

Circular dated 3 May 2007

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

The Singapore Exchange Securities Trading Limited (“SGX-ST”) assumes no responsibility for the correctness of any of the statements made, reports contained/referred to, or opinions expressed in this Circular.

The Proposed Acquisition (defined below) involves risks which are described under the section on “Risk Factors” of this Circular.



BAKER TECHNOLOGY LIMITED

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

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE ISSUED SHARE CAPITAL OF PPL HOLDINGS PTE LTD (THE “PROPOSED ACQUISITION”)

Financial Adviser to the Company

nra capital

NRA Capital Pte. Ltd.

(Company Registration Number: 199904258C)
(Incorporated in the Republic of Singapore)

Independent Financial Adviser to the Independent Directors of the Company

 **KIM ENG**

Kim Eng Capital Pte. Ltd.

(Company Registration Number: 200207700C)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Form	:	21 May 2007 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	23 May 2007 at 10.30 a.m.
Place of Extraordinary General Meeting	:	Nautica II, Level 2 Republic of Singapore Yacht Club 52 West Coast Ferry Road Singapore 126887

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated: -

“Agreement”	:	The sale and purchase agreement dated 16 March 2007 entered into between the Majority Shareholders Group and the Company
“associated company”	:	In relation to a corporation means: - (a) any corporation in which the corporation or its subsidiary has, or the corporation and its subsidiary together have, a direct interest of not less than 20% but not more than 50% of the aggregate of the nominal amount of all the voting shares; or (b) any corporation, other than a subsidiary of the corporation or a corporation which is an associated company by virtue of paragraph (a), the policies of which the corporation or its subsidiary, is able to control or influence materially
“Board of Directors” or “Board”	:	The board of directors of the Company
“BTL” or “Company”	:	Baker Technology Limited
“CDP”	:	The Central Depository (Pte) Limited
“Completion”	:	The completion of the Proposed Acquisition
“Consideration”	:	The consideration payable by the Company to the Majority Shareholders Group for the acquisition of the entire share capital of PPLH being S\$3,600,000
“Controlling Shareholder(s)”	:	A person who, as defined in the Listing Manual, holds directly or indirectly 15% or more of the nominal amount of all the Shares of the Company, or in fact exercises control over the Company
“Depositors”	:	Persons who hold Shares through the CDP
“Directors”	:	The Directors of the Company as at the date of this Circular
“EGM”	:	The extraordinary general meeting of the Company to be convened on 23 May 2007, notice of which is set out in the section “Notice of Extraordinary General Meeting”
“EPS”	:	Earnings Per Share
“FY”	:	Financial year ending or ended 31 December
“Group”	:	The Company and its subsidiaries
“Independent Directors”	:	The Directors, other than Dr. Benety Chang, Messrs Anthony Sabastian Aurol and Tan Yang Guan, who are not, whether directly or indirectly, interested in the Proposed Acquisition
“Kim Eng Capital”	:	Kim Eng Capital Pte. Ltd.

DEFINITIONS

“Latest Practicable Date”	:	23 April 2007
“Listing Manual”	:	The Listing Manual of the SGX-ST
“Majority Shareholders Group”	:	Collectively Dr. Benety Chang, Dr. Doris Heng Chin Ngor, Messrs Anthony Sabastian Aurol and Tan Yang Guan
“Market Day”	:	A day on which the Shares of the Company are traded on the Official List of SGX-SESDAQ
“NRA Capital”	:	NRA Capital Pte. Ltd.
“NTA”	:	Net Tangible Assets
“Ordinary Resolution”	:	The ordinary resolution as set out on page 33 of this Circular
“PPL Shipyard”	:	PPL Shipyard Pte Ltd
“PPLH”	:	PPL Holdings Pte Ltd
“Proposed Acquisition”	:	The acquisition by the Company of the entire issued and paid-up share capital of PPLH for the consideration of S\$3,600,000, subject to the terms and conditions of the Agreement
“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular
“Sale Shares”	:	20,000,000 issued ordinary shares representing the entire issued and paid up capital of PPLH
“SGX-SESDAQ”	:	SGX-ST Dealing and Automated Quotation System
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited
“Share(s)”	:	The ordinary share(s) in the share capital of the Company
“Shareholder(s)”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits and for the purposes of this Circular only, mean the persons named as Depositors in the Depository Register and whose securities accounts maintained with CDP are credited with Shares
“Singapore Companies Act”	:	The Companies Act, Chapter 50, of Singapore
“Substantial Shareholder(s)”	:	A person who has an interest of 5% or more of the aggregate of the nominal amount of all the Shares in the Company
“subsidiary”	:	In relation to a corporation means any company or entity directly or indirectly under the control of the corporation; “control” means direct or indirect ownership of more than 50% of the voting share capital or equivalent right of ownership of such company or entity, or the power to direct its policies, management, personnel, financial or operation whether by contract or otherwise

DEFINITIONS

Currencies, Units and Others

“S\$” or “\$” and “cents”	:	Singapore dollars and cents respectively
“US\$”, “USD” or “US Dollar”	:	United States of America dollars
“%”	:	Per centum or percentage

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Singapore Companies Act. The term “Direct Account Holder” shall have the meaning ascribed to the term “account holder” in Section 130A of the Singapore Companies 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. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Singapore Companies Act, the Listing Manual, any relevant laws of the Republic of Singapore or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Singapore Companies Act, the Listing Manual or statutory modification as the case may be.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

All discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

LETTER TO SHAREHOLDERS

BAKER TECHNOLOGY LIMITED

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

Board of Directors:-

Lim Ho Seng (Chairman and Independent Director)
Dr. Benety Chang
Anthony Sabastian Aurol
Tan Yang Guan
Robert Wong Kwan Seng (Independent Director)

Registered Office:-

122 Pioneer Road
Singapore 639583

3 May 2007

LETTER TO SHAREHOLDERS

To: The Shareholders of BTL

Dear Sir/Madam

THE PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE ISSUED SHARE CAPITAL OF PPL HOLDINGS PTE LTD (“PPLH”), FOR AN AGGREGATE CONSIDERATION OF S\$3,600,000 (THE “PROPOSED ACQUISITION”)

1 INTRODUCTION

- 1.1 On 16 March 2007, the Company announced that it had entered into the Agreement with the Majority Shareholders Group for the acquisition of the entire issued share capital of PPLH from the Majority Shareholders Group at the purchase consideration of S\$3,600,000 (the “Announcement”). The Consideration is payable by the Company in cash.
- 1.2 The Proposed Acquisition constitutes an interested person transaction within the meaning of Chapter 9 of the Listing Manual. The Consideration for the Proposed Acquisition is approximately 49.4% of the audited consolidated NTA of the Group of S\$7.28 million as at 31 December 2005, being the latest audited consolidated NTA of the Group as at the date of the Announcement and approximately 16.3% of the audited consolidated NTA of the Group of S\$22.03 million as at 31 December 2006. In accordance with Chapter 9 of the Listing Manual, the Proposed Acquisition is subject to the approval of the Shareholders at an EGM to be convened.
- 1.3 Kim Eng Capital has been appointed to advise the Independent Directors on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. Kim Eng Capital’s letter to the Independent Directors is set out in the Appendix of this Circular.

The purpose of this Circular is to provide Shareholders with relevant information relating to the Proposed Acquisition and to seek Shareholders’ approval for the Proposed Acquisition at the EGM.

2 COMPLIANCE WITH THE LISTING MANUAL

Under Chapter 9 of the Listing Manual, an immediate announcement and subsequent shareholders’ approval is required in respect of a transaction between an entity at risk and its interested persons if the value of that transaction exceeds 5% of the latest audited NTA value.

LETTER TO SHAREHOLDERS

Definitions under Chapter 9 of the Listing Manual

- (a) the term “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions (“IPT”) according to similar principles to Chapter 9.
- (b) the term “entity at risk” means: -
- (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed group that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s) has control over the associated company.
- (c) “interested person” means: -
- (i) a director, chief executive officer, or controlling shareholder of the issuer; or
 - (ii) an associate of any such director, chief executive officer, or controlling shareholder.

Compliance with Chapter 9 of the Listing Manual

The Directors of BTL, Dr. Benety Chang, Messrs Anthony Sabastian Aurol and Tan Yang Guan, each holds direct interests of 67%, 15% and 3% respectively in the issued and paid up share capital of PPLH. Dr. Doris Heng Chin Ngor, who is the wife of Dr. Benety Chang, holds the remaining 15% shareholding. Dr. Benety Chang and Dr. Doris Heng Chin Ngor are deemed interested in each other’s shares and have therefore deemed interests of 82% each.

In addition, Dr. Benety Chang and Dr. Doris Heng Chin Ngor hold direct interests of 67% and 15% respectively in Saber Investments Pte Ltd, which in turn owns a 69.50% shareholding in BTL. They are thus each deemed interested in 82% of Saber Investments Pte Ltd and are consequently each a Controlling Shareholder of BTL.

Dr. Benety Chang, Dr. Doris Heng Chin Ngor, Messrs Anthony Sabastian Aurol and Tan Yang Guan are deemed interested persons with respect to the Proposed Acquisition and the Proposed Acquisition is deemed an IPT within the meaning defined in Chapter 9 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval of Shareholders in general meeting.

No other interested person transactions were entered into with the Majority Shareholders Group for FY2007 up to the Latest Practicable Date.

3 THE PROPOSED ACQUISITION

3.1 The Consideration

The Consideration payable by the Company to the Majority Shareholders Group for the Sale Shares is to be satisfied entirely by cash and to be paid according to the following schedule: -

<u>Date Payment Due</u>	<u>Amount to be Paid</u>
Immediately upon Completion	S\$600,000
Within six (6) months from date of Completion	S\$1,000,000
Within one (1) year from date of Completion	S\$1,000,000
Within eighteen (18) months from date of Completion	S\$1,000,000

LETTER TO SHAREHOLDERS

The Consideration will be funded by internal resources and bank borrowings.

The Consideration was arrived at on an arm's length basis and on a willing-buyer willing-seller basis, taking into account the proforma NTA of PPLH, after adjusting for the effects of the Capital Reduction Exercise (as defined in paragraph 3.4 below), of approximately S\$3,600,000 as at 31 December 2006.

3.2 The Conditions Precedent

The Agreement is subject to the satisfaction of the following conditions: -

- (a) the Company being satisfied (within 2 months from the date of the Agreement) with the results of the due diligence (whether legal, financial, contractual, tax or otherwise) to be carried out by the Company and/or its advisers on PPLH, including without limitation the title to and the status and condition of the properties (whether movable or immovable), assets (whether tangible or intangible), liabilities, businesses, operations, records, financial position, accounts, results, legal and corporate structure of PPLH and any other information disclosed to the Company;
- (b) completion of the Capital Reduction Exercise; and
- (c) approval being obtained from the Shareholders (other than the Majority Shareholders Group or Saberon Investments Pte Ltd or their respective associates who will abstain from voting at the EGM to be held) to purchase the Sale Shares, such approval to be obtained at the EGM.

If any of the above conditions is not fulfilled before 31 December 2007 or such other date as the parties may agree in writing, the Agreement shall *ipso facto* cease and neither the Company nor PPLH hereto shall have any claim against the other for costs, damages, compensation or otherwise.

As at the Latest Practicable Date, all conditions precedent save for condition precedent (c) have been fulfilled.

3.3 Put Option

Pursuant to the terms of the Agreement, the Majority Shareholders Group have jointly and severally granted to the Company during a period of 18 months commencing from the date of Completion a put option which when exercised will require the Majority Shareholders Group to repurchase the Sale Shares from the Company at a price equal to the sum of the Consideration and interest at the rate of 5% per annum.

3.4 Information on PPLH

3.4.1 History of PPLH

PPLH is an investment holding company incorporated in Singapore. On 8 February 2007, it passed a resolution of its shareholders to reduce its capital from S\$20,000,000 to S\$2,500,000 by returning to its existing shareholders capital in excess of its needs. Following completion of the said capital reduction ("Capital Reduction Exercise"), its assets comprise, either directly or indirectly, 3,000,000 ordinary shares, representing a 15% shareholding stake in PPL Shipyard and cash of approximately S\$797,000, and will have no other significant liability whatsoever, save for approximately S\$229,000 income tax liability. Of the 15% shareholding stake in PPL Shipyard, 12% is held directly by PPLH while the remaining 3% is held through its wholly owned subsidiary, E-Interface Holdings Limited. The balance 85% shareholding is held by SembCorp Marine Limited ("SembCorp Marine"), a company incorporated in the Republic of Singapore and listed on the Mainboard of SGX-ST.

LETTER TO SHAREHOLDERS

Pursuant to a sale and purchase agreement dated 9 April 2001 and a supplemental agreement dated 5 July 2003 entered into between PPLH and SembCorp Marine, the parties agreed that PPLH would have the right to procure SembCorp Marine to purchase its 15% shareholding stake in PPL Shipyard by serving prior written notice. The consideration being agreed upon consists of a base price derived by multiplying the percentage of shares PPLH holds in PPL Shipyard at the time of notice of sale by S\$42,000,000 plus accrued interest plus PPLH's portion of the undeclared profits of PPL Shipyard from the date of the supplemental agreement.

3.4.2 Financial Highlights of PPLH

As mentioned in paragraph 3.4.1, PPLH passed a resolution of its shareholders on 8 February 2007 to reduce its capital. Set out below is the proforma income statement for FY2006 which was prepared assuming that the Capital Reduction Exercise had been completed on 1 January 2006 and the proforma balance sheet as at 31 December 2006 which was prepared assuming that Capital Reduction Exercise had been completed on 31 December 2006.

Profit and Loss

	Calendar year ended 31 December 2006 S\$ Proforma
Operating Performance	
Total Income	2,226,892
Profit before Taxation	2,140,954
Profit after Taxation	1,746,461

Balance Sheet

	As at 31 December 2006 S\$ Proforma
Non-current assets	3,066,000
Current assets	797,571
Current liabilities	233,280
Net current assets	564,291
Non-current liabilities	–
Shareholders' equity	3,630,291

3.5 Information on PPL Shipyard

3.5.1 History of PPL Shipyard

PPL Shipyard was incorporated in Singapore on 24 November 1997 under the name of Sillwood Investments Pte Ltd. The name was changed to PPL Shipyard on 14 January 1998. The current issued and paid-up share capital is S\$20,000,000 comprising 20,000,000 ordinary shares.

On 1 April 1998, PPL Shipyard acquired, as part of an internal restructuring exercise, the businesses and assets of PPL Industries Pte Ltd ("PPLI"), a company that had been in the marine offshore business since 1974.

LETTER TO SHAREHOLDERS

Subsequent to a sale and purchase agreement dated 9 April 2001 and a supplemental agreement dated 5 July 2003 entered into between PPLH and SembCorp Marine for the sale of a 50% stake and a 35% stake in PPL Shipyard respectively, PPL Shipyard is now an 85% owned subsidiary of SembCorp Marine.

3.5.2 Overview of Business

The main business of PPL Shipyard is in the operation of a shipyard focused on oil-rig and vessel construction and steel fabrication. Its capabilities include the provision of design and construction of specialised offshore vessels and marine terminals such as dedicated offshore self-propelled jack-up maintenance units, offshore maintenance vessels, anchor handling tug supply vessels and rapid installation jetties or transfer terminals. Depending on the customer's requirements, PPL Shipyard can either provide design services using the designs from Baker Marine Group, its wholly owned subsidiary, or those from other companies.

PPL Shipyard's forte is in the engineering and construction of offshore drilling rigs ranging from posted type drill barges for shallow waters to semi-submersible rigs operating in deep water of more than 8,000 feet.

PPL Shipyard has a yard of 35 acres strategically located at 21 Pandan Road on the West Coast of Singapore. The yard has a water frontage measuring approximately 700 metres, which is one of the longest in Singapore, and a water depth of 6.5 metres. The yard is fully equipped to undertake repairs/afloat repairs and major modifications to rigs and other marine vessels.

The yard and its facilities enable PPL Shipyard to provide a total range of services from the fabrication of components to the construction of rigs.

3.5.3 Financial Highlights of PPL Shipyard

Profit and Loss

Operating Performance	FY2004 US\$'000 Audited	FY2005 US\$'000 Audited	FY2006 US\$'000 Audited
Turnover	89,169	299,688	468,028
Profit before Taxation	3,098	27,033	38,774
Profit after Taxation	2,419	21,692	30,317

Balance Sheet

	FY2004 US\$'000 Audited	FY2005 US\$'000 Audited	FY2006 US\$'000 Audited
Non-current assets	8,564	24,293	40,022
Current assets	92,798	150,893	264,532
Current liabilities	81,251	130,398	230,458
Net current assets	11,547	20,495	34,074
Non-current liabilities	947	3,603	5,417
Shareholders' equity	19,164	41,185	68,679

LETTER TO SHAREHOLDERS

Review of Past Performance (in relation to FY2004, FY2005 and FY2006 Income Statements)

Turnover grew by US\$211 million or 236% in FY2005 as compared to FY2004 and by a further US\$168 million or 56% in FY2006 as compared to FY2005. As a result of the higher turnover, profits after taxation increased by approximately 797% and 40% for FY2005 and FY2006 as compared to the previous FYs. The increased turnover and profits is due to the upturn in rig building activities from FY2004 which resulted in the record number of new rigs under construction.

3.5.4 Track Record and Order Book

PPL Shipyard has since 2000 successfully built and delivered 8 vessels comprising jack-ups and semi-submersibles with a total contract value of about US\$1.4 billion. As at the Latest Practicable Date, it has existing contracts for 11 rigs with a combined contract value of about US\$1.6 billion to be built to its BMC 375 Pacific Class design.

3.5.5 Directors and Management of PPL Shipyard

As at the Latest Practicable Date, the board of directors of PPL Shipyard comprised the following members: -

Tan Kwi Kin (Chairman)
Dr. Benety Chang (Executive Deputy Chairman)
Anthony Sabastian Aurol
Ong Tian Khiam
Ong Poh Kwee
Wee Sing Guan
Wong Weng Sun
Lee Fook Kang
Tan Yang Guan (Alternate Director to Anthony Sabastian Aurol)

The following directors of PPL Shipyard are primarily responsible for its day-to-day operations: -

Dr. Benety Chang (Executive Deputy Chairman)

Dr. Benety Chang is the Executive Deputy Chairman of PPL Shipyard. He has also been the Chief Executive Officer of BTL since 5 May 2000. Dr. Chang holds a MBBS degree from the University of Singapore.

Anthony Sabastian Aurol (Executive Director)

Mr. Anthony Sabastian Aurol is the Executive Director of PPL Shipyard. He joined PPL Shipyard in 1998. He has also been the Executive Director of BTL since 5 May 2000. Mr. Aurol is a law graduate.

Ong Tian Khiam (Managing Director)

Mr. Ong Tian Khiam has been the Managing Director of PPL Shipyard since 1997. Prior to that, he held positions as Deputy Managing Director and Managing Director in Sembawang Maritime and Sembawang Bethlehem respectively along with several other positions at Far East Livingston Shipbuilding between 1970 and 1979 and at Promet Private Limited between 1978 and 1989. Mr. Ong graduated from the University of Singapore with a Bachelor in Mechanical Engineering in 1969.

LETTER TO SHAREHOLDERS

Tan Yang Guan (Finance Director)

Mr. Tan Yang Guan is the Finance Director of PPL Shipyard. Mr. Tan started his career in audit with a public accounting firm in 1975. He joined PPL Shipyard in 1998. He has also been a Non-Executive Director of BTL since 5 May 2000. Mr. Tan is a Fellow of the Association of Chartered Certified Accountants of the United Kingdom, a Fellow of the Institute of Certified Public Accountants of Singapore and a member of the Singapore Institute of Directors.

4 RATIONALE FOR THE PROPOSED ACQUISITION

4.1 To reduce the reliance on the Group's truck and trailer axles business

For FY2006, the Group attained a net profit after tax of S\$0.94 million compared to a net loss after tax of S\$0.92 million for FY2005 with a corresponding increase in revenue to S\$62.57 million from S\$55.27 million.

Notwithstanding the improvement in the Group's operating performance, the trailer axle industry is expected to remain competitive going forward as a result of keen competition, particularly from China based competitors with a cost advantage, and rising material costs.

In view of this, the Directors are of the view that there is a need for the Group to diversify its businesses and reduce its reliance on its trailer axle business.

4.2 To augment and improve the Group's cash flow

For FY2006, the Group generated a negative cash flow of S\$2.36 million from its operating activities. Following the rights issue announced on 24 February 2006, the Group has cash and cash equivalent amounting to S\$1.57 million and a net positive working capital of S\$17.78 million as at 31 December 2006. As at the Latest Practicable Date, the Group has unutilised banking facilities of approximately S\$5.0 million.

However, notwithstanding the above, the Directors believe that there is a need to further improve the Group's cash flow by seeking investments that would generate significant positive cash flows to supplement the Group's current businesses.

4.3 To maximise Shareholders' value through high-yielding investments

For the calendar year ended 31 December 2006, PPLH achieved a proforma profit of S\$1.75 million, of which S\$0.66 million was derived from dividend income declared by PPL Shipyard.

During the last three recently completed financial years, PPL Shipyard has achieved a net profit of US\$2.42 million, US\$21.69 million and US\$30.32 million respectively as it benefited from an increase in exploration and production activities in the oil and gas industry, which was in turn driven by increased demand and high oil prices.

With existing contracts standing at US\$1.6 billion as at the Latest Practicable Date, PPL Shipyard's financial performance is expected to remain strong for at least the next three to four years. This, coupled with the contractual arrangement amongst the shareholders of PPL Shipyard to distribute 40% of its annual net profits as dividends¹, means that the future dividend payouts from PPL Shipyard are likely to be favourable.

The Directors are therefore of the view that the Proposed Acquisition presents BTL with an attractive opportunity to gain exposure to the currently buoyant marine offshore industry as well as provide a stable stream of dividend income and the potential for future capital gains.

¹ In the sale and purchase agreement dated 9 April 2001 entered into between SembCorp Marine and PPLH, it was stated that unless the board of directors otherwise agrees, the shareholders, namely SembCorp Marine and PPLH shall, subject to the availability of profits and regulatory compliance, declare gross dividend to the shareholders equal to 40 per cent of the net after tax profits of PPL Shipyard.

LETTER TO SHAREHOLDERS

4.4 Summary

The Proposed Acquisition will, in summary, bring about the following benefits: -

- (a) Reduce the reliance on the Group's truck and trailer axles business, which is expected to remain competitive going forward.
- (b) Improve cash flows to the Group.
- (c) Maximise Shareholders' value through an investment with the potential for future capital gains and the benefit of gaining exposure to the buoyant marine offshore industry.

5 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

(a) Earnings Per Share

For illustrative purposes only, assuming that the Proposed Acquisition had been effected and the Capital Reduction Exercise had been completed at the beginning of FY2006, its effect on the consolidated earnings per Share of the Group for FY2006 would have been as follows: -

	FY2006	After the Proposed Acquisition
Earnings attributable to Shareholders (S\$'000)	937	2,683
Weighted average number of Shares ('000)	365,750	365,750
EPS (SGD cents)	0.26	0.73

(b) Net Tangible Assets

For illustrative purposes only, assuming that the Proposed Acquisition had been effected and the Capital Reduction Exercise had been completed at the end of FY2006, its effect on the consolidated NTA per Share of the Group for FY2006 would have been as follows: -

	As at 31 December 2006	After the Proposed Acquisition
NTA (S\$'000)	22,028	22,058
No. of Shares ('000)	627,000	627,000
NTA per Share (SGD cents)	3.5	3.5

6 RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows: -

- (a) The net asset value of the assets to be disposed of compared with the Group's net asset value Not applicable
- (b) The net profits⁽¹⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits 141.1%⁽²⁾
- (c) The aggregate value of the consideration given or received compared with the issuer's market capitalisation 16.4%⁽³⁾
- (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 Not applicable

LETTER TO SHAREHOLDERS

Notes: -

- (1) Under Rule 1002(3)(b), "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Determined by dividing the proforma consolidated net profit of PPLH (after adjusting for the effects of the Capital Reduction Exercise) for the calendar year ended 31 December 2006 of S\$2.14 million by the consolidated net profit of the Group for the financial year ended 31 December 2006 of S\$1.52 million.
- (3) Determined by dividing the Consideration of S\$3.6 million and the market capitalisation of the Company of S\$21.95 million as at 15 March 2007 (being the Market Day preceding the date of the Agreement).

The market capitalisation of the Company is determined by multiplying the number of Shares in issue by the weighted average price of such Shares transacted on 15 March 2007 of S\$0.035 per Share with the issued share capital of the Company of 627,001,000 Shares.

Rule 1014 provides that a major transaction within the meaning of Rule 1013 must be made conditional upon approval by Shareholders in general meeting. In addition, Rule 1015(2) provides that a very substantial acquisition within the meaning of Rule 1015(1) must be made conditional upon the approval of Shareholders in general meeting and the approval of SGX-ST. However, both Rules 1014 and 1015 do not apply in the case of an acquisition of profitable assets if the only rule breached is Rule 1006(b). Accordingly, the requirements under both Rules 1014 and 1015 do not apply to the Proposed Acquisition.

7 RISK FACTORS

The Proposed Acquisition will carry certain risks as highlighted below: -

Dividend policy of PPL Shipyard may be subject to change

The dividend policy of PPL Shipyard may be subject to change from time to time as its board of directors may deem necessary. Any changes in the dividend policy of PPL Shipyard may adversely impact the stream of dividend income arising from the Proposed Acquisition to PPLH and consequently to the Company.

Factors that may impact the financial performance of PPL Shipyard

As PPLH primarily derives its income through dividends from PPL Shipyard, factors that may have an impact on the turnover and profits of PPL Shipyard would also have an impact on the profits of PPLH. These factors include: -

(a) Dependence on the Offshore Drilling Industry

The business and operations of PPL Shipyard depend principally upon conditions prevailing in the offshore drilling industry, in particular, the level of demand for the services of offshore drilling contractors. The latter is in turn dependent on factors such as oil and gas prices, local and economic conditions, costs of production, capital expenditure by oil and gas companies and discovery rates of oil and gas reserves in offshore areas.

(b) Contract Bidding Risks

Due to the nature of the drilling construction industry, PPL Shipyard generally undertakes projects on a fixed-price basis. Revenues and costs of fixed-price contracts will often vary from the amounts originally estimated as a result of variations in materials, labour costs and labour productivity. Such variations from estimates may have a significant impact on the financial performance of PPL Shipyard.

LETTER TO SHAREHOLDERS

(c) Operating Risks

The operations of PPL Shipyard are subject to volatility arising from fluctuations in demand for PPL Shipyard's services and the timing of awards of new construction or repair projects. As a result, delays in the procurement of a rig contract or the arrival of a rig to the yard for repairs may affect the operations of PPL Shipyard during the period when such delays occur.

(d) Risk of Performance Bonds Being Called

It is the norm in the oil-rig construction industry for a client to request for a performance bond from the contractor when awarding a project. The terms of the bond are contained in the construction contracts and the value of the bond is usually 10% of the contract price. Clients may also insist on bonds that entitle them to a full recourse of all payments made to a shipyard in the event of a default by the shipyard of a term in the construction contract. This can result in the abandonment of the project by the clients after the receipt of all the payments they have made to the shipyard. Whilst every effort is being made by PPL Shipyard to avoid taking such contracts and, in the event that it takes such contracts, to ensure that the clients are both reputable and reliable, there is always the risk of the bond being recalled.

(e) Other Factors

The financial performance of PPL Shipyard is also dependent upon other factors such as dependence on key personnel, risks of inadequate insurance, currency risks, litigation risks and regulatory and environmental risks.

8 DISCLOSURE OF DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and substantial Shareholders in the Shares as at the Latest Practicable Date, as recorded in the Register of Directors' Shareholders and the Register of Substantial Shareholders maintained under the provisions of the Singapore Companies Act, are as follows: -

	Direct Interests		Deemed Interests	
	No. of Shares	%	No. of Shares	%
<u>Directors</u>				
Lim Ho Seng	-	-	-	-
Dr. Benety Chang*	-	-	436,168,700	69.50
Anthony Sabastian Auroi*	-	-	436,168,700	69.50
Tan Yang Guan*	220,000	0.04	436,168,700	69.50
Robert Wong Kwan Seng	-	-	-	-
<u>Substantial Shareholders</u>				
Saberon Investments Pte Ltd	436,168,700	69.50		

* Deemed to be interested in 436,168,700 Shares held by Saberon Investments Pte Ltd by virtue of Section 7 of the Singapore Companies Act.

Save as disclosed in this Circular, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

LETTER TO SHAREHOLDERS

9 IFA OPINION

Pursuant to Chapter 9 of the Listing Manual, Kim Eng Capital has been appointed as an independent financial adviser to the Independent Directors to advise them on whether the Proposed Acquisition is on normal commercial terms and whether it is not prejudicial to the interests of the Company and its minority Shareholders. A copy of their letter of advice to the Independent Directors is set out in the Appendix of this Circular. Shareholders are advised to read Kim Eng Capital's letter of advice carefully.

Having taken into consideration the various factors set out in its letter to the Independent Directors, Kim Eng Capital is of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

10 AUDIT COMMITTEE'S STATEMENT

The Audit Committee, having reviewed the terms and conditions of the Proposed Acquisition and after considering the advice of Kim Eng Capital as set out in their letter of advice, and the rationale and benefit of the Proposed Acquisition as set out on in Section 4 of this Circular, are of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

Mr. Tan Yang Guan, a member of the Audit Committee, had abstained from making any recommendations.

11 DIRECTORS' RECOMMENDATION

Dr. Benety Chang, Messrs Anthony Sabastian Aurol and Tan Yang Guan, being Directors interested in the Proposed Acquisition, will abstain from making any recommendation on the Proposed Acquisition at the EGM to be convened to consider and approve the Proposed Acquisition.

The Independent Directors note that the Company currently has sufficient funds in its bank account and will be able to satisfy the payments stated in Section 3.1 above through internal resources and bank borrowing.

The Independent Directors, having considered the factors including, *inter alia*, the Consideration, the rationale for the Proposed Acquisition and the advice of Kim Eng Capital in respect of the Proposed Acquisition, are of the view that the Consideration payable is fair and reasonable and that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

12 ABSTAINING FROM VOTING BY INTERESTED PERSONS

Saberon Investments Pte Ltd, in which Dr. Benety Chang, Dr. Doris Heng Chin Ngor, Messrs Anthony Sabastian Aurol and Tan Yang Guan has direct interests of 67%, 15%, 15% and 3% respectively, will abstain from voting at the EGM in respect of the Ordinary Resolution relating to the Proposed Acquisition.

Mr. Tan Yang Guan will also abstain from voting at the EGM in respect of the Ordinary Resolution relating to the Proposed Acquisition in respect of his direct interests of 0.04% in the Company.

LETTER TO SHAREHOLDERS

13 NOTICE OF EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 33 of this Circular will be held at Nautica II, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on 23 May 2007 at 10.30 a.m. for the purpose of considering and if thought fit, passing with or without modifications, the Ordinary Resolution set out in the Notice of EGM.

14 ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at 122 Pioneer Road, Singapore 639583 not later than 10.30 a.m. on 21 May 2007.

Completion and return of the Proxy Form by a Shareholder shall not preclude him from attending and voting at the EGM if he so wishes. In such an event, the relevant Proxy Form will be deemed to be revoked.

15 LITIGATION

Neither the Company nor its subsidiaries are engaged in any ongoing litigation as plaintiff or defendant in respect of any claims or amounts which are or may be material and the Directors have no knowledge of any proceedings which are pending or threatened against the Company or its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of the Company or any of its subsidiaries during the last 12 months.

16 CONSENT

Both NRA Capital and Kim Eng Capital have given and have not withdrawn their written consents to the issue of this Circular with the inclusion herein of and references to their respective names in the form and context in which they each appear in this Circular.

17 NRA CAPITAL'S RESPONSIBILITY STATEMENT

NRA Capital acknowledges that, to the best of its knowledge and belief, based on information furnished by the Company and PPLH, and after making all reasonable enquiries, the facts stated in this Circular relating to the Proposed Acquisition are true and accurate and that no facts have been omitted which would make any statement in this Circular misleading in any respect.

Where information relating to PPLH, PPL Shipyard, E-Interface Holdings Limited and the Group have been extracted from published or otherwise publicly available sources or obtained from the directors of PPLH, PPL Shipyard, E-Interface Holdings Limited, the sole responsibility of NRA Capital has been to ensure that such information has been accurately and correctly extracted from these sources.

LETTER TO SHAREHOLDERS

18 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 122 Pioneer Road, Singapore 639583 during normal business hours from the date of this Circular up to and including the date of the EGM: -

- (i) the Annual Reports 2006, 2005 and 2004 of the Company;
- (ii) the audited financial statements of PPLH for financial years ended 31 March 2007, 2006 and 2005;
- (iii) the audited financial statements of PPL Shipyard for FY2006, FY2005 and FY2004; and
- (iv) the Agreement dated 16 March 2007.

19 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular (save for Kim Eng Capital's letter to the Independent Directors) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular constitute full and true disclosure of all material information relevant to Shareholders for the purpose of the EGM as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Circular misleading.

Yours faithfully
For and on behalf of
the Board of Directors of
BAKER TECHNOLOGY LIMITED

Lim Ho Seng
Chairman

APPENDIX

LETTER FROM KIM ENG CAPITAL TO THE INDEPENDENT DIRECTORS

KIM ENG CAPITAL PTE. LTD.

(Company Registration Number: 200207700C)
(Incorporated in the Republic of Singapore)

9 Temasek Boulevard
#39-00 Suntec Tower Two
Singapore 038989

3 May 2007

The Independent Directors of
Baker Technology Limited
122 Pioneer Road
Singapore 639583

Dear Sir

THE PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE ISSUED SHARE CAPITAL OF PPL HOLDINGS PTE LTD (“PPLH”), FOR AN AGGREGATE CONSIDERATION OF S\$3,600,000 (THE “PROPOSED ACQUISITION”)

1 INTRODUCTION

The letter has been prepared for inclusion in the Circular to be issued by the Company to its Shareholders to be dated 3 May 2007. Except where the context otherwise requires, the definitions used in the Circular shall apply throughout this letter.

- 1.1 On 16 March 2007, the Board of Directors of the Company announced that it had entered into the Agreement with the Majority Shareholders Group for the acquisition of the entire issued share capital of PPLH from the Majority Shareholders Group at the purchase consideration of S\$3,600,000 (the “Announcement”). The Consideration is payable by the Company in cash.
- 1.2 The Proposed Acquisition constitutes an interested person transaction within the meaning of Chapter 9 of the Listing Manual. The Consideration for the Proposed Acquisition is approximately 49.4% of the audited consolidated NTA of the Group of S\$7.28 million as at 31 December 2005, being the latest audited consolidated NTA of the Group as at the date of the Announcement and approximately 16.3% of the audited consolidated NTA of the Group of S\$22.03 million as at 31 December 2006. In accordance with Chapter 9 of the Listing Manual, the Proposed Acquisition is subject to the approval of the Shareholders at an EGM to be convened.
- 1.3 Kim Eng Capital Pte. Ltd. (“Kim Eng Capital”) has been appointed to advise the Independent Directors on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

2 TERMS OF REFERENCE

Kim Eng Capital has been appointed to advise the Independent Directors on the Proposed Acquisition pursuant to Chapter 9 of the Listing Manual. We have confined our recommendation only in respect of whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interest of the Company and its minority Shareholders.

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We were neither a party to the negotiations in relation to the Proposed Acquisition, nor were we involved in the deliberations leading up to the decision by the Company to enter into the Agreement.

Our terms of reference do not require us to evaluate or comment on the rationale, legal and commercial risks and/or merits (if any) of the Proposed Acquisition or on the future prospects of the Company or its group of companies (the "Group") and we have not made such evaluations or comments. Such evaluations or comments shall remain the sole responsibility of the Directors and management of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our recommendation as set out in this letter.

We were also not required to compare the relative merits of the Proposed Acquisition and/or the Agreement to any other proposals for transactions similar to or in lieu of the Proposed Acquisition. In this regard, we are not addressing the relative merits of the Proposed Acquisition as compared to any alternative transaction previously considered by the Company or which otherwise may have been available to the Company currently or in the future, and such comparison and consideration remain the responsibility of the Directors.

In the course of our evaluation, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company and other publicly available information collated by us. We have also examined publicly available information collated by us as well as information, both written and verbal, provided to us by the Directors, the management of the Company and the Company's professional advisers including information contained in the Circular. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any warranty or representation, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of, such information.

We have relied upon the assurances of the Directors (including those who may have delegated supervision of the Circular) that, to the best of their knowledge and belief, they have taken reasonable care to ensure that the facts stated and opinions expressed by them or the Company in the Circular are fair and accurate in all material aspects. The Directors confirmed to us that, to the best of their knowledge and belief, there is no other information or fact, the omission of which would cause any statement in the Circular to be inaccurate, incomplete or misleading in any material respect. Whilst care has been exercised in reviewing the information upon which we have relied, we have not independently verified such information but nevertheless have made such enquiry and judgment as we have deemed necessary and have found no reason to doubt the accuracy of the information.

We are not required to, and have not carried out an audit or review of the financial statements and forecast, or any component of the financial statements and forecast of the Company, the Group, PPLH, PPL Shipyard and E-Interface Holdings Limited. We have not made an independent evaluation or appraisal of the assets and/or liabilities (including without limitation, property, plant and equipment) of the Company, the Group, PPLH, PPL Shipyard and E-Interface Holdings Limited and we have not been furnished with any such evaluation or appraisal.

Our recommendation is based upon market, economic, industry and other conditions prevailing as at the Latest Practicable Date, and information made available to us as at the Latest Practicable Date, being 23 April 2007. Such conditions and information may change significantly over a short period of time. We assume no responsibility to update, revise or reaffirm our recommendation in light of any subsequent development after the Latest Practicable Date that may affect our recommendation contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Proposed Acquisition, which may be released after the Latest Practicable Date.

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In rendering our advice and providing our recommendation, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder. **We recommend that any Shareholder who may require specific advice in relation to his or their investment objective(s) or portfolio(s) should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.**

The Company has been advised by its own financial and legal adviser in the preparation of the Circular (other than this letter). We have had no role or involvement and have not provided any advice (financial or otherwise) whatsoever in the preparation, review and verification of the Circular (other than this letter) and our responsibility is as set out above in relation to this letter. Accordingly, we take no responsibility for, and express no views, whether expressed or implied, on the contents of the Circular (except for this letter).

We have prepared this letter for the use of the Independent Directors in connection with their consideration of the Proposed Acquisition and their advice and recommendation to the minority Shareholders in respect thereof. The recommendations made to the minority Shareholders in relation to the Proposed Acquisition remains the responsibility of the Independent Directors.

Other than for this intended purpose, this letter should not be used for any other purposes and/or by other persons without the prior consent of Kim Eng Capital. **Our recommendation in relation to the Proposed Acquisition, as set out in section 9 “IFA Opinion” of the Circular, should be considered in the context of the entirety of our advice as set out in this letter.**

3 THE PROPOSED ACQUISITION

The full text of information on the Proposed Acquisition can be found in section 3 “The Proposed Acquisition” of the Circular. **We recommend that the Independent Directors advise the minority Shareholders to read this section of the Circular carefully.** We set out below an extract from this section of the Circular.

3.1 The Consideration

The Consideration payable by the Company to the Majority Shareholders Group for the Sale Shares is to be satisfied entirely by cash and to be paid according to the following schedule: -

<u>Date Payment Due</u>	<u>Amount to be Paid</u>
Immediately upon Completion	S\$600,000
Within six (6) months from date of Completion	S\$1,000,000
Within one (1) year from date of Completion	S\$1,000,000
Within eighteen (18) months from date of Completion	S\$1,000,000

The Consideration will be funded by internal resources and bank borrowings.

The Consideration was arrived at on an arm’s length basis and on a willing-buyer willing-seller basis, taking into account the proforma NTA of PPLH, after adjusting for the effects of the Capital Reduction Exercise, of approximately S\$3,600,000 as at 31 December 2006.

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3.2 The Conditions Precedent

The Agreement is subject to the satisfaction of the following conditions: -

- (a) the Company being satisfied (within 2 months from the date of the Agreement) with the results of the due diligence (whether legal, financial, contractual, tax or otherwise) to be carried out by the Company and/or its advisers on PPLH, including without limitation the title to and the status and condition of the properties (whether movable or immovable), assets (whether tangible or intangible), liabilities, businesses, operations, records, financial position, accounts, results, legal and corporate structure of PPLH and any other information disclosed to the Company;
- (b) completion of the Capital Reduction Exercise; and
- (c) approval being obtained from the Shareholders (other than the Majority Shareholders Group or Saberon Investments Pte Ltd or their respective associates who will abstain from voting at the EGM to be held) to purchase the Sale Shares, such approval to be obtained at the EGM.

If any of the above conditions is not fulfilled before 31 December 2007 or such other date as the parties may agree in writing, the Agreement shall *ipso facto* cease and neither the Company nor PPLH hereto shall have any claim against the other for costs, damages, compensation or otherwise.

As at the Latest Practicable Date, all conditions precedent save for condition precedent (c) have been fulfilled.

3.3 Put Option

Pursuant to the terms of the Agreement, the Majority Shareholders Group have jointly and severally granted to the Company during a period of 18 months commencing from the date of Completion a put option which when exercised will require the Majority Shareholders Group to repurchase the Sale Shares from the Company at a price equal to the sum of the Consideration and interest at the rate of 5% per annum.

3.4 Information on PPLH

3.4.1 History of PPLH

PPLH is an investment holding company incorporated in Singapore. On 8 February 2007, it passed a resolution of its shareholders to reduce its capital from S\$20,000,000 to S\$2,500,000 by returning to its existing shareholders capital in excess of its needs. Following completion of the said capital reduction ("Capital Reduction Exercise"), its assets comprise, either directly or indirectly, 3,000,000 ordinary shares, representing a 15% shareholding stake in PPL Shipyard and cash of approximately S\$797,000, and will have no other significant liability whatsoever, save for approximately S\$229,000 income tax liability. Of the 15% shareholding stake in PPL Shipyard, 12% is held directly by PPLH while the remaining 3% is held through its wholly owned subsidiary, E-Interface Holdings Limited. The balance 85% shareholding is held by SembCorp Marine Ltd ("SembCorp Marine"), a company incorporated in the Republic of Singapore and listed on the Mainboard of SGX-ST.

Pursuant to a sale and purchase agreement dated 9 April 2001 and a supplemental agreement dated 5 July 2003 entered into between PPLH and SembCorp Marine, the parties agreed that PPLH would have the right to procure SembCorp Marine to purchase its 15% shareholding stake in PPL Shipyard by serving prior written notice. The consideration being agreed upon consists of a base price derived by multiplying the percentage of shares PPLH holds in PPL Shipyard at the time of notice of sale by S\$42,000,000 plus accrued interest plus PPLH's portion of the undeclared profits of PPL Shipyard from the date of the supplemental agreement.

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3.4.2 Financial Highlights of PPLH

As mentioned in paragraph 3.4.1, PPLH passed a resolution of its shareholders on 8 February 2007 to reduce its capital. Set out below is the proforma income statement for FY2006 which was prepared assuming that the Capital Reduction Exercise had been completed on 1 January 2006 and the proforma balance sheet as at 31 December 2006 which was prepared assuming that Capital Reduction Exercise had been completed on 31 December 2006.

Profit and Loss

Operating Performance	Calendar year ended 31 December 2006 S\$ Proforma
Total Income	2,226,892
Profit before Taxation	2,140,954
Profit after Taxation	1,746,461

Balance Sheet

	As at 31 December 2006 S\$ Proforma
Non-current assets	3,066,000
Current assets	797,571
Current liabilities	233,280
Net current assets	564,291
Non-current liabilities	–
Shareholders' equity	3,630,291

3.5 Information on PPL Shipyard

3.5.1 History of PPL Shipyard

PPL Shipyard was incorporated in Singapore on 24 November 1997 under the name of Sillwood Investments Pte Ltd. The name was changed to PPL Shipyard on 14 January 1998. The current issued and paid-up share capital is S\$20,000,000 comprising 20,000,000 ordinary shares.

On 1 April 1998, PPL Shipyard acquired, as part of an internal restructuring exercise, the businesses and assets of PPL Industries Pte Ltd ("PPLI"), a company that had been in the marine offshore business since 1974.

Subsequent to a sale and purchase agreement dated 9 April 2001 and a supplemental agreement dated 5 July 2003 entered into between PPLH and SembCorp Marine for the sale of a 50% stake and a 35% stake in PPL Shipyard respectively, PPL Shipyard is now an 85% owned subsidiary of SembCorp Marine.

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3.5.2 Overview of Business

The main business of PPL Shipyard is in the operation of a shipyard focused on oil-rig and vessel construction and steel fabrication. Its capabilities include the provision of design and construction of specialised offshore vessels and marine terminals such as dedicated offshore self-propelled jack-up maintenance units, offshore maintenance vessels, anchor handling tug supply vessels and rapid installation jetties or transfer terminals. Depending on the customer's requirements, PPL Shipyard can either provide design services using the designs from Baker Marine Group, its wholly owned subsidiary, or those from other companies.

PPL Shipyard's forte is in the engineering and construction of offshore drilling rigs ranging from posted type drill barges for shallow waters to semi-submersible rigs operating in deep water of more than 8,000 feet.

PPL Shipyard has a yard of 35 acres strategically located at 21 Pandan Road on the West Coast of Singapore. The yard has a water frontage measuring approximately 700 metres, which is one of the longest in Singapore, and a water depth of 6.5 metres. The yard is fully equipped to undertake repairs/aflloat repairs and major modifications to rigs and other marine vessels.

The yard and its facilities enable PPL Shipyard to provide a total range of services from the fabrication of components to the construction of rigs.

3.5.3 Financial Highlights of PPL Shipyard

Profit and Loss

Operating Performance	FY2004 US\$'000 Audited	FY2005 US\$'000 Audited	FY2006 US\$'000 Audited
Turnover	89,169	299,688	468,028
Profit before Taxation	3,098	27,033	38,774
Profit after Taxation	2,419	21,692	30,317

Balance Sheet

	FY2004 US\$'000 Audited	FY2005 US\$'000 Audited	FY2006 US\$'000 Audited
Non-current assets	8,564	24,293	40,022
Current assets	92,798	150,893	264,532
Current liabilities	81,251	130,398	230,458
Net current assets	11,547	20,495	34,074
Non-current liabilities	947	3,603	5,417
Shareholders' equity	19,164	41,185	68,679

Review of Past Performance (in relation to FY2004, FY2005 and FY2006 Income Statements)

Turnover grew by US\$211 million or 236% in FY2005 as compared to FY2004 and by a further US\$168 million or 56% in FY2006 as compared to FY2005. As a result of the higher turnover, profits after taxation increased by approximately 797% and 40% for FY2005 and FY2006 as compared to the previous FYs. The increased turnover and profits is due to the upturn in rig building activities from FY2004 which resulted in the record number of new rigs under construction.

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3.5.4 Track Record and Order Book

PPL Shipyard has since 2000 successfully built and delivered 8 vessels comprising jack-ups and semi-submersibles with a total contract value of about US\$1.4 billion. As at the Latest Practicable Date, it has existing contracts for 11 rigs with a combined contract value of about US\$1.6 billion to be built to its BMC 375 Pacific Class design.

4 RATIONALE FOR THE PROPOSED ACQUISITION

We set out below the rationale for the Proposed Acquisition, which has been extracted from section 4 “Rationale for the Proposed Acquisition” of the Circular. **We recommend that the Independent Directors advise the minority Shareholders to read this section of the Circular carefully.**

4.1 To reduce the reliance on the Group’s truck and trailer axles business

For FY2006, the Group attained a net profit after tax of S\$0.94 million compared to a net loss after tax of S\$0.92 million for FY2005 with a corresponding increase in revenue to S\$62.57 million from S\$55.27 million.

Notwithstanding the improvement in the Group’s operating performance, the trailer axle industry is expected to remain competitive going forward as a result of keen competition, particularly from China based competitors with a cost advantage, and rising material costs.

In view of this, the Directors are of the view that there is a need for the Group to diversify its businesses and reduce its reliance on its trailer axle business.

4.2 To augment and improve the Group’s cash flow

For FY2006, the Group generated a negative cash flow of S\$2.36 million from its operating activities. Following the rights issue announced on 24 February 2006, the Group has cash and cash equivalent amounting to S\$1.57 million and a net positive working capital of S\$17.78 million as at 31 December 2006. As at the Latest Practicable Date, the Group has unutilised banking facilities of approximately S\$5.0 million.

However, notwithstanding the above, the Directors believe that there is a need to further improve the Group’s cash flow by seeking investments that would generate significant positive cash flows to supplement the Group’s current businesses.

4.3 To maximise Shareholders’ value through high-yielding investments

For the calendar year ended 31 December 2006, PPLH achieved a proforma profit of S\$1.75 million, of which S\$0.66 million was derived from dividend income declared by PPL Shipyard.

During the last three recently completed financial years, PPL Shipyard has achieved a net profit of US\$2.42 million, US\$21.69 million and US\$30.32 million respectively as it benefited from an increase in exploration and production activities in the oil and gas industry, which was in turn driven by increased demand and high oil prices.

With existing contracts standing at US\$1.6 billion as at the Latest Practicable Date, PPL Shipyard’s financial performance is expected to remain strong for at least the next three to four years. This, coupled with the contractual arrangement amongst the shareholders of PPL Shipyard to distribute 40% of its annual net profits as dividends¹, means that the future dividend payouts from PPL Shipyard are likely to be favourable.

¹ In the sale and purchase agreement dated 9 April 2001 entered into between SembCorp Marine and PPLH, it was stated that unless the board of directors otherwise agrees, the shareholders, namely SembCorp Marine and PPLH shall, subject to the availability of profits and regulatory compliance, declare gross dividend to the shareholders equal to 40 per cent of the net after tax profits of PPL Shipyard.

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We noted that the Directors are of the view that the Proposed Acquisition presents the Company with an attractive opportunity to gain exposure to the currently buoyant marine offshore industry as well as provide a stable stream of dividend income and the potential for future capital gains.

4.4 Summary

We also noted that the Directors are of the view that the Proposed Acquisition will, in summary, bring about the following benefits: -

- (a) Reduce the reliance on the Group's truck and trailer axles business, which is expected to remain competitive going forward;
- (b) Improve cash flows to the Group; and
- (c) Maximise Shareholders' value through an investment with the potential for future capital gains and the benefit of gaining exposure to the buoyant marine offshore industry.

5 FINANCIAL ASSESSMENT OF THE PROPOSED ACQUISITION

In our financial assessment of whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interest of the Company and its minority Shareholders, we have considered the following factors: -

- (1) Implied valuation of PPL Shipyard;
- (2) Comparison to valuation ratios and dividend yields of selected listed companies considered comparable to PPL Shipyard; and
- (3) Financial effects of the Proposed Acquisition.

We wish to highlight that the information used in our financial assessment has been extracted, where available and/or applicable, from the financial statements and/or announcements of the Company, PPL Shipyard and selected listed companies, Bloomberg and/or the Circular. We make no representations or warranties, express or implied, as to the accuracy or completeness of such information.

5.1 Implied valuation of PPL Shipyard

PPLH is an investment holding company incorporated in Singapore. On 8 February 2007, it passed a resolution of its shareholders to reduce its capital from S\$20,000,000 to S\$2,500,000 by returning to its existing shareholders capital in excess of its needs. Following completion of the said capital reduction ("Capital Reduction Exercise"), its assets and liabilities comprise, either directly or indirectly: -

- (i) 3,000,000 ordinary shares, representing a 15% shareholding stake, in PPL Shipyard;
- (ii) Current assets of approximately S\$797,000, which comprise solely cash; and
- (iii) Current liabilities of approximately S\$233,000, which comprise approximately S\$229,000 income tax liability and approximately S\$4,000 accruals.

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Given the nature of PPLH's assets and liabilities base following the completion of the Capital Reduction Exercise, we consider it appropriate to assess the Consideration with reference to the fair values of PPL Shipyard's assets and liabilities. Accordingly, based on the Consideration of S\$3,600,000 for the entire issued share capital of PPLH, we have derived an implied purchase consideration for the effective 15% interest in the share capital of PPL Shipyard (the "Implied Consideration") by deducting PPLH's current assets and current liabilities from the Consideration as follows: -

	S\$	Remarks
Consideration	3,600,000	Based on the purchase consideration for the entire issued share capital of PPLH announced by the Company on 16 March 2007
(Less)/Add:		
Current assets	(797,000)	The nominal values of the current assets and current liabilities are assumed to be at fair values.
Current liabilities	233,000	
Implied Consideration	<u>3,036,000</u>	

Based on the Implied Consideration of S\$3,036,000 for the effective 15% interest in the share capital of PPL Shipyard, the implied valuation for the entire issued share capital of PPL Shipyard for the purpose of the Proposed Acquisition is approximately S\$20,240,000 (the "Implied Valuation").

5.2 Comparison to valuation ratios and dividend yields of selected listed companies considered comparable to PPL Shipyard

For the purpose of comparison and after discussions with the Directors and the management of the Company, we have assessed the reasonableness of the Implied Valuation by comparing the financial statistics with selected companies listed and traded in the SGX-ST, whose business activities are broadly comparable or similar to PPL Shipyard (the "Comparable Companies").

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A brief description of the Comparable Companies is set out below: -

Comparable Companies	Description of Business Activities	Financial year ended ⁽¹⁾	Revenue ⁽¹⁾ (S\$'million)	Net profit ⁽¹⁾⁽²⁾ (S\$'million)
ASL Marine Holdings Ltd	A marine company principally engaged in shipbuilding, ship repair, ship chartering and other marine related services.	31 December 2006	197.7	23.1
Cosco Corporation (Singapore) Limited	A ship repair and marine engineering and shipping group with core activities in shipping and shipping related services.	31 December 2006	1,215.5	205.4
Keppel Corporation Limited	A Singapore-based multi-national group, whose principal activities consist of: a) offshore oil-rig construction, shipbuilding and ship repair and conversion; b) property development and investment and property fund management; c) network and utilities engineering services and power generation; and d) investments.	31 December 2006	7,600.9	750.8
KS Energy Service Limited	An energy services group which refurbishes and supplies capital equipment as well as distributes equipment, parts, and consumables for the global oil and gas industry.	31 December 2006	295.1	50.7
Labroy Marine Limited	A marine construction and engineering group with core businesses in shipbuilding, rig building and shipping.	31 December 2006	622.2	73.8
Pan-United Marine Limited	A marine company principally engaged in ship repair, shipbuilding, ship conversion, engineering and other marine related services.	31 December 2006	350.6	56.2
SembCorp Marine Ltd	A global marine engineering group specialising in ship repair, ship conversion and offshore engineering.	31 December 2006	3,545.0	238.4

Source: Financial statements and announcements of the Comparable Companies, Bloomberg

Notes: -

(1) Based on the most recent announced full-year financial statements of the Comparable Companies.

(2) Net profit refers to net profit after tax, excluding minority interest.

We wish to highlight that the above list of Comparable Companies is not exhaustive and it should be noted that there may not be any company that is directly comparable to PPL Shipyard in terms of business activities, scale of operations, asset base, geographical spread of activities, geographical markets, track record, future prospects, accounting policies and other relevant criteria. Any comparison made with respect to the Comparable Companies is therefore intended to serve as an illustrative guide only.

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5.2.1 Comparison to valuation ratios of the Comparable Companies

We have applied the following financial valuation ratios in our analysis: -

Valuation Ratio	Explanation
PER	: Refers to price-to-earnings ratio which illustrates the ratio of the market price of a company's shares relative to its historical consolidated basic earnings per share. The P/E ratio is affected by, <i>inter alia</i> , the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.
P/NAV	: Refers to price-to-NAV ratio which illustrates the ratio of the market price of a company's shares relative to its historical consolidated NAV (less minority interests) per share as recorded in its financial statements. The NAV figure provides an estimate of the value of a company assuming the sale of all its assets, the proceeds of which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders.
EV/EBITDA	: "EV" or "Enterprise Value" is the sum of a company's market capitalisation, preferred equity, minority interests, consolidated short and long term debts, inclusive of finance lease liabilities, less its consolidated cash and cash equivalents. "EBITDA" stands for historical consolidated earnings before interest, tax, depreciation and amortisation expenses, inclusive of share of associates' and joint ventures' income but excluding exceptional items. The EV/EBITDA ratio illustrates the ratio of the market value of a company's business relative to its historical pre-tax consolidated operating cashflow performance, without regard to its capital structure. For the purpose of computing the EV/EBITDA of PPL Shipyard, we have assumed that the Implied Valuation is equivalent to market capitalisation of PPL Shipyard.

We set out below the valuation ratios of the Comparable Companies as at the Latest Practicable Date and the implied valuation ratios of PPL Shipyard based on the Implied Valuation for comparison: -

Comparable Companies	Market Capitalisation (S\$ million)	Share Price as at the Latest Practicable Date (S\$)		Historical P/NAV (times)	EV/EBITDA
		Share Price as at the Latest Practicable Date (S\$)	Historical PER (times)		
ASL Marine Holdings Ltd	290.2	1.15	11.48	2.40	8.30
Cosco Corporation (Singapore) Limited	6,292.1	2.83	30.43	9.35	17.48
Keppel Corporation Limited	16,586.8	21.00	22.01	3.93	14.53
KS Energy Service Limited	740.4	3.12	14.65	4.65	15.12
Labroy Marine Limited	1,916.4	2.31	25.96	6.30	15.62
Pan-United Marine Limited	503.5	1.85	8.98	3.92	5.77
SembCorp Marine Ltd	5,285.6	3.60	21.96	3.94	15.23
High			30.43	9.35	17.48
Low			8.98	2.40	5.77
Median			21.96	3.94	15.12
Mean			19.35	4.93	13.15
PPL Shipyard ^{(1) (2)}			0.44	0.19	0.65

Source: Most recent full-year financial statements of the Comparable Companies and PPL Shipyard, Bloomberg

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Notes: -

- (1) Based on the Implied Valuation and FY2006 financial statements of PPL Shipyard.
- (2) Based on the foreign exchange rate of US\$1:S\$1.5123 as at the Latest Practicable Date.

Based on the above analysis, we noted that the: -

- (a) Implied PER of PPL Shipyard based on the Implied Valuation (the “Implied PER”) of 0.44 times is substantially lower than the lowest, median and mean of the PERs of the Comparable Companies;
- (b) Implied P/NAV of PPL Shipyard based on the Implied Valuation (the “Implied P/NAV”) of 0.19 times is substantially lower than the lowest, median and mean of the P/NAVs of the Comparable Companies; and
- (c) Implied EV/EBITDA of PPL Shipyard based on the Implied Valuation (the “Implied EV/EBITA”) of 0.65 times is substantially lower than the lowest, median and mean of the EV/EBITAs of the Comparable Companies.

5.2.2 Comparison to dividend yields of the Comparable Companies

In our financial assessment of the Implied Consideration, we have also considered the implied dividend yield of PPL Shipyard based on the Implied Valuation and compared it with the current dividend yields of the Comparable Companies.

We set out below the current dividend yields of the Comparable Companies and PPL Shipyard: -

Comparable Companies	Share Price as at the Latest Practicable Date (S\$)	Dividend Yield (%) ⁽¹⁾
ASL Marine Holdings Ltd	1.15	1.57%
Cosco Corporation (Singapore) Limited	2.83	0.88%
Keppel Corporation Limited	21.00	1.33%
KS Energy Service Limited	3.12	0.58%
Labroy Marine Limited	2.31	0.43%
Pan-United Marine Limited	1.85	7.03%
SembCorp Marine Ltd	3.60	3.47%
High		7.03%
Low		0.43%
Median		1.33%
Mean		2.18%
PPL Shipyard ^{(2) (3)}		28.02%

Source: Most recent full-year financial statements of the Comparable Companies and PPL Shipyard, Bloomberg

Notes: -

- (1) Based on the gross normal cash dividend per ordinary share divided by the respective closing market share price of the Comparative Companies as at the Latest Practicable Date.
- (2) Determined by dividing the gross interim dividend of US\$3,750,000 in FY2006 by the Implied Valuation.
- (3) Based on the foreign exchange rate of US\$1:S\$1.5123 as at the Latest Practicable Date.

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We noted that the implied dividend yield of PPL Shipyard in FY2006 based on the gross interim dividend of US\$3,750,000 declared by PPL Shipyard in FY2006 and the Implied Valuation (the "Implied Dividend Yield") of 28.02% is substantially higher than the highest, median and mean of the current dividend yields of the Comparable Companies. Nevertheless, we noted that there was no dividend declared by PPL Shipyard in FY2005.

We wish to highlight that the Shareholders should not treat the Implied Dividend Yield of 28.02% as an indication of PPL Shipyard's future dividend yield as the declaration and payment of dividends by PPL Shipyard in the future depend upon various factors such as PPL Shipyard's future operating results, financial conditions, other cash requirements including capital expenditure, restrictions under the terms of its credit facilities (if any) and change in dividend policy. We also noted that the Company has disclosed a risk factor in section 7 "Risk Factors" of the Circular in relation to the risk that the dividend policy of PPL Shipyard may be subject to change from time to time as its board of directors may deem necessary, and any changes in the dividend policy of PPL Shipyard may adversely impact the stream of dividend income arising from the Proposed Acquisition to PPLH and consequently to the Company.

5.3 Financial Effects of the Proposed Acquisition

The full text of information on the financial effects of the Proposed Acquisition can be found in section 5 "Financial Effects of the Proposed Acquisition" of the Circular. **We recommend that the Independent Directors advise the minority Shareholders to read this section of the Circular carefully.**

We set out below a summary of the proforma financial effects of the Proposed Acquisition on the Group for FY2006: -

	FY2006	After the Proposed Acquisition
EPS (cents)	0.26	0.73
NTA per Share (cents)	3.5	3.5

Based on the above, we noted that: -

- (i) The Proposed Acquisition is earnings accretive for the Group as the Group's EPS will increase from 0.26 cents to 0.73 cents due to the inclusion of PPLH's FY2006 earnings into the Group's earnings; and
- (ii) NTA per Share will remain relatively unchanged after the Proposed Acquisition.

6 OTHER CONSIDERATIONS

In determining whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders, we have also considered the following: -

6.1 Put option provided by the Majority Shareholders Group to the Company

Pursuant to the terms of the Agreement, the Majority Shareholders Group have jointly and severally granted to the Company during a period of 18 months commencing from the date of Completion a put option which when exercised will require the Majority Shareholders Group to repurchase the Sale Shares from the Company at a price equal to the sum of the Consideration and interest at the rate of 5% per annum.

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We noted that in the event the Company exercises the above put option and require the Majority Shareholders Group to repurchase the Sale Shares, the Company will earn an interest of 5% per annum in respect of the sum of the Consideration. We further noted that the 5% interest payable by the Majority Shareholders Group is higher than the 2-year Singapore treasury bond yield of 2.25% and the 5-year Singapore treasury bond yield of 2.46% as published by the Monetary Authority of Singapore as at the Latest Practicable Date.

6.2 Right by PPLH to procure SembCorp Marine to purchase 15% shareholding stake in PPL Shipyard

Pursuant to a sale and purchase agreement dated 9 April 2001 and a supplemental agreement dated 5 July 2003 entered into between PPLH and SembCorp Marine (the “PPLH and SembCorp Marine Agreements”), the parties agreed that PPLH would have the right to procure SembCorp Marine to purchase its 15% shareholding stake in PPL Shipyard by serving prior written notice. The consideration being agreed upon consists of a base price derived by multiplying the percentage of shares PPLH holds in PPL Shipyard at the time of notice of sale by S\$42,000,000, plus accrued interest plus PPLH’s portion of the undeclared profits of PPL Shipyard from the date of the supplemental agreement.

We noted that based on the PPLH and SembCorp Marine Agreements, the implied purchase base price payable by SembCorp Marine to PPLH for the effective 15% interest in the share capital of PPL Shipyard is S\$6,300,000, without taking into account the accrued interest plus PPLH’s portion of the undeclared profits of PPL Shipyard from the date of the supplemental agreement. We further noted that the implied purchase base price of S\$6,300,000 payable by SembCorp Marine represents a premium of 107.5% over the Implied Consideration of S\$3,036,000.

6.3 Track Record and Order Book

We noted that PPL Shipyard has since 2000 successfully built and delivered 8 vessels comprising jack-ups and semi-submersibles with a total contract value of about US\$1.4 billion. We also noted that as at the Latest Practicable Date, PPL Shipyard has existing contracts for 11 rigs with a combined contract value of about US\$1.6 billion to be built to its BMC 375 Pacific Class design.

6.4 Risk factors of the Proposed Acquisition

We noted that there are various risk factors in relation to the Proposed Acquisition that have been set out in section 7 “Risk Factors” of the Circular. The risk factors relate principally to the industry in which PPL Shipyard operates and its business in general and the uncertainty of the dividend policy of PPL Shipyard.

Should any of the considerations and uncertainties highlighted in the aforementioned risk factors develop into actual events, the business, financial performance of and future dividends to be declared by PPL Shipyard may be materially and adversely affected.

6.5 Alternative investment/acquisition opportunity

The Directors have confirmed that, as at the Latest Practicable Date, they are not aware of any alternative investment/acquisition opportunity available to the Company which is comparable to the Proposed Acquisition and may be considered to be more attractive to the Company.

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7 RECOMMENDATION

In arriving at our recommendation in respect of the Proposed Acquisition, we have considered, *inter alia*, the following factors summarised below which we consider to be pertinent in our assessment of the Proposed Acquisition. The factors set out herein have been more fully explained in the preceding sections of this letter and should therefore be considered in the context of the entirety of this letter and the Circular.

- (a) Rationale for the Proposed Acquisition as stated by the Directors;
- (b) Implied Valuation for the entire issued share capital of PPL Shipyard of approximately S\$20,240,000 based on the Implied Consideration for the effective 15% interest in the share capital of PPL Shipyard of S\$3,036,000;
- (c) Comparison to valuation ratios and dividend yields of the Comparable Companies. Based on our comparative analyses, we noted that: -
 - (i) the Implied PER is substantially lower than the lowest, median and mean of the PERs of the Comparable Companies;
 - (ii) the Implied P/NAV is substantially lower than the lowest, median and mean of the P/NAVs of the Comparable Companies;
 - (iii) the Implied EV/EBITDA is substantially lower than the lowest, median and mean of the EV/EBITDAs of the Comparable Companies; and
 - (iv) the Implied Dividend Yield is substantially higher than the highest, median and mean of the current dividend yields of the Comparable Companies (nevertheless, we noted that there was no dividend declared by PPL Shipyard in FY2005).

We had highlighted that the Shareholders should not treat the Implied Dividend Yield as an indication of PPL Shipyard's future dividend yield as the declaration and payment of dividends by PPL Shipyard in the future depend upon various factors such as PPL Shipyard's future operating results, financial conditions, other cash requirements including capital expenditure, restrictions under the terms of its credit facilities (if any) and change in dividend policy.

- (d) Financial Effects of the Proposed Acquisition. Based on the proforma financial effects of the Proposed Acquisition prepared by the Company, we noted that: -
 - (i) The Proposed Acquisition is earnings accretive for the Group as the Group's EPS will increase from 0.26 cents to 0.73 cents due to the inclusion of PPLH's FY2006 earnings into the Group's earnings; and
 - (ii) NTA per Share will remain relatively unchanged after the Proposed Acquisition;
- (e) Put option provided by the Majority Shareholders Group to the Company. We noted that in the event the Company exercises the above put option and require the Majority Shareholders Group to repurchase the Sale Shares, the Company will earn an interest of 5% per annum in respect of the sum of the Consideration. We further noted that the 5% interest payable by the Majority Shareholders Group is higher than the 2-year Singapore treasury bond yield of 2.25% and the 5-year Singapore treasury bond yield of 2.46% as published by the Monetary Authority of Singapore as at the Latest Practicable Date.

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- (f) Right by PPLH to procure SembCorp Marine to purchase 15% shareholding stake in PPL Shipyard. We noted that based on the PPLH and SembCorp Marine Agreements, the implied purchase base price payable by SembCorp Marine to PPLH for the effective 15% interest in the share capital of PPL Shipyard is S\$6,300,000, without taking into account the accrued interest plus PPLH's portion of the undeclared profits of PPL Shipyard from the date of the supplemental agreement. We further noted that the implied purchase base price of S\$6,300,000 payable by SembCorp Marine represents a premium of 107.5% over the Implied Consideration of S\$3,036,000; and
- (g) The Directors have confirmed that, as at the Latest Practicable Date, they are not aware of any alternative investment/acquisition opportunity available to the Company which is comparable to the Proposed Acquisition and may be considered to be more attractive to the Company.

Having considered the above factors, we would like to recommend to the Independent Directors that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

Our recommendation is based upon market, economic, industry and other conditions prevailing as at the Latest Practicable Date, and information made available to us as at the Latest Practicable Date.

Our advice is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the Proposed Acquisition. Their recommendation to the Shareholders shall remain the sole responsibility of the Independent Directors. Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter or any part thereof for any other purpose at any time and in any manner without our prior written consent in each specific case. Our advice is governed by and construed in accordance with the laws in Singapore and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
Kim Eng Capital Pte. Ltd.

Ding Hock Chai
Co-Head
Corporate Finance

Kwek Hyen Yong
Assistant Vice President
Corporate Finance

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 II, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on 23 May 2007 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following: -

AS ORDINARY RESOLUTION

Pursuant to Chapter 9 of the SGX-ST Listing Manual, approval be and is hereby given for the acquisition ("Proposed Acquisition") by the Company of the entire issued and paid up share capital of PPL Holdings Pte Ltd from Dr. Benety Chang, Dr. Doris Heng Chin Ngor, Messrs Anthony Sabastian Aurol and Tan Yang Guan (collectively, the "Vendors"), for an aggregate consideration of S\$3,600,000 on the terms and conditions of the sale and purchase agreement (the "Agreement") dated 16 March 2007 entered into between the Vendors and the Company, and the Directors of the Company be and are hereby authorised to do any and all such acts and things as they may, in their absolute discretion deem fit, expedient or necessary to give effect to the Proposed Acquisition and/or the Agreement.

By Order of the Board

Aw Seok Chin
Company Secretary

Singapore, 3 May 2007

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 and vote in his stead. 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 122 Pioneer Road, Singapore 639583 not later than 48 hours before the time appointed for holding the Extraordinary General Meeting.

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BAKER TECHNOLOGY LIMITED

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

PROXY FORM – EXTRAORDINARY GENERAL MEETING

(Please read notes overleaf before completing this form)

IMPORTANT

1. For investors who have used their 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.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

I/We, _____ NRIC/Passport No./Company Registration

No. _____ of _____
(Address)

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

Name	Address	NRIC/ Passport No.	No. of Shares Represented

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	No. of Shares Represented

and/or failing him/her, the Chairman of the Extraordinary General Meeting ("EGM") as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the EGM of the Company to be held at Nautica II, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on 23 May 2007 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution 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	To be used on a show of hands		To be used in the event of a poll	
	For*	Against*	For**	Against**
To approve the Proposed Acquisition of the entire issued and paid up share capital of PPL Holdings Pte Ltd				

* Please indicate your vote "For" or "Against"

** If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes.

Dated this _____ day of _____ 2007

Total Number of Shares	No. of Shares
(a) CDP Register	
(b) Register of Members	

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



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), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will 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 not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 122 Pioneer Road Singapore 639583 not less than 48 hours before the time set for the EGM.
4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
5. The 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 under its common seal or under the hand of its officer or attorney duly authorised.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) 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. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50.
8. The Company shall be entitled to reject an instrument of proxy 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 instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy 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) Ltd to the Company.

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