



BAKER TECHNOLOGY LIMITED

(Company Registration No. 198100637D)

PROPOSED DISPOSAL OF APPROXIMATELY 51% INTEREST IN THE ISSUED AND PAID-UP SHARE CAPITAL OF YORK TRANSPORT EQUIPMENT (ASIA) PTE LTD, A WHOLLY OWNED SUBSIDIARY OF BAKER TECHNOLOGY LIMITED

1. Introduction

The Board of Directors of Baker Technology Limited (the "Company" or "BTL") is pleased to announce that the Company had today entered into a conditional Share Purchase Agreement (the "SPA") with TRF Limited (the "Purchaser" or "TRF"), a TATA enterprise, pursuant to which the Purchaser agreed to purchase 12,870,941 ordinary shares (the "Sale Shares"), representing approximately 51% in the issued and paid-up share capital of York Transport Equipment (Asia) Pte Ltd ("York Transport") for a total cash consideration of S\$16,575,000 (the "Proposed Disposal").

2. Information about York Transport

York Transport (Company Registration No. 198900157E), a wholly owned subsidiary of the Company, is a private limited company incorporated in Singapore and having its registered address at No. 5 Tuas Avenue 6, Singapore 639295. As at the date of the SPA, York Transport has a paid up and issued share capital of S\$17,675,282 comprising of 25,237,139 ordinary shares.

As at the date of the SPA, York Transport is the beneficial and registered owner of the following subsidiaries:-

<u>Name of subsidiary</u>	<u>Country of Incorporation</u>	<u>Percentage of equity held by the Company</u>
York Transport Equipment Pty Limited	Australia	100%
York Sales (Thailand) Co., Ltd	Thailand	100%
York Transport Equipment (SA) (Pty) Limited	South Africa	100%
York Transport Equipment	Malaysia	100%

<u>Name of subsidiary</u>	<u>Country of Incorporation</u>	<u>Percentage of equity held by the Company</u>
(Malaysia) Sdn. Bhd.		
Rednet Pte. Ltd.	Singapore	100%
PT York Engineering	Indonesia	100%
Eadda Pte. Ltd.	Singapore	100%
YTE Special Products Pte Ltd	Singapore	100%
<u>Held by YTE Special Products Pte Ltd</u>		
Qingdao YTE Special Products Co. Ltd	People's Republic of China	100%

York Transport and its subsidiaries are principally engaged in the business of production, manufacturing and distribution of truck and trailer axles and related components.

For the financial year ended 31 December 2006, York Transport's proforma Group* net tangible asset value is approximately S\$22.1 million.

* - The proforma Group of York Transport also included York Transport Equipment Pty. Limited ("YTEM") and Rednet Pte. Ltd. ("RN"), which were previously held directly by BTL prior to 31 December 2006. BTL recently disposed YTEM and RN to York Transport.

3. Disposal Consideration

The cash consideration of S\$16,575,000 (the "Disposal Consideration") was arrived at after arm's length negotiations on a willing buyer willing seller basis. The Disposal Consideration was determined after taking into account the current profits and the potential future profits of York Transport through the participation of TRF in the equity of York Transport.

The Disposal Consideration will be paid by the Purchaser on the date of completion of the SPA.

4. Conditions Precedent

Pursuant to the SPA, completion of the Proposed Disposal is conditional upon, *inter alia*, the following:-

- (a) a due diligence exercise being carried out by the Purchaser on York Transport and its subsidiaries, and findings, if any, arising out of such due diligence being addressed to the Purchaser's satisfaction in terms of clause 6 of the SPA;
- (b) the Company having obtained the approval of its shareholders for the sale of the Sale Shares on or before 30 September 2007.

5. Call and Put Options

Call option

Pursuant to the terms of the SPA, the Company granted to the Purchaser, a call option which when exercised will allow the Purchaser to purchase from the Company the balance 12,366,198 issued ordinary shares (the "Option Shares") in the capital of York Transport.

The Call Option may be exercised by the Purchaser in respect of all (and not part only) of the Options Shares by serving notice in writing to the Company of such exercise at any time on or after 1 April 2010.

The cash consideration for the Option Shares upon the exercise of the Call Option shall be an amount equal to the sum of:-

- (a) S\$18,425,000;
- (b) an amount equal to 15% of S\$18,425,000;
- (c) 49% of the consolidated undistributed net profit after tax of York Transport in each of the completed financial years preceding the financial year in which the Call Option is exercised commencing from 1 January 2008. For the avoidance of doubt, in the event that York Transport shall incur a loss in any financial year, no payment shall be made pursuant to this clause (c) in respect of that financial year and the amount of the loss shall not be brought forward to the next immediate financial year, it being the intention of the Parties that for the purpose of the computing the cash consideration for the Option Shares upon the exercise of the Call Option, the profit of each financial year shall not be reduced or diluted by the losses of the preceding financial years; and
- (d) 49% of the consolidated undistributed net profit after tax of the York Transport of the financial year in which the Call Option is exercised pro-rated by dividing the number of days elapsed from the beginning of that financial year up to the actual date of payment of the cash consideration of the Call Option by 365 days.

Put Option

Pursuant to the terms of the SPA, the Purchaser granted to the Company a put option which when exercised will require the Purchaser to purchase from the Company the Option Shares (the "Put Option").

The Put Option may be exercised by the Company in respect of all (and not part only) of the Options Shares by serving notice in writing to the Purchaser of such exercise at any time on or after 1 April 2010.

The cash consideration for the Option Shares upon the exercise of the Put Option shall be an amount equal to the sum of:-

- (a) S\$18,425,000; and
- (b) an amount equal to the sum of 49% of the consolidated undistributed net profit after tax of York Transport in each of the completed financial years preceding the financial year in which the Put Option is exercised commencing from 1 January 2008. For the avoidance of doubt, in the event that York Transport shall incur a loss in any financial year, no payment shall be made pursuant to this sub-clause (b) in respect of that financial year and the amount of the loss shall not be brought forward to the next immediate financial year, it being the intention of the Parties that for the purpose of the computing the cash consideration for the Option Shares upon the exercise of the Put Option, the profit of each financial year shall not be reduced or diluted by the losses of the preceding financial years.

6. Shareholders' Agreement

On completion of the sale and purchase of the Sale Shares, BTL and TRF will enter into a Shareholders' Agreement to record the financial, managerial, administrative and other arrangements agreed between them in relation to their shareholdings in the Company and the manner in which the affairs of the Company will be regulated with effect from the date of completion until the completion of the sale and purchase of the Option Shares pursuant to the exercise of either of the options referred to in paragraph 5 above.

7. Rationale

The Company has been looking for a strategic partner with whom to enter into a partnership to enhance the growth of the Company.

TRF is a member of the influential TATA group of companies of India. With TRF as its majority shareholder, York Transport is well positioned to penetrate the lucrative Indian market where the TATA group has significant presence and influence.

York Transport will also be able to ride on the TATA Group's international network of distributorship to expand its market for its existing products and also to introduce new products to the market.

For the reasons stated above, the Directors are of the view that it would be in the best interests of the Company to make the Proposed Disposal.

8. Financial Effects

The net sales proceeds from the Proposed Disposal after deducting all expenses is estimated to be approximately S\$16.4 million. The carrying net book value of the Sale Shares in the consolidated accounts of the Company and its subsidiaries (the "Group") is approximately S\$11.3 million as at 31 December 2006. Accordingly, the excess of the proceeds over the book value is S\$5.2 million.

Upon completion of the Proposed Disposal, the net profit attributable to the Proposed Disposal is estimated to be approximately S\$5.2 million after deducting all expenses. Accordingly, the gain on the Proposed Disposal is approximately S\$5.2 million.

The proforma financial effects of the Proposed Disposal are purely for illustrative purpose and are neither indicative of the actual financial effects of the Proposed Disposal on the net tangible assets ("NTA") and earnings per share ("EPS") of the Company nor indicative of the financial performance of the Company for the financial year ended 31 December 2006. The proforma financial effects have been prepared based on the audited consolidated financial statements of the Group for the year ended 31 December 2006.

(a) NTA

Assuming that the Proposed Disposal had been completed on 31 December 2006, the Proposed Disposal would have the following impact on the NTA of the Group:

	NTA of the Group	NTA per share
Before Proposed Disposal	S\$22.1m	3.5 cents
After Proposed Disposal	S\$27.3m	4.4 cents

(b) EPS

Assuming that the Proposed Disposal had been completed on 1 January 2006, the Proposed Disposal would have the following impact on the earnings of the Group:

	Net profit attributable to shareholders	EPS (cents)
Before Proposed Disposal	S\$1.0m	0.3 cents
After Proposed Disposal	S\$5.6m	1.5 cents

9. Use of Proceeds

The net sales proceeds from the Proposed Disposal will be used for future investments. Pending the deployment of the net proceeds for such purposes, the net proceeds may be placed in deposits with financial institutions or invested in short term money market instruments as the directors may, in their absolute discretion, deem fit.

10. Relative Figures under Chapter 10 of the Listing Manual

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual if the Singapore Exchange Securities Trading Limited are set out below:-

Rule 1006	Proposed Disposal (S\$)	The Group (S\$)	%
(a) Net asset value of the assets to be disposed of compared with the Group's net asset value as at 31 December 2006.	S\$11.3m	S\$22.1m	51
(b) The net profits attributable to the assets disposed of, compared with the Group's net profits for the financial year ended 31 December 2006.	S\$0.5m	S\$1.0m	51
(c) Aggregate value of consideration compared with the Company's market capitalisation as at 20 July 2007 (being the market day immediately preceding the date of the SPA)	S\$16.6m	S\$270.2m	6
(d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	NA	NA	NA

Based on the relative figures shown above, the Proposed Disposal constitutes a major transaction within the meaning of Chapter 10 of the Listing Manual and pursuant to Rule 1013, the Company is required to seek shareholders' approval for the Proposed Disposal.

11. Interests of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

12. Circular

A circular containing further details of the Proposed Disposal and enclosing the notice of Extraordinary General Meeting to be convened in connection therewith will be dispatched by the Company to the shareholders in due course.

13. Documents for Inspection

A copy of the SPA may be inspected during normal business hours at the registered office of the Company at 122 Pioneer Road, Singapore 639583 for a period of three months from the date of this announcement.

By Order of the Board
Baker Technology Limited

Aw Seok Chin
Company Secretary

23 July 2007