

Circular dated 8 April 2008

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 assumes no responsibility for the correctness of any of the statements made, reports contained or referred to, or opinions expressed in this Circular.

The Proposed Acquisition (defined below) involves risks which are described under the section entitled “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 AND PAID-UP SHARE CAPITAL OF SEA DEEP SHIPYARD 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 lodgement of Proxy Form	:	27 April 2008 at 10.45 a.m.
Date and time of Extraordinary General Meeting	:	29 April 2008 at 10.45 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.30 a.m. on the same day and at the same place)
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:-

- “Announcement” : The announcement dated 1 February 2008 made by the Company in relation to the Proposed Acquisition
- “associate” : In relation to:-
- (a) an individual would mean his immediate family (namely, the individual’s spouse, child, adopted child, step-child, sibling and parent), the trustees of any trust of which he or his immediate family is a beneficiary, or, in the case of a discretionary trust, is a discretionary object, or any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more; and
 - (b) a company would mean any company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more
- “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 20.0% but not more than 50.0% 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 Saberon for the acquisition of the entire share capital of SDSPL being S\$20.0 million
- “Controlling Shareholder” : A person who holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in 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 29 April 2008, notice of which is set out in the section entitled “Notice of Extraordinary General Meeting” of this Circular

DEFINITIONS

“EPS”	:	Earnings Per Share
“FY”	:	Financial year ending or ended 31 December
“Group”	:	The Company and its subsidiaries
“IFA” or “Kim Eng Capital”	:	Kim Eng Capital Pte. Ltd.
“Independent Directors”	:	The Directors, (other than Dr. Benety Chang and Messrs Anthony Sabastian Aurol and Tan Yang Guan), who are not, whether directly or indirectly, interested in the Proposed Acquisition
“ISPL”	:	Interseas Shipping (Private) Limited
“Latest Practicable Date”	:	27 March 2008
“Listing Manual”	:	The Listing Manual of the SGX-ST
“Market Day”	:	A day on which SGX-ST is open for trading in securities
“NRA Capital”	:	NRA Capital Pte. Ltd.
“NTA”	:	Net tangible assets
“Ordinary Resolution”	:	The ordinary resolution as set out on page 34 of this Circular
“PPL Shipyard”	:	PPL Shipyard Pte Ltd
“PPLH”	:	PPL Holdings Pte Ltd, a wholly-owned subsidiary of the Company
“Proposed Acquisition”	:	The acquisition by the Company of the entire issued and paid-up share capital of SDSPL for the consideration of S\$20.0 million, subject to the terms and conditions of the Sale and Purchase Agreement
“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular
“Saberón”	:	Saberón Investments Pte Ltd
“Sale and Purchase Agreement”	:	The sale and purchase agreement dated 1 February 2008 entered into between Saberón and the Company in relation to the Proposed Acquisition
“Sale Shares”	:	650,000 issued ordinary shares representing the entire issued and paid-up share capital of SDSPL
“SDSPL”	:	Sea Deep Shipyard Pte. Ltd.
“SDSPL Group”	:	SDSPL and its wholly-owned subsidiary, ISPL
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited
“Share(s)”	:	The ordinary share(s) in the share capital of the Company

DEFINITIONS

“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 5.0% 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 50.0% 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
“YTEPL”	:	York Transport Equipment (Asia) Pte Ltd, a 49.0% associated company of the Company

Currencies, Units and Others

“S\$” or “\$” and “cents”	:	Singapore dollars and cents respectively
“US\$”, “USD” or “US Dollar”	:	United States of America dollars
“Euro”	:	Euro dollar
“%”	:	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 or 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
Wong Kwan Seng Robert (Independent Director)

Registered Office:-

122 Pioneer Road
Singapore 639583

8 April 2008

To: The Shareholders of BTL

Dear Sir/Madam

THE PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF SEA DEEP SHIPYARD PTE. LTD. (“SDSPL”), FOR AN AGGREGATE CONSIDERATION OF S\$20.0 MILLION (THE “PROPOSED ACQUISITION”)

1. INTRODUCTION

On 1 February 2008, the Company announced that it had entered into the Sale and Purchase Agreement with Saberon for the acquisition of the entire issued share and paid-up capital of SDSPL from Saberon at the purchase consideration of S\$20.0 million. The Consideration is payable by the Company in cash.

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 90.8% of the audited consolidated NTA of the Group of S\$22.0 million as at 31 December 2006, being the latest audited consolidated NTA of the Group as at the date of the Announcement and approximately 48.0% of the audited consolidated NTA of the Group of S\$41.6 million as at 31 December 2007. As the value of the Proposed Acquisition is more than 5.0% of the latest audited consolidated NTA of the Group, for the purposes of Chapter 9 of the Listing Manual, the Proposed Acquisition is subject to the approval of the Shareholders at an EGM to be convened.

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. INTERESTED PERSON TRANSACTION - CHAPTER 9 OF 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 5.0% 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 according to similar principles to Chapter 9 of the Listing Manual.
- (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 listed company; or
 - (ii) an associate of any such director, chief executive officer, or controlling shareholder.

Compliance with Chapter 9 of the Listing Manual

As at the Latest Practicable Date, Saberón is a Controlling Shareholder of the Company, holding 436,168,700 Shares representing 69.1% of the issued and paid-up share capital of the Company. Accordingly, Saberón is considered to be an “interested person” within the meaning defined in Chapter 9 of the Listing Manual.

The Directors of BTL, Dr. Benety Chang and Messrs Anthony Sabastian Aurol and Tan Yang Guan each holds direct interests of 67.0%, 15.0% and 3.0% respectively in the issued and paid-up share capital of Saberón. In addition, Dr. Benety Chang is also deemed interested in the 15.0% interest in Saberón held by his spouse. As such, Dr. Benety Chang and Messrs Anthony Sabastian Aurol and Tan Yang Guan are each deemed interested in the 69.1% interest held by Saberón in the capital of the Company and are therefore deemed interested in the Proposed Acquisition.

In addition, Dr. Benety Chang and Messrs Anthony Sabastian Aurol and Tan Yang Guan are also existing directors of Saberón and SDSPL. Dr. Benety Chang and Messrs Anthony Sabastian Aurol and Tan Yang Guan are therefore deemed to be interested in the Proposed Acquisition.

Accordingly, the Proposed Acquisition is an interested person transaction. As the value of the Proposed Acquisition is more than 5.0% of the latest audited consolidated NTA of the Group, for the purposes of Chapter 9 of the Listing Manual, the Proposed Acquisition is subject to the approval of the Shareholders at an EGM to be convened.

No other interested person transactions were entered into with Saberón, Dr. Benety Chang and Messrs Anthony Sabastian Aurol and Tan Yang Guan for FY2008 up to the Latest Practicable Date.

LETTER TO SHAREHOLDERS

3. ACQUISITIONS AND REALISATIONS – CHAPTER 10 OF THE LISTING MANUAL

For the purposes of Chapter 10 of the Listing Manual, the relative figures for the Proposed Acquisition 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 ⁽¹⁾ .	272.7% ⁽²⁾
(c)	The aggregate value of the consideration given or received compared with the issuer's market capitalisation.	11.7% ⁽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

Notes:

- (1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Determined by dividing the unaudited consolidated net profit of the SDSPL Group of S\$4.3 million for the six months ended 30 June 2007 by the unaudited consolidated net profit of the Group of S\$1.6 million for the six months ended 30 June 2007, being the latest announced consolidated accounts of the Group as at the date of the Announcement.
- (3) Determined by dividing the Consideration of S\$20.0 million and the market capitalisation of the Company as at 31 January 2008 (being the Market Day preceding the date of the Announcement) of S\$170.3 million.

The market capitalisation of the Company is determined by multiplying the weighted average price of such Shares transacted on 31 January 2008 of S\$0.2697 per Share with the issued share capital of the Company of 631.3 million Shares as at the same date.

Rule 1015(2) of the Listing Manual provides that a very substantial acquisition within the meaning of Rule 1015(1) of the Listing Manual must be made conditional upon approval by Shareholders in general meeting. However, Rule 1015(2) of the Listing Manual does not apply in the case of an acquisition of profitable assets if the only rule breached is Rule 1006(b) of the Listing Manual. Accordingly, no Shareholders' approval is required under Rule 1015(2) of the Listing Manual for the Proposed Acquisition itself.

4. THE PROPOSED ACQUISITION

4.1 The Consideration

The Consideration for the Proposed Acquisition is S\$20.0 million and is to be satisfied entirely by cash. The Consideration will be funded by internal resources of the Company.

The Consideration was arrived at after arm's length negotiations on a "willing seller-willing buyer" basis, after taking into consideration the unaudited net profit after tax of the SDSPL Group for FY2007 of S\$11.8 million and the business prospects of the SDSPL Group. Please refer to Section 7 of this Circular for further information on the business prospects of the SDSPL Group.

The Consideration will be paid to Saberon on the date of Completion.

LETTER TO SHAREHOLDERS

4.2 The Conditions Precedent

Pursuant to the Sale and Purchase Agreement, completion of the Proposed Acquisition is conditional upon, *inter alia*, the following:-

- (a) the Company being satisfied (within 2 months from the date of the Sale and Purchase 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 the SDSPL Group, 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 the SDSPL Group and any other information disclosed to the Company; and
- (b) approval being obtained from the Shareholders (other than Saberon or its associates who will abstain from voting at the EGM to be held) to purchase the Sales Shares, such approval to be obtained at the EGM.

If any of the above conditions is not fulfilled or waived by mutual consent of the parties by 30 June 2008, the Sale and Purchase Agreement shall, *ipso facto*, cease and determine and neither party shall have any claim against the other party for costs, damages, compensation or anything whatsoever.

As at the Latest Practicable Date, condition precedent (a) has been fulfilled.

5. INFORMATION ON THE SDSPL GROUP

The information in this section is based on representations and information provided by the directors and management of SDSPL.

5.1 History

SDSPL was incorporated as a private limited company in the Republic of Singapore on 14 September 1996. The ultimate shareholders of SDSPL were the current shareholders of Saberon. In 1999, SDSPL purchased its current premise at No. 6 Pioneer Sector 1, Singapore 628418 ("**Factory Premises**"). SDSPL was then passive with no major operating activities and its main revenue comprised rental income from the Factory Premises.

ISPL was incorporated in the Republic of Singapore on 21 July 1971 and Saberon became its holding company on 4 April 2001. For the past ten years prior to 2006, the company has been dormant.

In 2006, the current shareholders of Saberon decided to venture into the offshore oil and gas industry and to capitalise on the increased market demand for repair and maintenance services in the oil and gas industry. More specifically, the decision was made to venture into the manufacturing of steel components and service and maintenance for the oil and gas industry. Starting from 1 April 2006, both SDSPL and ISPL which were then under the same management entered into contracts with customers in the oil and gas industry. As both companies were operating in the same industry, for the purpose of consolidating the business operations of the two companies and the better streamlining of the companies' corporate and shareholding structure, SDSPL acquired the entire share capital of ISPL from Saberon on 19 October 2006, resulting in ISPL becoming a wholly-owned subsidiary of SDSPL. On 29 January 2007, Saberon acquired all the shares of SDSPL resulting in Saberon becoming the holding company of SDSPL.

As at the Latest Practicable Date, SDSPL has a paid-up share capital of S\$650,000 comprising 650,000 shares and ISPL has a paid-up share capital of S\$200,000 comprising 200,000 shares.

LETTER TO SHAREHOLDERS

5.2 Business Overview

The SDSPL Group is principally engaged in the manufacturing of steel components and service and maintenance for the oil and gas industry. The components that the SDSPL Group manufactures include skidding systems, raw water towers and winches. In addition, it manufactures standard cranes which it sells under its own "Sea Hercules" brand name. It also manufactures cranes under a licensing agreement.

The SDSPL Group also provides rig equipment repairs and refurbishment services. It repairs and refurbishes jacking systems, skidding systems and water tower elevating systems and also offers welding and leg repair services for jack-up rigs. Other than carrying out repairs and refurbishment services at the Factory Premises, it also provides on-site services for its customers.

The SDSPL Group operates from a fabrication yard at the Factory Premises with fully equipped workshops to undertake manufacturing of components for the oil and gas industry as well as repairs and refurbishment services.

5.3 SDSPL's Board of Directors and Key Management

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

Dr. Benety Chang
Anthony Sabastian Aurol
Tan Yang Guan
Ong Thian Whee

The working and business experiences of the directors of SDSPL are as follows:-

Dr. Benety Chang (Non-Executive Director)

Dr. Benety Chang is a non-executive director of SDSPL and has been appointed since 1 October 1996. 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 (Non-Executive Director)

Mr. Anthony Sabastian Aurol is a non-executive director of SDSPL. He has been appointed as director since 1 October 1996. He has also been the Executive Director of BTL since 5 May 2000. Mr. Aurol is a law graduate.

Tan Yang Guan (Non-Executive Director)

Mr. Tan Yang Guan is a non-executive director of SDSPL and joined the board of SDSPL on 1 September 2006. He is also 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.

Ong Thian Whee (Executive Director)

Mr. Ong Thian Whee is an Executive Director of SDSPL and was appointed as director on 1 September 2006. He is responsible for the SDSPL Group's day-to-day operations. He had been in the oil and gas industry since 1975 and had accumulated extensive industry experience and built numerous valuable business relationships within the industry.

LETTER TO SHAREHOLDERS

5.4 Financial Information

The financial statements of the SDSPL Group for the nine months period from 1 April 2006 to 31 December 2006 and for FY2007 are set out as follows:-

Profit and Loss

<u>Financial Performance</u> <u>(S\$'000)</u>	<u>Financial Period from 1 April</u> <u>2006 to 31 December 2006¹</u> <u>Audited</u>	<u>FY2007</u> <u>Audited</u>
Turnover	13,789	84,315
Gross Profit	5,018	24,485
Profit before Taxation	860	16,041
Profit after Taxation	718	12,780

Balance Sheet

<u>Financial Position</u> <u>(S\$'000)</u>	<u>As at 31 December 2006</u> <u>Audited</u>	<u>As at 31 December 2007</u> <u>Audited</u>
Non-current assets	2,245	3,498
Current assets	25,580	56,600
Current liabilities	25,802	52,381
Net current assets/ (liabilities)	(222)	4,219
Non-current liabilities	154	268
Shareholders' equity	1,869	7,449

5.5 Financial Review and Track Record of the SDSPL Group

Since its commencement of business operations in April 2006, the SDSPL Group had recorded healthy turnover growth. The SDSPL Group's turnover comprises mainly revenue from manufacturing activities and supply of components to customers in the oil and gas industry. Turnover increased by S\$70.5 million from S\$13.8 million for the nine months period from 1 April 2006 to 31 December 2006 to S\$84.3 million in FY2007, representing a 510.9% increase for the period. Revenue from manufacturing activities for the nine months period from 1 April 2006 to 31 December 2006 and FY2007 was S\$13.0 million and S\$81.3 million respectively, an increase of S\$68.3 million or 525.4%. The increase in manufacturing revenue was mainly due to an increase in revenue from the supply of components to various key customers, including a related party. Revenue from the related party amounted to S\$1.3 million and S\$29.1 million respectively for the nine months period from 1 April 2006 to 31 December 2006 and FY2007, accounting for approximately 9.4% and 34.5% of the turnover for those periods respectively.

In line with the higher turnover, the SDSPL Group's operating profit increased from S\$0.9 million for the nine months period from 1 April 2006 to 31 December 2006 to S\$16.0 million for FY2007, an increase of 1,677.8%.

¹ In 2006, SDSPL had changed its financial year end from March 31 to December 31. Prior to 31 March 2006, revenue of the SDSPL Group consisted mainly of rental income derived from rental of the Factory Premises. Commercial operations of fabrication activities and repair and upgrade works of the SDSPL Group commenced on 1 April 2006.

LETTER TO SHAREHOLDERS

Since its business commencement, the SDSPL Group has successfully built a strong track record of several major projects undertaken and successfully completed. As at the Latest Practicable Date, the SDSPL Group has secured contracts with an aggregate value of US\$76.4 million, the bulk of which is expected to be recognised as revenue in FY2008. These contracts secured by the SDSPL Group may be subject to cancellation, deferral or rescheduling by its customers, and hence the SDSPL Group's order book as at any particular date may not be indicative of its revenue for any succeeding period.

6. RATIONALE FOR THE PROPOSED ACQUISITION

The offshore marine industry is expected to stay strong in the next few years on the back of strong order books and momentum.

The Proposed Acquisition presents the Group with an attractive opportunity to increase its exposure to the oil and gas industry. More specifically, with the Proposed Acquisition, the Group is presented with the opportunity to gain a direct exposure to the component and equipment supply sector of the offshore marine industry, the prospects of which are expected to remain favourable over the next few years.

Further elaboration on the prospects of the SDSPL Group is set out in Section 7 of this Circular.

7. PROSPECTS

Increasing global demand for energy and high oil prices

The rapid growth of construction activities and industrialisation globally is expected to lead to a huge surge in the demand for energy consumption. The bulk of the demand is likely to be driven by the two emerging economic powerhouses, India and China whose energy use is set to more than double between 2005 and 2030 based on their respective governments' existing policies, according to the International Energy Agency². With the world's known oil reserves depleting fast and the insatiable global demand for energy, oil exploration and production activities are likely to increase, leading to a surge in offshore activity and a corresponding increase in demand for oil exploration and production equipment.

In addition, oil prices have a direct impact on the level of oil production and exploration activities. With oil prices at an all time high, oil production and exploration activities are expected to increase as higher potential return from upstream activities motivates oil companies to increase their exploration operations to generate higher profits.

The Directors believe that global demand for oil will be sustainable and oil exploration and production activities will continue to grow in future which is a positive development for the SDSPL Group.

Demand for repair and upgrade services

According to a Merrill Lynch research report, the bulk of the offshore jack-up fleet that was constructed during the previous offshore cycle boom is approaching the end of its useful life³. As most of the jack-up rigs are already 20 years of age or older³, the Directors believe that this represents additional opportunities for the SDSPL Group in the component and equipment supply sector of the offshore marine industry as new rigs are being constructed to replace the older ones.

² Source: Article titled "The next 10 years are critical – the world energy outlook makes the case for stepping up co-operation with China and India to address global energy challenges" dated 07 November 2007 published on the website of International Energy Agency. International Energy Agency has not consented to the inclusion of the above information in this Circular and while our Directors have taken reasonable action to ensure that the relevant information extracted from such source has been reproduced in this Circular in its proper form and context, they have not independently verified the accuracy of such information.

³ Source: Research report on Labroy Marine Ltd titled "Small yard with rig ambitions" dated 30 August 2006 published by Merrill Lynch. Merrill Lynch has not consented to the inclusion of the above information in this Circular and while our Directors have taken reasonable action to ensure that the relevant information extracted from such source has been reproduced in this Circular in its proper form and context, they have not independently verified the accuracy of such information.

LETTER TO SHAREHOLDERS

In addition, due to a surge in contracts from offshore firms, most shipyards in the Middle East, Singapore and China are fully booked until 2010⁴. As such, newbuildings currently have longer completion dates resulting in some companies looking increasingly into extending the service life of their existing fleet by carrying out ongoing structural repairs and equipment changeouts.

The SDSPL Group provides repair and maintenance services for the oil and gas industry and the increase in demand for structural repairs and equipment changeouts for existing jack-up rigs is expected to lead to the SDSPL Group having a higher revenue contribution from its repair and upgrade division and contribute towards improving the SDSPL Group's financial performance in the near term.

8. RISK FACTORS

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

Dependence on the oil and gas industry

The business and operations of the SDSPL Group are principally dependent on conditions prevailing in the offshore drilling industry. Factors such as fluctuations in oil and gas prices, local and economic conditions, cost of production, capital expenditure by oil and gas companies and discovery rates of oil and gas reserves in offshore areas may affect the level of activities in the offshore drilling industry. In the event that there is a decline in the level of activities resulting in a decrease in demand for the SDSPL Group's products and services, its financial performance will be adversely affected.

Fluctuations in the prices of raw materials

Steel is the main raw material used in the manufacture of components for the oil and gas industry and accounts for approximately 30.0% of its total cost of sales for FY2007. The SDSPL Group is vulnerable to fluctuations in steel price which is mainly determined by supply and demand conditions in the global market. In the event that there is a significant increase in the price of steel, and if the SDSPL Group is unable to obtain the requisite supply of steel at reasonable prices or pass on the increase in raw material costs to customers, its business and profitability will be adversely affected.

Dependence on the availability of raw materials

The SDSPL Group does not enter into any long-term contracts with its suppliers, thus there is no assurance that it will have continued supplies of steel and other raw materials from these suppliers. Furthermore, if the SDSPL Group is unable to obtain sufficient supplies of steel and other raw materials on a timely basis, due to any of its suppliers being unable to fulfil the demand or ceasing the supply of steel or other raw materials or the SDSPL Group is unable to find alternative suppliers, its ability to fulfil contracts will be affected. This will have a significant adverse impact on the SDSPL Group's profitability as its operations will be disrupted due to the shortage of steel or other raw materials.

Operating risks

The business operations of the SDSPL Group are subject to volatility arising from fluctuations in the demand for its products and services and the timing and award of new construction or repair projects. In the event that there are delays in the procurement of rig components contracts or the arrival of a rig to the yard for repairs, the operations of the SDSPL Group may be affected resulting in deterioration in the turnover during the period when such delays occur.

⁴ Source: Article titled "Radical Oil Price Shift" published in ECDIS today: talking navigation – Issue 13 dated June 2007 by the United Kingdom Hydrographic Office. United Kingdom Hydrographic Office has not consented to the inclusion of the above information in this Circular and while our Directors have taken reasonable action to ensure that the relevant information extracted from such source has been reproduced in this Circular in its proper form and context, they have not independently verified the accuracy of such information.

LETTER TO SHAREHOLDERS

Dependence on key management personnel and skilled labour

The success of the SDSPL Group's business is dependent to a large extent on the service and performance of its key management personnel as well as its skilled labour personnel. There is no assurance that the SDSPL Group will be able to retain its key management personnel or its skilled labour personnel. The loss of key management personnel or skilled labour personnel and the inability to find high calibre replacements will have an adverse impact on its operations and performance.

Exposure to foreign exchange transaction risks

The SDSPL Group's sales are denominated in US\$ and accounts for 99.0% of its sales for FY2007 whereas its expenses are denominated in US\$, S\$ and Euro and accounts for 64.0%, 33.0% and 3.0% of the total expenses for FY2007 respectively. Foreign exchange risks arise as a result of mismatch between the currency of sales and currency of expenses. In the event that there are significant fluctuations in foreign exchange rates between the time expenses are incurred and the time of sales and receipts, the SDSPL Group's financial performance may be affected by such foreign exchange losses. Currently, the SDSPL Group does not have any formal hedging policy.

Exposure to credit risks and defaults in payments by customers

Payments for contracts are on a progressive basis depending on the completion of different milestones of the projects. There is no assurance that payments by customers on progress billings will be timely and that there are no defaults by customers. For FY2007, the SDSPL Group's receivables turnover was 68.4 days. Any delays in payments or defaults by customers may lead to an increase in allowance for doubtful debts and write-offs of bad debts, leading to a deterioration in its cash flow and working capital position.

Risk of performance bonds being called

It is the norm in the offshore industry for a customer to request for a performance bond from the supplier when awarding a project. The terms of the bond are contained in the contracts and the value of the bond is usually 5.0% to 10.0% of the contract price. The SDSPL Group's financial performance may be affected by the recall of such performance bonds.

Other factors

The financial performance of the SDSPL Group is also dependent upon other factors such as risks of inadequate insurance, claims for warranty, litigation risks and regulatory and environment risks.

9. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition on the Group are for illustrative purposes only. The proforma financial numbers are based on the audited financial statements of the Group and the SDSPL Group for FY2007. The financial effects of the Proposed Acquisition have been prepared based on the assumption that there are no material differences in the accounting policies, standards, principles and practices that are applied in the financial statements of the SDSPL Group with that of the Group's financial statements.

The financial effects of the Proposed Acquisition on the Group are for illustrative purposes only and are, therefore, not indicative of the actual financial performance or position of the Group and/or the SDSPL Group after Completion. These financial effects should be read in conjunction with the relevant financial statements of the Group and the SDSPL Group.

LETTER TO SHAREHOLDERS

(a) Earnings Per Share

For illustrative purposes only, assuming that the Proposed Acquisition had been effected at the beginning of FY2007, its effect on the consolidated earnings per Share of the Group for FY2007 would have been as follows:-

	FY2007	After the Proposed Acquisition
Earnings attributable to Shareholders (S\$'000)	19,980	32,320
Weighted average number of Shares ('000)	628,910	628,910
EPS (SGD cents)	3.18	5.14

(b) Net Tangible Assets

For illustrative purposes only, assuming that the Proposed Acquisition had been effected at the end of FY2007, its effect on the consolidated NTA per Share of the Group for FY2007 would have been as follows:-

	As at 31 December 2007	After the Proposed Acquisition
NTA (S\$'000)	41,628	28,777
No. of Shares ('000)	631,174	631,174
NTA per Share (SGD cents)	6.60	4.56

(c) Net Cash

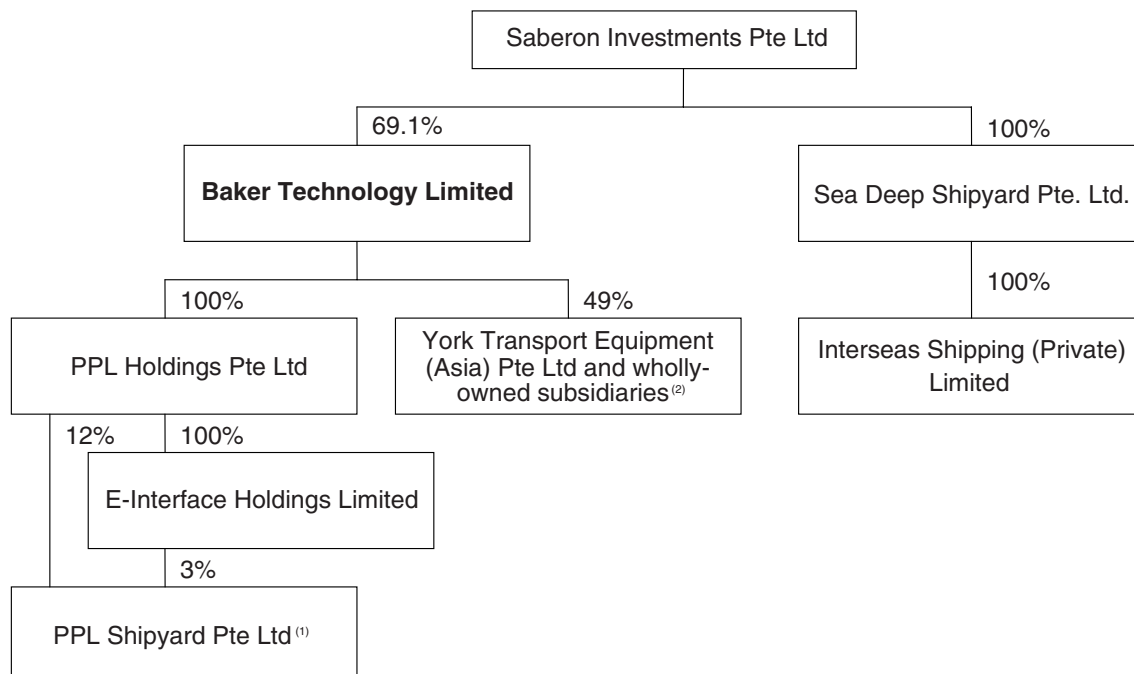
	As at 31 December 2007	After the Proposed Acquisition
Net Cash (S\$'000)	27,206	14,812
Shareholders' equity (S\$'000)	41,628	41,328
Gearing (times)	nil	nil

LETTER TO SHAREHOLDERS

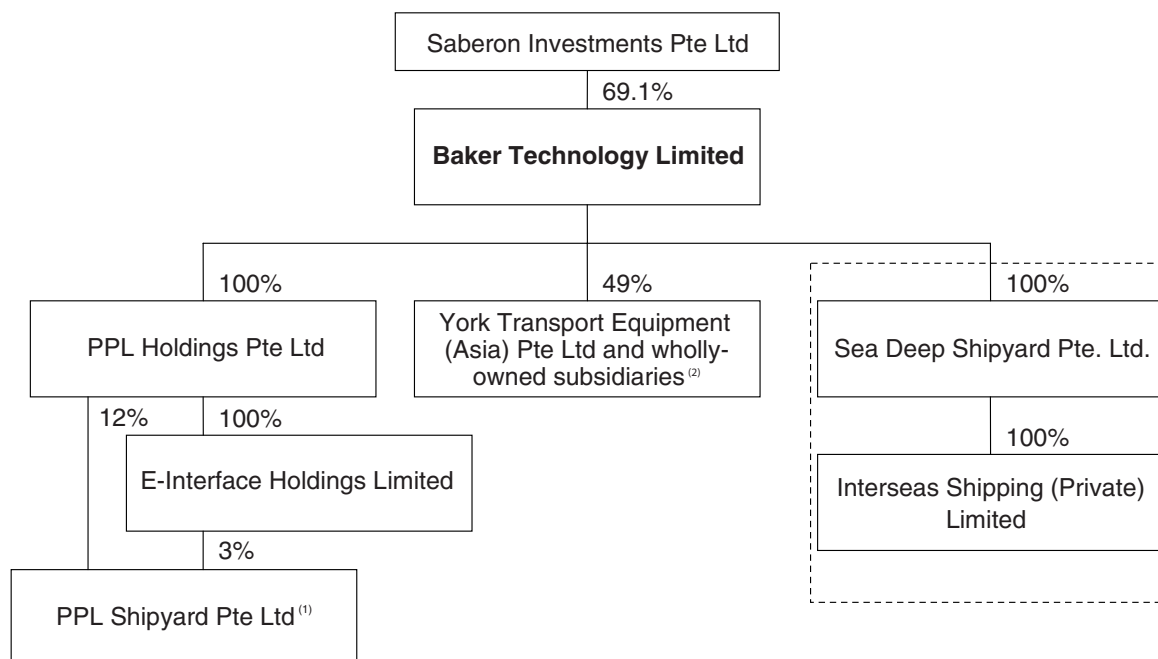
10. GROUP STRUCTURE

The group structure of the Company before and after the Proposed Acquisition of the SDSPL Group are as follows:-

Before the Proposed Acquisition



After the Proposed Acquisition



(1) The balance of the 85% shareholding in PPL Shipyard Pte Ltd is held by SembCorp Marine Ltd.

(2) 51% interest in YTEPL was sold to TRF Singapore Pte. Ltd. on 5 October 2007 and TRF Singapore Pte. Ltd. had a call option to purchase the remaining 49% of the issued share capital of YTEPL exercisable on or after 1 April 2010. Please refer to the circular issued by the Company dated 7 September 2007 and the announcements dated 23 July 2007 and 5 October 2007 for more details.

LETTER TO SHAREHOLDERS

11. 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' Shareholding 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	540,000	0.09	–	–
Dr. Benety Chang*	–	–	436,168,700	69.09
Anthony Sabastian Aurol*	–	–	436,168,700	69.09
Tan Yang Guan*	400,000	0.06	436,168,700	69.09
Wong Kwan Seng Robert	–	–	–	–
<u>Substantial Shareholders</u>				
Saberon Investments Pte Ltd	436,168,700	69.09		

* 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.

The interests of the Directors and Substantial Shareholders in the warrants of the Company as at the Latest Practicable Date, as recorded in the Warrant Register maintained under the provisions of the Deed Poll dated 16 May 2006 constituting the warrants, are as follows:-

	Direct Interests		Deemed Interests	
	No. of warrants	%	No. of warrants	%
<u>Directors</u>				
Lim Ho Seng	–	–	–	–
Dr. Benety Chang*	–	–	19,825,850	81.92
Anthony Sabastian Aurol*	–	–	19,825,850	81.92
Tan Yang Guan*	15,000	0.06	19,825,850	81.92
Wong Kwan Seng Robert	–	–	–	–
<u>Substantial Shareholders</u>				
Saberon Investments Pte Ltd	19,825,850	81.92		

* Deemed to be interested in 19,825,850 warrants held by Saberon Investments Pte Ltd by virtue of their shareholdings in Saberon Investments Pte Ltd.

The Directors of the Company, Dr. Benety Chang and Messrs Anthony Sabastian Aurol and Tan Yang Guan, are also directors of Saberon and SDSPL, and each holds direct interests of 67.0%, 15.0% and 3.0% in Saberon respectively. In addition, Dr. Benety Chang is also deemed interested in the 15.0% interest in Saberon held by his spouse.

SDSPL is a supplier of steel components to Aqua-Terra Oilfield Equipment & Services Pte. Ltd., a wholly-owned subsidiary of Aqua-Terra Supply Co. Limited (“ATS”). Mr. Wong Kwan Seng Robert, an Independent Director of the Company, is also an Independent Director of ATS. Mr. Lim Ho Seng, an Independent Director of the Company, is an Independent Director of KS Energy Services Limited, which is the holding company of ATS.

LETTER TO SHAREHOLDERS

In addition, Mr. Wong Kwan Seng Robert is a shareholder and director of Straits Law Practice LLC, the solicitors of the Company who are advising the Company in respect of the Proposed Acquisition and the preparation of this Circular. Straits Law Practice LLC will be receiving legal fees in connection with their role as solicitors to the Company.

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.

12. 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 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 as 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.

13. 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 6 of this Circular, 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.

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

14. DIRECTORS' RECOMMENDATION

Dr. Benety Chang and Messrs Anthony Sabastian Aurol and Tan Yang Guan being Directors interested in the Proposed Acquisition and SDSPL, 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, 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 Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

15. ABSTAINING FROM VOTING BY INTERESTED PERSONS

Saberon 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 in the Company.

16. NOTICE OF EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 34 of this Circular will be held at Nautica II, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on 29 April 2008 at 10.45 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.30 a.m. on the same day and at the same place) for the purpose of considering and if thought fit, passing with or without modifications, the Ordinary Resolution as set out in the Notice of EGM.

LETTER TO SHAREHOLDERS

17. 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 10.45 a.m. on 27 April 2008.

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.

18. LITIGATION

Neither the Company nor its subsidiaries is 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.

19. CONSENT

NRA Capital has given and has not withdrawn its consent to the issue of this Circular with the inclusion in this Circular of its names and all references to its name in the form and context in which it appears in this Circular.

Kim Eng Capital has given and has not withdrawn its consent to the inclusion of the letter from Kim Eng Capital, containing their advice in full, set out in the Appendix of this Circular, the inclusion in this Circular of its name and all references to its name in the form and context in which it appears in this Circular.

20. 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 the SDSPL Group, and after making all reasonable enquiries, the facts stated in this Circular relating to the Proposed Acquisition (save for Kim Eng Capital's letter to the Independent Directors) 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 the SDSPL Group and the Group have been extracted from published or otherwise publicly available sources or obtained from the directors and management of the SDSPL Group and the Group, the sole responsibility of NRA Capital has been to ensure that such information has been accurately and correctly extracted from these sources, or as the case may be, accurately reflected or reproduced in this Circular.

21. 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 2005, 2006 and 2007 of the Company;
- (ii) the audited financial statements of the SDSPL Group for the financial year ended 31 March 2006, the 9 months ended 31 December 2006 and FY2007;
- (iii) the Sale and Purchase Agreement dated 1 February 2008;

LETTER TO SHAREHOLDERS

- (iv) the letters of consent referred to in Section 19 of this Circular; and
- (v) the letter from Kim Eng Capital to the Independent Directors in respect of the Proposed Acquisition set out in the Appendix of this Circular.

22. 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.

Where information has been extracted from published or otherwise publicly available sources or is otherwise provided to the Company by or on behalf of the SDSPL Group, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources or as the case may be, accurately reflected or reproduced in this Circular.

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

8 April 2008

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

Dear Sirs

THE PROPOSED ACQUISITION BY THE COMPANY OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF SEA DEEP SHIPYARD PTE. LTD. (“SDSPL”), FOR AN AGGREGATE CONSIDERATION OF S\$20.0 MILLION (THE “PROPOSED ACQUISITION”)

1. INTRODUCTION

On 1 February 2008, the Company announced that it had entered into the Sale and Purchase Agreement with Saberon for the acquisition of the entire issued and paid-up share capital of SDSPL from Saberon at the purchase consideration of S\$20.0 million. The Consideration is payable by the Company in cash.

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 90.8% of the audited consolidated NTA of the Group of S\$22.0 million as at 31 December 2006, being the latest audited consolidated NTA of the Group as at the date of the Announcement and approximately 48.0% of the audited consolidated NTA of the Group of S\$41.6 million as at 31 December 2007. As the value of the Proposed Acquisition is more than 5.0% of the latest audited consolidated NTA of the Group, for the purposes of Chapter 9 of the Listing Manual, the Proposed Acquisition is subject to the approval of the Shareholders at an EGM to be convened.

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 interests of the Company and its minority Shareholders.

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 Sale and Purchase Agreement.

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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 Sale and Purchase 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 and the SDSPL Group. 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 and the SDSPL Group 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 27 March 2008. 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 therein. 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 12 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 4 “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 for the Proposed Acquisition is S\$20.0 million and is to be satisfied entirely by cash. The Consideration will be funded by internal resources of the Company.

The Consideration was arrived at after arm’s length negotiations on a “willing seller-willing buyer” basis, after taking into consideration the unaudited net profit after tax of the SDSPL Group for FY2007 of S\$11.8 million and the business prospects of the SDSPL Group. Please refer to Section 7 of this Circular for further information on the business prospects of the SDSPL Group.

The Consideration will be paid to Saberon on the date of Completion.

3.2 The Conditions Precedent

Pursuant to the Sale and Purchase Agreement, completion of the Proposed Acquisition is conditional upon, *inter alia*, the following:-

- (a) the Company being satisfied (within 2 months from the date of the Sale and Purchase 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 the SDSPL Group, 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 the SDSPL Group and any other information disclosed to the Company; and

APPENDIX

- (b) approval being obtained from the Shareholders (other than Saberon or its associates who will abstain from voting at the EGM to be held) to purchase the Sales Shares, such approval to be obtained at the EGM.

If any of the above conditions is not fulfilled or waived by mutual consent of the parties by 30 June 2008, the Sale and Purchase Agreement shall, *ipso facto*, cease and determine and neither party shall have any claim against the other party for costs, damages, compensation or anything whatsoever.

As at the Latest Practicable Date, condition precedent (a) has been fulfilled.

4. INFORMATION ON THE SDSPL GROUP

The full text of information on the SDSPL Group can be found in section 5 “Information on the SDSPL Group” 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.

4.1 History

SDSPL was incorporated as a private limited company in the Republic of Singapore on 14 September 1996. The ultimate shareholders of SDSPL were the current shareholders of Saberon. In 1999, SDSPL purchased its current premise at No. 6 Pioneer Sector 1, Singapore 628418 (“**Factory Premises**”). SDSPL was then passive with no major operating activities and its main revenue comprised rental income from the Factory Premises.

ISPL was incorporated in the Republic of Singapore on 21 July 1971 and Saberon became its holding company on 4 April 2001. For the past ten years prior to 2006, the company has been dormant.

In 2006, the current shareholders of Saberon decided to venture into the offshore oil and gas industry and to capitalise on the increased market demand for repair and maintenance services in the oil and gas industry. More specifically, the decision was made to venture into the manufacturing of steel components and service and maintenance for the oil and gas industry. Starting from 1 April 2006, both SDSPL and ISPL which were then under the same management entered into contracts with customers in the oil and gas industry. As both companies were operating in the same industry, for the purpose of consolidating the business operations of the two companies and the better streamlining of the companies’ corporate and shareholding structure, SDSPL acquired the entire share capital of ISPL from Saberon on 19 October 2006, resulting in ISPL becoming a wholly-owned subsidiary of SDSPL. On 29 January 2007, Saberon acquired all the shares of SDSPL resulting in Saberon becoming the holding company of SDSPL.

As at the Latest Practicable Date, SDSPL has a paid-up share capital of S\$650,000 comprising 650,000 shares and ISPL has a paid-up share capital of S\$200,000 comprising 200,000 shares.

4.2 Business Overview

The SDSPL Group is principally engaged in the manufacturing of steel components and service and maintenance for the oil and gas industry. The components that the SDSPL Group manufactures include skidding systems, raw water towers and winches. In addition, it manufactures standard cranes which it sells under its own “Sea Hercules” brand name. It also manufactures cranes under a licensing agreement.

The SDSPL Group also provides rig equipment repairs and refurbishment services. It repairs and refurbishes jacking systems, skidding systems and water tower elevating systems and also offers welding and leg repair services for jack-up rigs. Other than carrying out repairs and refurbishment services at the Factory Premises, it also provides on-site services for its customers.

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The SDSPL Group operates from a fabrication yard at the Factory Premises with fully equipped workshops to undertake manufacturing of components for the oil and gas industry as well as repairs and refurbishment services.

5. RATIONALE FOR THE PROPOSED ACQUISITION

We set out below the rationale for the Proposed Acquisition, which has been extracted from the section 6 “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.**

The offshore marine industry is expected to stay strong in the next few years on the back of strong order books and momentum.

The Proposed Acquisition presents the Group with an attractive opportunity to increase its exposure to the oil and gas industry. More specifically, with the Proposed Acquisition, the Group is presented with the opportunity to gain a direct exposure to the component and equipment supply sector of the offshore marine industry, the prospects of which are expected to remain favourable over the next few years.

6. PROSPECTS

We set out below the prospects of the Proposed Acquisition, which has been extracted from the section 7 “Prospects” of the Circular. **We recommend that the Independent Directors advise the minority Shareholders to read this section of the Circular carefully.**

Increasing global demand for energy and high oil prices

The rapid growth of construction activities and industrialisation globally is expected to lead to a huge surge in the demand for energy consumption. The bulk of the demand is likely to be driven by the two emerging economic powerhouses, India and China whose energy use is set to more than double between 2005 and 2030 based on their respective governments’ existing policies, according to the International Energy Agency. With the world’s known oil reserves depleting fast and the insatiable global demand for energy, oil exploration and production activities are likely to increase, leading to a surge in offshore activity and a corresponding increase in demand for oil exploration and production equipment.

In addition, oil prices have a direct impact on the level of oil production and exploration activities. With oil prices at an all time high, oil production and exploration activities are expected to increase as higher potential return from upstream activities motivates oil companies to increase their exploration operations to generate higher profits.

The Directors believe that global demand for oil will be sustainable and oil exploration and production activities will continue to grow in future which is a positive development for the SDSPL Group.

Demand for repair and upgrade services

According to a Merrill Lynch research report, the bulk of the offshore jack-up fleet that was constructed during the previous offshore cycle boom is approaching the end of its useful life. As most of the jack-up rigs are already 20 years of age or older, the Directors believe that this represents additional opportunities for the SDSPL Group in the component and equipment supply sector of the offshore marine industry as new rigs are being constructed to replace the older ones.

In addition, due to a surge in contracts from offshore firms, most shipyards in the Middle East, Singapore and China are fully booked until 2010. As such, newbuildings currently have longer completion dates resulting in some companies looking increasingly into extending the service life of their existing fleet by carrying out ongoing structural repairs and equipment changeouts.

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The SDSPL Group provides repair and maintenance services for the oil and gas industry and the increase in demand for structural repairs and equipment changeouts for existing jack-up rigs is expected to lead to the SDSPL Group having a higher revenue contribution from its repair and upgrade division and contribute towards improving the SDSPL Group's financial performance in the near term.

7 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 interests of the Company and its minority Shareholders, we have considered the following factors:-

- (1) Comparison to valuation ratios of selected listed companies considered comparable to the SDSPL Group;
- (2) Financial review of the SDSPL Group; 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, SDSPL Group 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.

7.1 Comparison to valuation ratios and dividend yields of selected listed companies considered comparable to the SDSPL Group

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

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

Comparable Companies	Description of Business Activities	Financial year ended ⁽¹⁾	Market Capitalisation (\$'million)	Revenue ⁽¹⁾ (\$'million)	Net profit ⁽¹⁾⁽²⁾ (\$'million)
Advanced Holdings Ltd	Advanced Holdings Limited designs, manufactures, and distributes engineered solutions for process controls and environmental protection in the oil and gas, power generation, chemical and petrochemical, iron and steel, micro-electronics industries.	31 December 2007	84.7	87.3	12.1
Aqua-Terra Supply Co. Ltd	Aqua-Terra Supply Co. Limited supplies and distributes oil and gas, mining, general hardware and marine consumable products such as couplings, welding rods, and shackles. Aqua-Terra also provides supporting engineering services such as fabrication of rubber hose, repair and maintenance of the products.	31 December 2007	110.6	231.4	12.4

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Comparable Companies	Description of Business Activities	Financial year ended ⁽¹⁾	Market Capitalisation (S\$'million)	Revenue ⁽¹⁾ (S\$'million)	Net profit ⁽¹⁾⁽²⁾ (S\$'million)
AusGroup Limited	AusGroup Limited is an integrated multi-disciplinary engineering services provider. AusGroup specialises in the oil and gas, LNG, and mining related industries.	30 June 2007	332.9	342.1 ⁽³⁾	24.2 ⁽³⁾
BH Global Marine Limited	BH Global Marine Limited supplies a wide range of marine electrical products to ship chandlers, ship owners, ship management companies, shipyard operators, and ship repair companies.	31 December 2007	140.7	81.9	17.5
KS Energy Services Limited	KS Energy Services Limited sources and distributes oil and gas equipment, general hardware, hydraulic equipment, instrumentation, spares, and parts. It also acts as a commission agent for oil and gas equipment suppliers.	31 December 2007	475.9	402.7	73.8
KTL Global Limited	KTL Global Limited supplies rigging equipment and related services mainly to offshore oil and gas, and marine industries. KTL manufactures rope products, slings and grommets, deck equipment, and other lifting equipment.	30 June 2007	68.8	41.8	10.3
Technics Oil & Gas Limited	Technics Oil & Gas Limited is a specialist engineering service provider which designs, procures, fabricates, installs, and commissions process modules and equipment for oil and gas exploration and production on a turnkey project basis. Technics provides engineering contracting and repair and maintenance services, offers after-sales services, and supplies spare parts and equipment.	30 September 2007	59.3	60.0	2.8

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.
- (3) Revenue and net profit for AusGroup Limited are translated to S\$ based on AUD to S\$ exchange rate of AUD1:S\$1.217, which is the average exchange rate for the period starting 1 July 2006 to 30 June 2007.

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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 the SDSPL Group 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.

7.1.1 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 the SDSPL Group, we have assumed that the Consideration is equivalent to market capitalisation of the SDSPL Group.

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We set out below the valuation ratios of the Comparable Companies as at the Latest Practicable Date and the implied valuation ratios of the SDSPL Group based on the Consideration for comparison:-

Comparable Companies	Market Capitalisation (S\$ million)	Share Price as at the Latest Practicable Date (S\$)	Historical PER (times)	Historical P/NAV (times)	EV/EBITDA (times)
Advanced Holdings Ltd	84.7	0.275	6.9	1.2	5.3
Aqua-Terra Supply Co. Ltd	110.6	0.315	9.4	1.1	7.1
AusGroup Limited	332.9	0.845	14.3	3.6	8.3
BH Global Marine Limited	140.7	0.335	8.0	2.7	6.2
KS Energy Services Limited	475.9	1.89	6.5	2.4	6.2
KTL Global Limited	68.8	0.43	6.7	2.3	4.6
Technics Oil & Gas Limited	59.3	0.415	19.9	3.0	11.6
High			19.9	3.6	11.6
Low			6.5	1.1	4.6
Median			8.0	2.4	6.2
Mean			10.2	2.4	7.0
SDSPL Group ⁽¹⁾			1.6	2.7	1.0

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

Note: -

(1) Based on the Consideration and audited FY2007 financial statements of the SDSPL Group

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

- (a) Implied PER of the SDSPL Group based on the Consideration (the "Implied PER") of 1.6 times is substantially lower than the lowest, median and mean of the PERs of the Comparable Companies;
- (b) Implied P/NAV of the SDSPL Group based on the Consideration (the "Implied P/NAV") of 2.7 times is within the high/low range and is higher than the median and mean of the P/NAVs of the Comparable Companies; and
- (c) Implied EV/EBITDA of the SDSPL Group (the "Implied EV/EBITDA") of 1.0 times is substantially lower than the lowest, median and mean of the EV/EBITDA of the Comparable Companies.

We further noted that the above stock exchange quoted prices of the Comparable Companies, from which the valuation measures used in our comparative analyses were derived from (namely PER, P/NAV and EV/EBITDA), are for share trades involving minority stakes, and as such do not normally include the control premia associated with transactions involving controlling stakes such as the Proposed Acquisition.

7.2 Financial Review of the SDSPL Group

We set out below financial information, and financial review and track record, of the SDSPL Group, which has been extracted from section 5 "Information on the SDSPL Group" of the Circular.

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7.2.1 Financial Information

The financial statements of the SDSPL Group for the nine months period from 1 April 2006 to 31 December 2006 and for FY2007 are set out as follows:-

Profit and Loss

<u>Financial Performance</u> (S\$'000)	<u>Financial Period from 1 April</u> <u>2006 to 31 December 2006</u> <u>Audited</u>	<u>FY2007</u> <u>Audited</u>
Turnover	13,789	84,315
Gross Profit	5,018	24,485
Profit before Taxation	860	16,041
Profit after Taxation	718	12,780

Balance Sheet

<u>Financial Position</u> (S\$'000)	<u>As at 31 December 2006</u> <u>Audited</u>	<u>As at 31 December 2007</u> <u>Audited</u>
Non-current assets	2,245	3,498
Current assets	25,580	56,600
Current liabilities	25,802	52,381
Net current assets/ (liabilities)	(222)	4,219
Non-current liabilities	154	268
Shareholders' equity	1,869	7,449

7.2.2 Financial Review and Track Record of the SDSPL Group

Since its commencement of business operations in April 2006, the SDSPL Group had recorded healthy turnover growth. The SDSPL Group's turnover comprises mainly revenue from manufacturing activities and supply of components to customers in the oil and gas industry. Turnover increased by S\$70.5 million from S\$13.8 million for the nine months period from 1 April 2006 to 31 December 2006 to S\$84.3 million in FY2007, representing a 510.9% increase for the period. Revenue from manufacturing activities for the nine months period from 1 April 2006 to 31 December 2006 and FY2007 was S\$13.0 million and S\$81.3 million respectively, an increase of S\$68.3 million or 525.4%. The increase in manufacturing revenue is mainly due to an increase in revenue from the supply of components to various key customers, including a related party. Revenue from the related party amounted to S\$1.3 million and S\$29.1 million respectively for the nine months period from 1 April 2006 to 31 December 2006 and FY2007, accounting for approximately 9.4% and 34.5% of the turnover for those periods respectively.

In line with the higher turnover, the SDSPL Group's operating profit increased from S\$0.9 million for the nine months period from 1 April 2006 to 31 December 2006 to S\$16.0 million for FY2007, an increase of 1,677.8%.

We noted that the SDSPL Group declared and paid out dividends of S\$7.2 million in FY2007. (Nevertheless, we noted that there was no dividend declared by the SDSPL Group in FY2006.) We wish to highlight that the Shareholders should not treat the past dividends declared by the SDSPL Group as an indication of future dividend payouts by the SDSPL Group and/or the Company as the declaration and payment of dividends by the SDSPL Group and/or the Company in the future depend upon various factors such as the SDSPL Group's and/or the Group'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.

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Order Book

We also noted that as at the Latest Practicable Date, the SDSPL Group has secured contracts with an aggregate value of US\$76.4 million, which is equivalent to S\$105.4 million (based on an exchange rate of US\$1: S\$1.3797 as stated on the website of the Monetary Authority of Singapore for the Latest Practicable Date), the bulk of which is expected by the Directors to be recognised as revenue in FY2008. The value of SDSPL Group's secured contracts as at the Latest Practicable Date represents 527.0% of the Consideration. We understand that these contracts secured by the SDSPL Group may be subject to cancellation, deferral or rescheduling by its customers, and hence the SDSPL Group's order book as at any particular date may not be indicative of its revenue for any succeeding period.

7.3 Financial Effects of the Proposed Acquisition

The full text of information on the financial effects of the Proposed Acquisition can be found in section 9 "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 FY2007:

	FY2007	After the Proposed Acquisition
EPS (cents)	3.18	5.14
NTA per Share (cents)	6.60	4.56
Net Gearing (times)	nil	nil

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 3.18 cents to 5.14 cents due to the inclusion of the SDSPL Group's FY2007 earnings into the Group's earnings;
- (ii) NTA per Share will decrease from 6.60 cents to 4.56 cents after the Proposed Acquisition, as the Consideration of S\$20 million is higher than the net tangible value of the SDSPL Group of S\$7.4 million; and
- (iii) Net gearing will not change after the Proposed Acquisition as the Group will remain in a net cash position.

8 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:-

8.1 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 8 "Risk Factors" of the Circular. The risk factors relate principally to the industry in which the SDSPL Group operates and its business in general.

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Should any of the considerations and uncertainties highlighted in the aforementioned risk factors in section 8 of the Circular develop into actual events, or there are any adverse events arising from unforeseen circumstances, the business, financial performance and financial condition of, and future dividends to be declared by the SDSPL Group may be materially and adversely affected.

8.2 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.

9 RECOMMENDATION

In arriving at our recommendation in respect of the Proposed Acquisition, we have considered, *inter alia*, the following factors summarized below which we consider to be pertinent in our assessment of the Proposed Acquisition. The factors set out therein 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 and Prospects as stated by the Directors;
- (b) 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 within the high/low range and is lower than the median and mean of the P/NAVs of the Comparable Companies; and
 - (iii) the Implied EV/EBITDA is substantially lower than the lowest, median and mean of the EV/EBITDAs of the Comparable Companies.

We further noted that the above stock exchange quoted prices of the Comparable Companies, from which the valuation measures used in our comparative analyses were derived from (namely PER, P/NAV and EV/EBITDA), are for share trades involving minority stakes, and as such do not normally include the control premia associated with transactions involving controlling stakes such as the Proposed Acquisition.

- (c) We noted that the SDSPL Group has since its business commencement successfully built a strong track record of several major projects undertaken and successfully completed.

We noted that the SDSPL Group declared and paid out dividends of S\$7.2 million in FY2007. (Nevertheless, we noted that there was no dividend declared by the SDSPL Group in FY2006.) We wish to highlight that the Shareholders should not treat the past dividends declared by the SDSPL Group as an indication of future dividend payouts by the SDSPL Group and/or the Company as the declaration and payment of dividends by the SDSPL Group and/or the Company in the future depend upon various factors such as the SDSPL Group's and/or the Group'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.

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Order Book

We also noted that as at the Latest Practicable Date, the SDSPL Group has secured contracts with an aggregate value of US\$76.4 million, which is equivalent to S\$105.4 million (based on an exchange rate of US\$1: S\$1.3797 as stated on the website of the Monetary Authority of Singapore for the Latest Practicable Date), the bulk of which is expected to be recognised as revenue in FY2008. The value of SDSPL Group's secured contracts as at the Latest Practicable Date represents 527.0% of the Consideration. We understand that these contracts secured by the SDSPL Group may be subject to cancellation, deferral or rescheduling by its customers, and hence the SDSPL Group's order book as at any particular date may not be indicative of its revenue for any succeeding period.

- (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 3.18 cents to 5.14 cents due to the inclusion of the SDSPL Group's FY2007 earnings into the Group's earnings; and
 - (ii) NTA per Share will decrease from 6.60 cents to 4.56 cents after the Proposed Acquisition; and
 - (iii) net gearing will not change after the Proposed Acquisition as the Group will remain in a net cash position.
- (e) 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

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 Tuesday, 29 April 2008 at 10.45 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.30 a.m. on the same day and at the same place) 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 by the Company of the entire issued and paid-up share capital in Sea Deep Shipyard Pte. Ltd. ("Proposed Acquisition") from Saberon Investments Pte Ltd (the "Vendor"), for an aggregate consideration of S\$20,000,000 on the terms and conditions of the sale and purchase agreement (the "Sale and Purchase Agreement") dated 1 February 2008 entered into between the Vendor 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 Sale and Purchase Agreement.

By Order of the Board

Aw Seok Chin
Company Secretary

8 April 2008
Singapore

NOTES:

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend 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.

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 29 April 2008 at 10.45 a.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 10.30 a.m. on the same day and at the same place) 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 matters arising at the EGM.

	To be used on a show of hands		To be used in the event of a poll	
	For*	Against*	For**	Against**
ORDINARY RESOLUTION				
To approve the Proposed Acquisition of the entire issued and paid-up share capital of Sea Deep Shipyard 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 _____ 2008

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, of Singapore), 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, of Singapore.
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.