with the Warrants and for all purposes to form part of the same series, save as may otherwise be provided in the terms and conditions of the Deed Poll); and
- (B) provisionally allot and to issue up to 570,000,000 Rights Shares with up to 28,500,000 Warrants at an issue price of S\$0.025 for each Rights Share on the basis of twenty (20) Rights Shares with one (1) free detachable Warrant for every two (2) existing ordinary shares in the capital of the Company held by shareholders of the Company (the "Shareholders") as at a date and time to be determined by the Directors (the "Books Closure Date"), fractional entitlements to be disregarded;
- (C) allot and issue, notwithstanding that the issue thereof may take place after the next or any ensuing annual or other general meeting of the Company:-
- (i) up to 28,500,000 New Shares on the exercise of the Warrants, credited as fully paid, subject to and otherwise in accordance with the terms and conditions of the Deed Poll, such New Shares (when issued and paid) to rank *pari passu* in all respects with the then existing shares of the Company (save as may otherwise be provided in the terms and conditions of the Deed Poll) save for any dividends, rights, allotments or other distributions the record date for which falls before the date of issue of the New Shares; and

- (ii) on the same basis as paragraph (C)(i) above, such further new ordinary shares in the capital of the Company as may be required to be allotted and issued on the exercise of any of the Warrants referred to in paragraph (A)(iii) above,

on the terms and conditions set out below and/or otherwise on such terms and conditions as the Directors may think fit:–

- (a) the provisional allotments of the Rights Shares with Warrants under the Rights Issue shall be made on a renounceable basis to the Shareholders whose names appear in the Register of Members of the Company or the records of the Central Depository (Pte) Limited (“CDP”) as at the Books Closure Date with registered addresses in Singapore or who have, at least five (5) market days prior to the Books Closure Date, provided to the CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents, on the basis of twenty (20) Rights Shares with one (1) free detachable Warrant for every two (2) existing ordinary shares in the capital of the Company then held by the Shareholders or in such other proportions as the Directors may think fit;
- (b) no provisional allotment of the Rights Shares with Warrants shall be made in favour of Shareholders with registered addresses outside Singapore as at the Books Closure Date or who have not, at least five (5) market days prior thereto, provided to the CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents (the “Foreign Shareholders”);
- (c) the entitlements to the Rights Shares with Warrants which would otherwise accrue to Foreign Shareholders shall be disposed of by the Company in such manner and on such terms and conditions as the Directors shall deem fit for the purpose of renouncing the rights entitlements relating thereto to purchasers thereof and to pool and thereafter distribute the net proceeds, if any, thereof (after deducting all expenses) proportionately among such Foreign Shareholders in accordance with their respective shareholdings as at the Books Closure Date provided that if the amount to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall instead be retained or dealt with for the sole benefit of the Company;
- (d) the entitlements to the Rights Shares with Warrants not taken up or allotted for any reason (other than allotments to Foreign Shareholders referred to above) shall be allotted in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company; and
- (e) the Rights Shares when issued and fully paid up will rank *pari passu* in all respects with the then existing ordinary shares in the capital of the Company save for any dividends, rights, allotments or other distribution, the record date for which falls before the date of the Rights Shares,

and the Directors be and are hereby authorised to take such steps, do all such acts and things, make such amendments to the terms of the Rights Shares and Warrants and exercise such discretion as the Directors may in their absolute discretion deem fit, advisable or necessary in connection with all or any of the above matters.

#### **AS SPECIAL RESOLUTIONS**

- (2) Pursuant to Article 55 of the Articles of Association of the Company and subject to the provisions of section 78 of the Companies Act, Cap. 50:–
  - (a) the issued and paid-up capital of the Company be reduced from S\$16,047,707 to S\$4,039,996 and that such reduction be effected by cancelling the issued and paid-up share capital of the Company which has been lost or unrepresented by available assets to the extent of S\$12,007,711;



- (b) that an amount equal to S\$12,007,711, being the credit arising from the cancellation of the issued and paid-up share capital, be applied in writing off the accumulated losses of the Company as at 31 December 2005 to the extent of S\$12,007,711; and
  - (c) approval be and is hereby given to the Directors of the Company to take such steps and exercise such discretion in connection with all or any of the above matters, with full power to assent to any condition, modification, variation and/or amendment as may be required by the relevant authorities, as the Directors may in their absolute discretion deem fit, advisable, necessary or expedient to give effect to this Resolution and the Capital Reduction Exercise.
- (3) That the proposed amendments to the Company's existing Memorandum and Articles of Association which are set out in Appendix II of the Circular to Shareholders dated 5 April 2006, be and are hereby approved and adopted.

**BY ORDER OF THE BOARD**

Aw Seok Chin  
Company Secretary  
5 April 2006  
Singapore

**Notes:--**

- (1) A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend at the same meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at No. 6 Pioneer Sector 1, Singapore 628418 not later than 48 hours before the time appointed for holding the meeting.

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**proxy form  
for Extraordinary General  
Meeting**

**IMPORTANT**

1. For investors who have used their Central Provident Fund ("CPF") monies to buy shares in the capital of Baker Technology Limited, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

**BAKER TECHNOLOGY LIMITED**

(Company Registration Number 198100637D)  
(Incorporated in the Republic of Singapore)

I/We, \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of BAKER TECHNOLOGY LIMITED (the "Company") hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and/or failing him/her, the Chairman of the Extraordinary General Meeting ("EGM") as my/our proxies to vote on my/our behalf at the EGM of the Company to be held at Nautica III, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on 28 April 2006 at 10.30 a.m. or immediately after the conclusion of the Annual General Meeting of the Company to be held at 10.00 a.m. on the same day at the same place and at any adjournment thereof. I/We direct my/our proxies to vote for or against the resolutions to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the EGM.

Ordinary Resolution	For	Against
To approve the Rights Issue		
Special Resolutions		
To approve the Capital Reduction Exercise		
To approve the amendments to the Memorandum and Articles of Association of the Company		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the resolutions as set out in the Notice of the EGM).

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006

\_\_\_\_\_  
Signature of Shareholder(s)/  
Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	



**Notes:–**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member entitled to attend and vote at the EGM is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
4. This instrument appointing a proxy or proxies must be deposited at the Company's registered office at No. 6 Pioneer Sector 1, Singapore 628418 not less than 48 hours before the time set for the EGM.
5. This instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Shares entered in the Depository Register, the Company may reject a Proxy Form lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.