BAKER Technology Limited

beyond horizons

annual report 2007

CONTENTS

COVER RATIONALE

The bright yellow canola field paints a picture of vibrancy and bright prospects. As Baker stands on the threshold of a new beginning, we are confident that our future endeavours will yield gratifying returns.

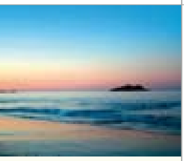

MILESTONES

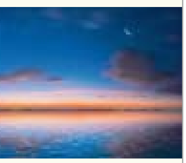
February 1981	Incorporated as a private limited company under the name MAJESTIC MANUFACTURING PTE LTD.
March 1992	Name changed to YORK PACIFIC HOLDINGS PTE LTD. It became an investment holding company to acquire wholly-owned subsidiaries of York Trailer Overseas Ltd. The Group designs, manufactures YORK trailer axles, assembles trailer suspension kits, and distributes a wide range of truck and trailer components. YORK products are sold directly to Original Equipment Manufacturers (OEMs) of trailers, repair shops and major transport fleet.
June 1994	Became YORK PACIFIC HOLDINGS LTD when it was converted into a public limited company.
July 1994	Listed on SGX SESDAQ.
November 1995	Controlling stake acquired by Aranburgh Holdings Pte Ltd, a wholly-owned subsidiary of Wassall PLC, a UK industrial holding company.
March 1996	Name changed to WASSALL ASIA PACIFIC LTD.
May 2000	Controlling stake acquired by Saberon Investments Pte Ltd, an investment vehicle in which some of the existing directors have interest.
July 2000	Name changed to BAKER TECHNOLOGY LIMITED.
September 2004	Received the Singapore Corporate Governance Award from the Securities Investors Association (Singapore).
October 2005	Received the Singapore Corporate Governance Award (Merit Award in SESDAQ category) from the Securities Investors Association (Singapore).
June 2006	Raised S$14.3 million from the renounceable non-underwritten Rights Issue with free detachable warrants.
June 2006	Completion of capital reduction exercise.
May 2007	Acquired the entire issued and paid-up share capital of PPL Holdings Pte Ltd, an investment holding company which owned 15% equity stake in PPL Shipyard Pte Ltd, for S$3.6 million.
October 2007	Disposed approximately 51% of the issued and paid-up share capital of York Transport Equipment (Asia) Pte Ltd to TRF Singapore Pte. Ltd., a member of the TATA group of companies in India, for S$16.6 million.
February 2008	Announced the proposed acquisition of the entire issued and paid-up share capital of Sea Deep Shipyard Pte. Ltd., a company engaged in the manufacturing of steel components and service and maintenance for the oil and gas industry, for S$20.0 million.

THE DRIVE TO SURPASS PREVIOUS BENCHMARKS PROPELS US AS WE EMBARK ON A NEW JOURNEY

2007 has been a notable year for Baker, with significant milestones marked by diversification and new ventures.

CHAIRMAN'S MESSAGE





Dear Shareholders,

I am pleased to report that FY 2007 was a momentous one for the Company as it achieved record earnings of $20.0 million after tax. I would like to recount below some of the milestones that we have achieved during the year to enable us to be where we are today.

MILESTONES

On 23 May 2007, the Group completed its acquisition of the entire issued and paid-up share capital PPL Holdings Pte Ltd ("PPLH") for $3.6 million. PPLH is an investment holding company with a 15% equity stake in PPL Shipyard Pte Ltd, a company which specializes in the design and construction of offshore drilling rigs. The balance 85% shareholding is held by SembCorp Marine Ltd, a company incorporated in Singapore and listed on the Mainboard of SGX-ST. This acquisition was made as there was a need for the Group to diversify its business and at the same time reduce its reliance on the trailer axle business. This proved to be a successful high-yield investment as the Group received dividends in the amount of $11.3 million in 2007.

On 5 October 2007, the Group announced the completion of the sale of approximately 51% of the issued and paid-up share capital of York Transport Equipment (Asia) Pte Ltd ("YTEA") to TRF Singapore Pte. Ltd. ("TRF"), a member of the TATA group of companies in India, for $16.6 million. We have been looking for some time for a strategic partner with the resources and capability to expand the trailer axle business. We believe that with TRF as YTEA's majority shareholder, YTEA is well positioned to penetrate the lucrative Indian market where the TATA group has significant presence and influence. As a result of this disposal, we recorded a gain of $4.6 million.

REVIEW OF FINANCIAL RESULTS

Until 5 October 2007, the Group's reported revenue was derived wholly from its trailer axle business, which was conducted through YTEA and its subsidiaries. The reduction in Group revenue by 19% from $62.6 million in FY 2006 to $50.7 million in FY 2007 was attributed to the disposal of YTEA in the fourth quarter of 2007.

2007 was a momentous year for the Company with record earnings of $20.0 million.

Correspondingly, the Group's gross profit decreased by $2.4 million (17%) to $11.5 million in FY 2007. However I am pleased to report that the trailer axle business has remained profitable for the past two years. Profit after tax of the trailer axle business, not adjusted for the proportion of ownership interest held by the Group, was $3.5 million in FY 2007, as compared to $1.7 million in FY 2006.

In FY 2007, the Group recorded exceptional gains of $17.9 million from the:

- Gain on disposal of YTEA and subsidiaries of $4.6 million; and
- Negative goodwill arising on acquisition of PPLH of $13.3 million credited to the income statement.

Overall, the Group achieved a record net profit of $20.0 million, as compared to a net profit of $0.9 million in FY 2006.

As at 31 December 2007, the Group's healthy balance sheet consisted largely of:

- A 15% equity stake in PPL Shipyard Pte Ltd of $5.1 million;
- A 49% equity stake in YTEA of $11.7 million;
- Cash and bank balances of $27.2 million; and
- An unpaid purchase consideration of $2.0 million arising from the acquisition of PPLH.

OUTLOOK

On 1 February 2008, the Group announced that it had entered into a conditional share purchase agreement with Saberon Investments Pte Ltd to acquire the entire issued and paid-up share capital of Sea Deep Shipyard Pte. Ltd. and its subsidiary ("the SDSPL group") for $20.0 million. The purchase 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 FY 2007 of $11.8 million and the business prospects of the SDSPL group. The SDSPL group is principally engaged in the manufacturing of steel components and service and maintenance for the oil and gas industry. This proposed acquisition will allow the Group to penetrate the component and equipment supply sector of the offshore marine industry, the prospects of which are expected to remain favourable for the next few years. Specifically, the performance of the SDSPL group in FY 2008 is expected to improve over FY 2007 on the basis of confirmed customer orders.

In this regard, the Group is optimistic about its prospects in the coming years.

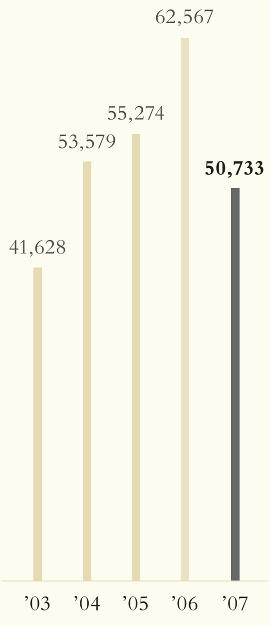
ACKNOWLEDGEMENTS

On behalf of the Board, I wish to thank the management team and all our staff for their hard work and commitment. I would also like to express my sincere appreciation to our customers, suppliers, shareholders and professional advisors for their continued support. Last but not least, I wish to thank my fellow Directors for their wise counsel and guidance which has contributed to the success of BAKER TECHNOLOGY.

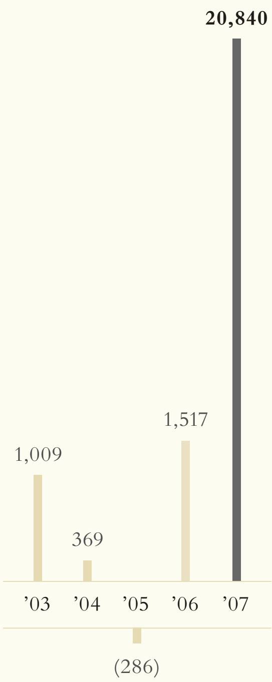
LIM HO SENG
Chairman

FINANCIAL HIGHLIGHTS

REVENUE (S$'000)

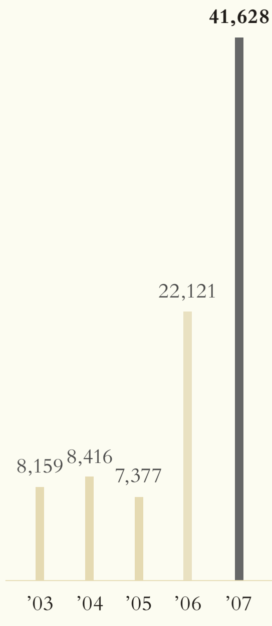


PROFIT / (LOSS) BEFORE TAX (S$'000)



EARNINGS / (LOSS) PER SHARE (CENTS)

SHAREHOLDERS' EQUITY (S$'000)



CORPORATE INFORMATION

BOARD OF DIRECTORS
Lim Ho Seng
Chairman

Dr. Benety Chang
Chief Executive Officer

Anthony Sabastian Aurol
Chief Operating Officer

Tan Yang Guan

Wong Kwan Seng Robert

AUDIT COMMITTEE
Lim Ho Seng
Chairman

Tan Yang Guan

Wong Kwan Seng Robert

NOMINATING COMMITTEE
Wong Kwan Seng Robert
Chairman

Lim Ho Seng

Dr. Benety Chang

REMUNERATION COMMITTEE
Lim Ho Seng
Chairman

Tan Yang Guan

Wong Kwan Seng Robert

COMPANY SECRETARY
Aw Seok Chin

PRINCIPAL OFFICER
Tan Kiang Kherng
Financial Controller

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639583
Tel: 65 6262 1380
Fax: 65 6262 2108

AUDITORS
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Partner-in Charge:
Tan Chian Khong
(Year of appointment: 2005)

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Singapore 049483

PRINCIPAL BANKER
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Banking Corporation Limited
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Singapore 049320

WE SET OUR SIGHTS FAR AND WIDE ON THE PATH AHEAD AND THE CHALLENGES IT WILL BRING

Baker's acquisitions of PPL Holdings Pte Ltd and proposed acquisition of Sea Deep Shipyard Pte. Ltd. present a positive outlook to the Company with favourable returns.

BOARD OF DIRECTORS

LIM HO SENG PBM
Chairman

Mr. Lim Ho Seng joined the Board on 1 October 1999 as an Independent Director. He was last re-elected on 26 April 2007. Mr. Lim is the Chairman of the Board of Directors, Audit and Remuneration Committees of the Company. He is also a member of the Nominating Committee.

Mr. Lim is the Chairman of Sim Siang Choon Ltd and sits on the Board of several other listed companies in Singapore. He was the former Chief Executive Officer of NTUC Fairprice Co-operative Ltd.

Mr. Lim is a Fellow of the Institute of Certified Public Accountants of Singapore, the Institute of Certified Public Accountants of Australia, the Association of Chartered Certified Accountants of the United Kingdom, the Institute of Chartered Secretaries & Administrators and the Singapore Institute of Directors.

DR. BENETY CHANG
Chief Executive Officer

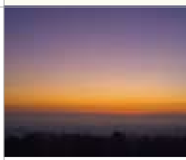
Dr. Benety Chang joined the Board on 5 May 2000. He was last re-elected on 20 April 2005 and will be standing for re-election at this coming Annual General Meeting. He is presently the Chief Executive Officer of the Company.

Dr. Chang is also the Deputy Chairman of PPL Shipyard Pte Ltd ("PPLS"), which the Company has an indirect interest of 15%. PPLS specializes in the construction and repair of oil rigs and other marine related activities. He also serves on the boards of several private companies in Singapore. Dr. Chang holds a MBBS degree from the University of Singapore.

ANTHONY SABASTIAN AUROL
Chief Operating Officer

Mr. Anthony Sabastian Aurol joined the Board on 5 May 2000 as an Executive Director. He was last re-elected on 26 April 2007. Currently, he is the Chief Operating Officer of the Company. He assists the Chief Executive Officer in the overall management and corporate development of the Group's business.

Mr. Aurol is also an Executive Director of PPL Shipyard Pte Ltd ("PPLS") which the Company has an indirect interest of 15%. PPLS specializes in the construction and repair of oil rigs and other marine related projects. He joined PPLS in 1998. Mr. Aurol holds an Honours degree in Law from the University of London.



TAN YANG GUAN
Non Executive Director

Mr. Tan Yang Guan joined the Board on 5 May 2000 as a Non Executive Director. He was last re-elected on 28 April 2006. He is also a member of the Audit and Remuneration Committees of the Company.

He is currently the Finance Director of rig-builder, PPL Shipyard Pte Ltd ("PPLS"). Mr. Tan started his career in audit with a public accounting firm in 1975. He joined PPLS in 1988 and is responsible for its financial and treasury management.

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.

WONG KWAN SENG ROBERT
Independent Director

Mr. Wong Kwan Seng Robert joined the Board on 24 February 1998 as an Independent Director. He was last re-elected on 28 April 2006 and will be due for re-election at this coming Annual General Meeting. Mr. Wong is presently the Chairman of the Nominating Committee. He is also a member of the Audit and Remuneration Committees of the Company.

He is a lawyer by profession. Mr. Wong practices mainly corporate law with particular emphasis in corporate finance. He has acted as solicitor in numerous initial public offers, rights issues, issues of debentures, takeovers, mergers and acquisition and joint ventures.

Mr. Wong is currently an Independent Director of four other public listed companies. Mr. Wong is able to share a significant amount of his legal experience and knowledge with the Company.

KEY EXECUTIVE

CORPORATE STRUCTURE

TAN KIANG KHERNG
Financial Controller

Mr. Tan Kiang Kherng is the Financial Controller of the Company and he is responsible for the overall financial, accounting and administrative activities of the Group. Prior to joining the Company in 2002, Mr. Tan was a Senior Audit Manager with Ernst and Young. He holds a Bachelor of Accountancy (Honours) degree from the Nanyang Technological University and is a fellow member of the Institute of Certified Public Accountants of Singapore.

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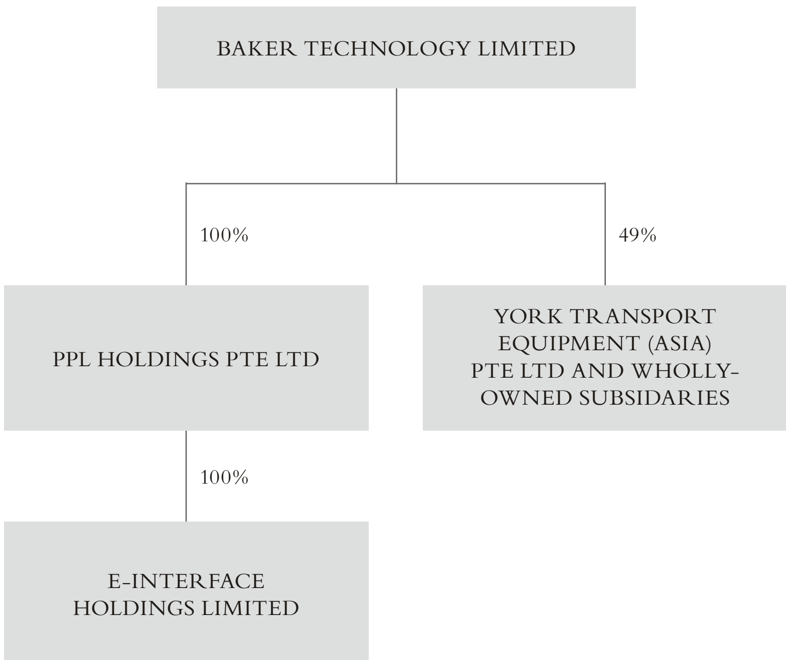

CORPORATE GOVERNANCE REPORT

The Listing Manual of Singapore Exchange Securities Trading Limited requires all listed companies to describe, in their Annual Reports, their corporate governance practices, with specific reference to the principles of the Singapore Code of Corporate Governance 2005 (Code). This Report on Corporate Governance outlines the corporate governance policies and practices adopted by the Company and which generally complies with the guidelines set out in the Code.

BOARD MATTERS

The Board's Conduct of its Affairs (Principle 1)

The Board is responsible for supervising the management of the business and affairs of the Group, approving the strategic plans and annual budget, reviewing key operational issues, overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems and internal controls, reviewing any transaction for the acquisition or disposal of assets that is material to the Company, reviewing major funding and investment proposals, investments and loans and financial matters. The Board also approves the appointment of Board members and senior management staff.

Besides the above, matters that are specifically reserved for the Board are those involving announcements, financial results, share issuances, dividends, returns to shareholders and matters which require Board approval for interested person transactions.

The Board is supported by the following committees:-

Audit Committee ("AC")
Nominating Committee ("NC") and
Remuneration Committee ("RC")

The respective roles and responsibilities of the AC, NC and RC, their work and activities are disclosed in this Report.

All directors (excluding those who have abstained from voting on matters in which they were interested) objectively took decisions in the interests of the Company.

The Board met five times during the year. Meetings by means of a conference telephone or similar communication equipment are permitted in the Company's Articles of Association.

To address the competing time commitments of directors who sit on multiple boards, meeting dates of Board and Board Committees are scheduled in advance at the beginning of every calendar year.

CORPORATE GOVERNANCE REPORT

The number of directors' meetings (including committee meetings) held and the number of meetings attended by each member of the respective meetings during the year were as follows:-

Directors' Attendance for Year 2007

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Lim Ho Seng	5	5	5	5	1	1	1	1
Dr. Benety Chang	5	5	5	5*	1	1	1	1*
Anthony Sabastian Aurol	5	5	5	5*	1	1*	1	1*
Tan Yang Guan	5	5	5	5	1	1*	1	1
Wong Kwan Seng Robert	5	5	5	5	1	1	1	1

*By invitation

As part of the Company's continuing education programme for all directors, the Board maintains a policy for any director to attend relevant seminars and courses at the Company's expense. During the year, directors were also provided with regular updates and changes in the relevant laws and regulations to enable them to make well-informed decisions and to ensure that the directors are competent in carrying out their expected role and responsibilities.

Newly appointed directors would be given a write-up on the directors' duties and obligations to assist the director in the exercise of his legal, fiduciary and statutory duties under Singapore Companies Act, the Listing Manual, the Code, Singapore securities legislation and the internal guidelines on securities trading.

CORPORATE GOVERNANCE REPORT

Board Composition and Balance (Principle 2)

The Board comprises three non-executive directors (of which two are independent directors) and two executive directors. This enables the Board to exercise objective judgement on the business, directions and affairs of the Company. The independence of each director is reviewed annually by NC. NC adopts the Code's definition of what constitutes an independent director in its review. The directors provide objective and independent judgement to the decision making of the Board. The directors are from diverse backgrounds and collectively bring with them a wide range of experience. More information regarding the directors is disclosed in this Annual Report.

Non-executive directors of the Company participate constructively and review the Group's operations, budget and strategies as well as the Group's performance. Whenever there is a need to do so, the non-executive directors would meet without the presence of Management.

Role of Chairman and Chief Executive Officer (Principle 3)

The Board is led by Mr. Lim Ho Seng as the non-executive Chairman and the executive management of the Company is headed by Dr. Benety Chang, the Chief Executive Officer ("CEO"). The Chairman's role includes leading the Board, setting the Board Agenda and ensuring that all directors receive sufficient relevant information to enable them to participate and contribute effectively in the Board's discussions and decisions. The Chairman aims to promote constructive relations between the Board members, and between the Board and Management, and ensures effective communication with shareholders. The CEO is responsible for the daily management of the business and implementation of the Board's policies and decisions.

Board Membership (Principle 4)

The NC comprises Messrs Wong Kwan Seng Robert, Lim Ho Seng and Dr. Benety Chang. A majority of the Committee members, that is, Messrs Wong Kwan Seng Robert and Lim Ho Seng are independent and non-executive directors. The Chairman of the NC, Mr. Wong Kwan Seng Robert, is not associated with any substantial shareholder of the Company. The role and functions of the NC are set out in the Terms of Reference for the NC.

In accordance with the Company's Articles of Association, each director is required to retire at least once in every three years by rotation at the Annual General Meeting ("AGM"). The retiring directors are eligible to offer themselves for re-election.

The NC had assessed and recommended to the Board, the re-election of Dr. Benety Chang and Mr. Wong Kwan Seng Robert at the forthcoming AGM. Each NC member abstained from participating in deliberations in respect of himself. The Board has also accepted the NC's recommendations and the two directors will be offering themselves for re-election.

CORPORATE GOVERNANCE REPORT

Board Performance (Principle 5)

On an annual basis, the NC will assess the effectiveness and performance of the Board as a whole and of each individual director based on assessment parameters adopted by the Board.

Each director conducts a self-assessment whereas the members of NC conduct an assessment of the performance of all directors. The assessments are made against pre-established criteria which include directors' attendance record, overall participation, maintenance of independence and performance of specific tasks.

The NC evaluated the Board's performance as a whole. The assessment process adopted both quantitative and qualitative criteria, such as return on equity, return on assets, achievement of budget figures and performance of the Company's share price.

The NC reviewed the overall Board composition and size, and assessed the performance and independence of each director. Although the directors have multiple board representations, the NC was satisfied that the directors devoted sufficient time and attention to the Group's affairs. The NC evaluated the performance of each director taking into account individual director's self-assessment. The NC also reviewed the independence of each director.

Access to Information (Principle 6)

Information and data are important to the Board's understanding of the Group's business and essential to prepare the Board members for effective meetings. The Board members are provided with the monthly management accounts and analysis. In addition, they are also furnished with information on budgets, forecasts, cashflow projections and manpower statistics.

Prior to each meeting, the respective members of the Board and the Board Committees are provided with the meeting agenda and the relevant papers submitted by the Management, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. Generally, these papers are distributed to the directors or committee members at least three days in advance in order for directors/members to be adequately prepared for the meeting.

Where a physical Board meeting is not possible, timely communication with members of the Board is effected through electronic means, which include electronic mail and teleconferencing. Alternatively, Management will arrange to personally meet and brief each director before seeking the Board's approval on a particular issue.

The directors have separate and independent access to the Company's senior Management and the advice of the company secretary. The directors are allowed to seek independent professional advice with the cost of such services being borne by the Company.

The company secretary attends all meetings of the Board as well as all Board Committees and her appointment or removal is subject to the Board's approval.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies (Principle 7)
Level and Mix of Remuneration (Principle 8)
Disclosure on Remuneration (Principle 9)

The RC comprises of three non-executive directors namely, Messrs Lim Ho Seng, Wong Kwan Seng Robert and Tan Yang Guan. Messrs Lim Ho Seng and Wong Kwan Seng Robert are independent directors. Mr. Tan Yang Guan is a non-independent director.

The role and functions are set out in the Terms of Reference for RC, which has been approved by the Board. The RC reviews the remuneration packages of the directors and key executives. The RC also has access to external professional advice on executive compensation and remuneration matters, if and when required.

The Group's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes bonuses), taking into account amongst other factors, the individual's performance and the performance of the Group as well as the pay conditions within the industry. Independent directors are paid a standard fee. The RC had reviewed and recommended to the Board the increment of directors' fees for the independent directors for the year ended 2007. Annually, the Board submits directors' fees for independent directors as a lump sum for shareholders' approval at the AGM.

During FY2007, there were no employees who were immediate family member of the directors or the CEO.

A table, showing the breakdown of each individual director's remuneration payable for FY2007 is as follows:-

Directors' Remuneration

Name	Fees (S$)**	Salary (S$)#	Bonus (S$)#	Other Benefits (S$)
Lim Ho Seng	42,000	-	-	-
Dr. Benety Chang	-	72,000	6,000	-
Anthony Sabastian Aurol	-	72,000	6,000	-
Wong Kwan Seng Robert	35,000	-	-	-
Tan Yang Guan	-	-	-	-

** these fees are subject to approval by shareholders as a lump sum at the forthcoming AGM.
# exclude CPF contributions by the Company.

With the disposal of the 51% of York Transport Equipment (Asia) Pte Ltd and its subsidiaries, there is only one key executive left and his salary is within the band of S$150,000/- to S$300,000/-.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

Management of the Company provides the directors with a balanced and understandable accounts of the Company's performance, financial position and business prospects on a monthly basis.

The Board provides a balanced and meaningful assessment of the Group's financial performance and prospects regularly to shareholders through the financial statements, announcements of results and circulars as well as the Chairman's message, and review of operations in the annual report.

Audit Committee (Principle 11)

The AC comprises three members, all of whom are non-executive directors. Mr. Lim Ho Seng is the Chairman of the AC. The members of the AC collectively have expertise or experience in financial management, and are qualified to discharge the AC's responsibilities. The duties and responsibilities of the AC are set out in its Terms of Reference, which has been approved by the Board.

The AC has explicit authority to investigate any matter within its terms of reference. In performing its functions, the AC is provided with adequate resources, has full access to and co-operation by Management and has full discretion to invite any director or the management to attend its meetings. All major findings and recommendations are brought to the attention of the Board of Directors.

In discharging its functions, the AC reviews the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It meets with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting and financial controls. The AC's role also includes reviewing interested person transactions to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. The AC also reviews the consolidated financial statements and the auditors' report, as well as announcements to shareholders and the SGX before submission to the Board.

The AC also reviewed the nature, extent and costs of non-audit services provided by the external auditors and is satisfied with the independence and the objectivity of the Company's external auditors.

The AC recommended that Messrs Ernst & Young be nominated for re-appointment as auditors at the forthcoming AGM. Ernst & Young have indicated their willingness to accept the re-appointment.

At least once a year, the AC meets with the auditors without the presence of Management to review any matter that might be raised privately.

The Company has in place a whistleblowing policy where staff of the company can raise concerns, in confidence, about possible improprieties in matters of financial reporting or other matters by establishing clearly defined channels and processes for authorised persons of the Company to receive and review protected reports and to take appropriate actions while maintaining confidentiality of the reports as well as the identity of the staff who raised the report. The contact details of these authorized persons have been made available to all staff.

CORPORATE GOVERNANCE REPORT

Internal Controls (Principle 12)

The Company has adopted a set of internal controls which sets out approval limits for expenditure and cheque signatory arrangements. Approval sub-limits are also provided at subsidiary level to facilitate operational efficiency. The Company's internal and external auditors has conducted an annual review in accordance with their audit plans, of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC has also reviewed the effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors in this respect.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Board believes that, in the absence of any evidence to the contrary, the system of internal control maintained by the Company's Management was in place throughout the financial year and up to the date of this report, provide reasonable, but not absolute, assurance against material financial misstatements or loss, and including the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

Internal Audit (Principle 13)

The Company has outsourced its internal audit function to Stone Forest Consulting Pte Ltd ("Stone Forest"). The internal audit team of Stone Forest is headed by a member of the Institute of Internal Auditors. The AC is satisfied that the internal auditor has met the standards set by internationally recognize professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The internal auditor reports directly to the AC. During the year, Stone Forest conducted its audit reviews based on the approved internal audit plans. Upon completion of each audit assignment, key business risks identified in the course of the internal audit review and their recommendations are communicated to Management accordingly and tabled for discussion at AC meetings with updates by Management on the status of the action plans.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

Regular, Effective and Fair Communication with Shareholders (Principle 14)
Greater Shareholder Participation (Principle 15)

The Company does not practice selective disclosures. The Company communicates with its shareholders through the Company's Annual Report, AGM and Extraordinary General Meetings, circulars and announcements to SGX-ST via SGXNET system.

The Company's main forum for dialogue with shareholders takes place at its AGM whereat members of the Board, senior Management, and the external auditors are in attendance to answer to any queries raised by the shareholders. At the AGM, shareholders are given the opportunity to voice their views and ask questions regarding the Company.

Resolutions to be passed at general meetings are always separate and distinct in terms of issue and are consistent with the Code's recommendation that companies avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

The Company will prepare minutes of the AGM, including significant comments or queries from shareholders and responses from the Board and Management, and make these minutes available to shareholders upon their requests.

SECURITIES TRANSACTIONS

The Company has devised and adopted its own internal Code of Best Practices on Securities Transactions. The directors and employees are reminded that they are prohibited from dealing in the Company's shares during the period beginning one month prior to the announcement of the Company's annual and half yearly results and ending on the date of such announcement.

Directors and employees are also reminded that they should not deal in the shares of the Company on short-term basis and/or while in possession of unpublished material price sensitive information relating to the Company's shares and in the securities of other listed companies while in possession of unpublished material price sensitive information relating to those securities. The Code also enables the Company to monitor such share transactions by requiring employees to declare to the Management of their dealings in the Company's shares.

ADDITIONAL INFORMATION

INTERESTED PERSON TRANSACTIONS POLICY

All interested person transactions are subject to review by the Audit Committee.

For the financial year under review, the Company has obtained approval from its shareholders for the acquisition of the entire issued and paid up share capital of PPL Holdings Pte Ltd from Dr. Benety Chang, Dr. Doris Heng Chin Ngor, Messrs Anthony Sabastian Aurol and Tan Yang Guan (collectively, the "Vendors"), for an aggregate consideration of S$3.6 million. As the Vendors are also the shareholders of Saberon Investments Pte Ltd, the Company's parent company, and Dr. Benety Chang, Messrs Anthony Sabastian Aurol and Tan Yang Guan being the directors of the Company, this acquisition was deemed an Interested Person Transaction within the meaning defined in Chapter 9 of the Listing Manual.

MATERIAL CONTRACTS

Save as disclosed above, since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving interests of its chief executive officer, directors or controlling shareholders and no such material contract still subsists at the end of the financial year.

CONTENTS

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Baker Technology Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2007.

Directors

The directors of the Company in office at the date of this report are :-

Lim Ho Seng	(Chairman)
Dr. Benety Chang	(Chief Executive Officer)
Anthony Sabastian Aurol	(Chief Operating Officer)
Tan Yang Guan	
Wong Kwan Seng Robert	

In accordance with the Company's Articles of Association, Dr. Benety Chang and Wong Kwan Seng Robert retire and, being eligible, offer themselves for re-election.

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interest in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and warrants of the Company and the Company's holding company as stated below :-

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Holding Company				
Saberon Investments Pte Ltd				
Ordinary shares				
Dr. Benety Chang	167,500	167,500	37,500	37,500
Anthony Sabastian Aurol	37,500	37,500	–	–
Tan Yang Guan	7,500	7,500	–	–
The Company				
Baker Technology Limited				
Ordinary shares				
Lim Ho Seng	–	540,000	–	–
Dr. Benety Chang	–	–	436,168,700	436,168,700
Anthony Sabastian Aurol	–	–	436,168,700	436,168,700
Tan Yang Guan	220,000	400,000	436,168,700	436,168,700

Directors' interest in shares and debentures (cont'd)

Name of Director	Direct interest At the beginning of financial year	At the end of financial year	Deemed interest At the beginning of financial year	At the end of financial year
Warrants				
Dr. Benety Chang	–	–	19,825,850	19,825,850
Anthony Sabastian Aurol	–	–	19,825,850	19,825,850
Tan Yang Guan	10,000	15,000	19,825,850	19,825,850

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2008.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Dr. Benety Chang, Anthony Sabastian Aurol and Tan Yang Guan are deemed to have interests in shares of the subsidiaries of the Company.

Except as disclosed in this report, no director who held office at the end of the financial year had interest in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Options

At an Extraordinary General Meeting held on 22 May 2002, shareholders approved the Company's share option scheme (the "Scheme") for the granting of share options to Directors and eligible employees of the Company and the Group. Options are granted for terms of 5 to 10 years to purchase the Company's ordinary shares. These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other company. The Scheme shall continue in operation up till 21 May 2012. No option will be granted after that date although any outstanding options shall continue to be exercisable until expiry.

The Scheme is administered by the Remuneration Committee.

The Remuneration Committee comprises :

Lim Ho Seng (Chairman)
Tan Yang Guan
Wong Kwan Seng Robert

The Company does not have any outstanding options as at 31 December 2007.

DIRECTORS' REPORT

Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, including the following main functions :-

1. reviewing the scope, changes, results and cost effectiveness of the external audit plan and process;

2. reviewing the Group's half year and full year results announcement, the accounting principles adopted and the external auditors' report on the financial statements of the Group before submitting such documents to the Board for approval;

3. reviewing the Group's annual budgets;

4. reviewing, with the Internal Auditors, the scope of the internal audit procedures and the results of the internal audit, monitoring the responses to their findings to ensure that appropriate follow-up measures are taken;

5. reviewing the independence and objectivity of the external auditors;

6. recommending the reappointment of the external auditors to the Board;

7. reviewing the assistance given by the Company's officers to the auditors; and

8. reports discussions and actions of the AC to the Board of directors with such recommendations as the AC considers appropriate.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened five meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Report.

Auditors

Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors :

Dr. Benety Chang Chief Executive Officer	Anthony Sabastian Aurol Chief Operating Officer

Singapore
6 March 2008

STATEMENT BY DIRECTORS

We, Dr. Benety Chang and Anthony Sabastian Aurol, being two of the directors of Baker Technology Limited, do hereby state that, in the opinion of the directors :

(a) the accompanying balance sheets, consolidated income statement, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors :

Dr. Benety Chang
Chief Executive Officer

Anthony Sabastian Aurol
Chief Operating Officer

Singapore
6 March 2008

INDEPENDENT AUDITORS' REPORT

To the Members of Baker Technology Limited

We have audited the accompanying financial statements of Baker Technology Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 27 to 69, which comprise the balance sheets of the Group and the Company as at 31 December 2007, the statements of changes in equity of the Group and the Company, the income statement and cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and FRS so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
6 March 2008

CONSOLIDATED INCOME STATEMENT

for the financial year ended 31 December 2007

	Note	Group 2007 $	Group 2006 $
Revenue	4	50,732,796	62,567,562
Cost of goods sold		(39,278,512)	(48,742,485)
Gross profit		11,454,284	13,825,077
Other operating income	5	625,978	435,118
Administrative expenses		(5,682,230)	(7,081,398)
Selling and distribution expenses		(3,418,344)	(5,041,724)
Other operating expenses	6	(99,827)	(109,978)
Finance costs		(161,042)	(509,215)
Share of results of associates		203,131	–
Exceptional items	7	17,918,306	–
Profit before tax	8	20,840,256	1,517,880
Income tax expense	9	(860,306)	(580,385)
Net profit attributable to equity holders of the Company		19,979,950	937,495
Earnings per share	10		
Basic (in cents)		3.2	0.3
Diluted (in cents)		3.1	0.2

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS
as at 31 December 2007

	Note	Group		Company	
		2007	2006	2007	2006
		$	$	$	$
Non-current assets					
Property, plant and equipment	11	4,582	5,488,614	4,582	451
Intangible assets	12	–	92,779	–	–
Investment in subsidiaries	13	–	–	3,600,000	8,000,002
Investment in associates	14	11,712,361	–	9,616,388	–
Other investment	15	5,066,000	–	–	–
		16,782,943	5,581,393	13,220,970	8,000,453
Current assets					
Inventories	16	–	16,752,322	–	–
Trade receivables	17	–	12,253,210	–	–
Other receivables	18	32,241	648,710	32,241	19,006
Amounts due from subsidiaries	19	–	–	–	12,711,233
Cash and cash equivalents	20	27,205,546	1,568,667	15,203,320	21,357
		27,237,787	31,222,909	15,235,561	12,751,596
Less : Current liabilities					
Interest-bearing loans and borrowings	21	–	3,253,063	–	–
Trade payables	22	–	6,542,509	–	–
Other liabilities	23	196,681	3,072,469	150,642	145,575
Amount due to vendors	24	2,000,000	–	2,000,000	–
Tax payable		195,950	573,323	–	–
		2,392,631	13,441,364	2,150,642	145,575
Net current assets		24,845,156	17,781,545	13,084,919	12,606,021
Non-current liabilities					
Interest-bearing loans and borrowings	21	–	(1,174,067)	–	–
Deferred tax liabilities	9	–	(68,000)	–	–
Net assets		41,628,099	22,120,871	26,305,889	20,606,474
Equity attributable to equity holders of the Company					
Share capital	26	18,110,149	18,005,795	18,110,149	18,005,795
Reserves		23,517,950	4,115,076	8,195,740	2,600,679
Total equity		41,628,099	22,120,871	26,305,889	20,606,474

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2007

	Attributable to equity holders of the Company							Total equity
Group	Share capital (Note 26)	Share premium	Capital reserve (1)	Foreign currency translation reserve (2)	Employee share option reserve (3)	Accumulated (losses) / profits	Total reserves	
	$	$	$	$	$	$	$	$
At 31 December 2005	11,400,000	4,647,707	1,927,948	1,174,629	24,000	(11,797,475)	(8,670,898)	7,376,809
Profit for the financial year	–	–	–	–	–	937,495	937,495	937,495
Net effect of exchange differences	–	–	–	(181,232)	–	–	(181,232)	(181,232)
Grant of equity-settled share options to directors and employees	–	–	–	–	22,000	–	22,000	22,000
Transfer of employee share option reserve to accumulated profits	–	–	–	–	(46,000)	46,000	–	–
Transfer of share premium reserve to share capital	4,647,707	(4,647,707)	–	–	–	–	–	–
Issuance of rights shares	14,250,000	–	–	–	–	–	–	14,250,000
Share issue expenses	(284,201)	–	–	–	–	–	–	(284,201)
Capital reduction	(12,007,711)	–	–	–	–	12,007,711	12,007,711	–
At 31 December 2006	18,005,795	–	1,927,948	993,397	–	1,193,731	4,115,076	22,120,871
Profit for the financial year	–	–	–	–	–	19,979,950	19,979,950	19,979,950
Net effect of exchange differences	–	–	–	–	–	–	–	–
Disposal of subsidiaries	–	–	416,321	(993,397)	–	–	(577,076)	(577,076)
Issuance of new shares from conversion of warrants	104,354	–	–	–	–	–	–	104,354
At 31 December 2007	18,110,149	–	2,344,269	–	–	21,173,681	23,517,950	41,628,099

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2007

	Attributable to equity holders of the Company						Total equity
Company	Share capital (Note 26)	Share premium	Capital reserve (1)	Employee share option reserve (3)	Accumulated (losses)/ profits /	Total reserves	
	$	$	$	$	$	$	$
At 31 December 2005	11,400,000	4,647,707	2,344,269	24,000	(12,007,711)	(9,639,442)	6,408,265
Profit for the financial year	–	–	–	–	210,410	210,410	210,410
Grant of equity-settled share options to directors and employees	–	–	–	22,000	–	22,000	22,000
Transfer of employee share option reserve to accumulated profits	–	–	–	(46,000)	46,000	–	–
Transfer of share premium reserve to share capital	4,647,707	(4,647,707)	–	–	–	–	–
Issuance of rights shares	14,250,000	–	–	–	–	–	14,250,000
Share issue expenses	(284,201)	–	–	–	–	–	(284,201)
Capital reduction	(12,007,711)	–	–	–	12,007,711	12,007,711	–
At 31 December 2006	18,005,795	–	2,344,269	–	256,410	2,600,679	20,606,474
Profit for the financial year	–	–	–	–	5,595,061	5,595,061	5,595,061
Issuance of new shares from conversion of warrants	104,354	–	–	–	–	–	104,354
At 31 December 2007	18,110,149	–	2,344,269	–	5,851,471	8,195,740	26,305,889

(1) Capital reserve arose from the acquisition of subsidiary companies and restructuring exercise in prior years.
(2) The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.
(3) Employee share option reserve represents the equity-settled share options granted to employees (Note 26). The reserve is made up of the cumulative value of services realised from employees recorded on grant of equity-settled share options.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2007

	2007 $	2006 $
Cash flows from operating activities :		
Profit before tax	20,840,256	1,517,880
Adjustments for :		
Depreciation	499,519	565,786
Interest expense	161,042	509,215
Expense of share-based payments	–	22,000
Negative goodwill arising on acquisition	(13,360,037)	–
Gain on disposal of subsidiaries	(4,596,006)	–
(Gain)/loss on disposal of property, plant and equipment	(91,221)	5,037
Interest income	(118,832)	(2,014)
Share of results of associates	(203,131)	–
Operating profit before working capital changes	3,131,590	2,617,904
(Increase)/decrease in trade receivables	(4,036,665)	99,930
(Increase)/decrease in other receivables	(1,728,136)	65,238
Decrease in inventories	227,904	1,188,579
Increase/(decrease) in trade payables	5,030,558	(5,628,565)
Increase in other liabilities	654,795	410,013
Net cash flows from/(used in) operations	3,280,046	(1,246,901)
Interest paid	(161,042)	(509,215)
Interest received	108,591	2,014
Income tax paid	(642,506)	(607,048)
Net cash flows from/(used in) operating activities	2,585,089	(2,361,150)

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

for the financial year ended 31 December 2007

	2007	2006
	$	$
Cash flows from investing activities :		
Dividends received on preacquisition profits	11,322,300	–
Proceeds from disposal of property, plant and equipment	175,457	380,918
Purchase of property, plant and equipment	(271,329)	(882,123)
Net cash outflow on acquisition of subsidiaries, Note (a)	(842,212)	–
Net cash inflow on disposal of subsidiaries, Note (b)	13,873,727	–
Net cash flows from/(used in) investing activities	24,257,943	(501,205)
Cash flows from financing activities :		
Net proceeds from rights issue	–	13,965,799
Net proceeds from conversion of warrants	104,354	–
Repayment of loans and borrowings	(989,277)	(8,811,863)
Repayment of finance leases	(149,641)	(91,088)
Repayment of loan from holding company	–	(578,000)
Net cash flows (used in)/from financing activities	(1,034,564)	4,484,848
Net increase in cash and cash equivalents	25,808,468	1,622,493
Cash and cash equivalents at beginning of financial year	1,568,667	80,233
Effect of exchange rate changes on cash and cash equivalents	(171,589)	(134,059)
Cash and cash equivalents at end of financial year (Note 20)	27,205,546	1,568,667

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2007

(a) Acquisition of subsidiaries

On 23 May 2007, the Company acquired 100% of the issued and paid-up share capital of PPL Holdings Pte Ltd for $3,600,000.

The aggregate effect of the acquisition of subsidiaries is as follows :-

	$
Available-for-sale financial asset	3,066,000
Current assets	777,788
Current liabilities	(206,051)
Net assets acquired	3,637,737
Negative goodwill	(37,737)
Total purchase consideration paid	3,600,000
Less : Cash and cash equivalents of the subsidiaries	(757,788)
Less : Consideration unpaid as at 31 December 2007	(2,000,000)
Net cash outflow from acquisition of subsidiaries	842,212

(b) Disposal of subsidiaries

On 5 October 2007, the Company disposed approximately 51% of York Transport Equipment (Asia) Pte Ltd and its subsidiaries for $16,575,000.

The aggregate effect of the disposal of subsidiaries is as follows :-

	$
Property, plant and equipment	5,336,294
Intangible assets	99,680
Current assets	37,890,412
Current liabilities	(18,172,053)
Non-current liabilities	(1,089,033)
Net assets disposed	24,065,300
Less : Realisation of reserves to income statement	(577,076)
Less : Transfer of cost and post-acquisition reserve to investment in associates	(11,509,230)
Add : Gain on disposal of subsidiaries (Note 7)	4,596,006
Total disposal consideration received	16,575,000
Less : Cash and cash equivalents of the subsidiaries	(2,701,273)
Net cash inflow from disposal of subsidiaries	13,873,727

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

1. Corporate information

Baker Technology Limited (the "Company") is a limited liability company domiciled in Singapore. The Company is publicly traded on the Singapore Exchange. The holding company is Saberon Investments Pte Ltd. Both companies are incorporated in Singapore.

The registered office and principal place of business of the Company is located at 122 Pioneer Road, Singapore 639583.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries and associates are disclosed in Notes 13 and 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis and are presented in Singapore Dollars (SGD or $).

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

With effect from 1 January 2007, the Group and the Company adopted the following new or revised FRS and interpretation to FRS ("INT FRS") that are mandatory for annual financial periods beginning on or after 1 January 2007.

FRS 1	Amendment to FRS 1 (Revised, Presentation of financial statements (Capital Disclosures)
FRS 40	Investment Property
FRS 107	Financial Instruments : Disclosures
INT FRS 108	Scope of FRS 102 Share-based Payment
INT FRS 110	Interim Financial Reporting and Impairment
INT FRS 111	Group and Treasury Share Transactions

The adoption of the above FRS and INT FRS did not result in any significant changes to the Group's and the Company's accounting policies. FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.2 ***Future changes in accounting policies***

The Group and the Company have not applied the following new or revised FRS and INT FRS that have been issued but not yet effective :

Reference	Description	Effective for annual periods beginning on or after
FRS 23	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 112	Service Concession Arrangements	1 January 2008

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 108 as indicated below.

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.3 ***Significant accounting judgements and estimates***

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) ***Impairment of non-financial assets***

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) ***Income taxes***

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 31 December 2007 was $195,950 (2006 : $573,323) and $Nil (2006 : $68,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.4 ***Functional and foreign currency***

(a) ***Functional currency***

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be Singapore Dollars (SGD or $). Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(b) ***Foreign currency transactions***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the subsidiary.

(c) ***Foreign currency translation***

The results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the income statement as a component of the gain or loss on disposal.

2. Summary of significant accounting policies (cont'd)

2.5 Subsidiaries and principles of consolidation

(a) ***Subsidiaries***

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continued to be consolidated until the date that such control ceases.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

(b) ***Principles of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the holding company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Acquisitions of subsidiaries are accounted for using the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.8 (a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

2.6 *Associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associate in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The financial statements of the associate are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.7 ***Property, plant and equipment***

Cost

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the income statement. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the income statement.

Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows :

Freehold building	-	20 years
Leasehold land and buildings	-	over remaining terms of lease
Leasehold improvements	-	5 years
Furniture and fittings	-	5 years
Office equipment	-	5 to 9 years
Motor vehicles	-	4 to 5 years
Equipment and tools	-	5 to 14 years

Fully depreciated assets still in use are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economics benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.8 ***Intangible assets***

(a) ***Goodwill***

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(b) ***Other intangible assets***

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.9 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 ***Financial assets***

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.10 ***Financial assets (cont'd)***

(a) ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets classified as held for trading. Financial assets classified as held for trading are derivatives (including separated embedded derivatives) or are acquired principally for the purpose of selling or repurchasing it in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) ***Loans and receivables***

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) ***Held-to-maturity investments***

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(d) ***Available-for-sale financial assets***

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value adjustment reserve in equity, except that impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. Summary of significant accounting policies (cont'd)

2.11 *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial asset is impaired.

(a) ***Assets carried at amortised cost***

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) ***Assets carried at cost***

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) ***Available-for-sale financial assets***

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment losses in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments are recognised in the income statement if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.12 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

For the purpose of the cash flow statement, cash and cash equivalents are shown net of outstanding unsecured bank overdraft.

2.13 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials	- Purchase cost on a weighted average basis
- Work-in-progress and finished goods	- Cost of materials, direct labour and a finished goods proportion of manufacturing overheads based on normal operating capacity on weighted average cost basis

Net realisable value represents the estimated selling prices less anticipated costs of disposal and after making allowances for damaged, obsolete and slow-moving items.

2.14 ***Financial liabilities***

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.15 *Borrowing costs*

Borrowings are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use or sale.

Borrowing costs are recognised as expenses in the period in which they are incurred.

2.16 *Provisions*

Provisions are recognised when the Group and the Company has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

A provision for warranty is recognised for all products under warranty at the balance sheet date based on past experience of the level of repairs and returns.

2.17 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.18 ***Employee benefits***

(a) *Defined contribution plan*

Contributions to defined contribution plans are recorded as an expense as they fall due. Contributions made to government managed retirement benefit plan such as the Central Provident Fund scheme in Singapore which specifies the employer's obligations are dealt with as defined contribution retirement benefit plans.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

2.19 ***Leases***

Finance leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit and loss account. Contingent rents, if any, are charged as expenses in the period in which they are incurred.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease

Leases where lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

2. **Summary of significant accounting policies (cont'd)**

2.20 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) *Sales of goods*

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of goods sold.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Royalty income*

Revenue is recognised on a straight line basis over the licence period stipulated in the related licensing agreement.

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.21 ***Income taxes***

(a) ***Current tax***

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(b) ***Deferred tax***

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.21 *Income taxes (cont'd)*

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.22 *Segment Reporting*

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.23 *Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.24 *Contingencies*

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

3. **Segment information**

(a) By business activity :

Up to 5 October 2007, the Group's principal business activity consists wholly of the manufacturing and distribution of trailer axles and related components, and therefore, no segmental reporting of business activity is appropriate.

(b) By geographical locations :

The revenue by geographical segments are based on the location of the markets and customers. The assets and capital expenditure are based on the location of those assets.

(c) Allocation basis and transfer pricing :

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between inter-companies are set on an arm's length basis in a manner similar to transactions with third parties.

	Segment revenue		Segment result	
	2007	2006	2007	2006
	$	$	$	$
Asia Pacific	38,031,980	45,823,409	4,023,639	2,325,310
Middle East/Africa/Europe	12,700,816	16,744,153	(154,865)	418,361
Consolidated	50,732,796	62,567,562	3,868,774	2,743,671
Unallocated expenses			(988,913)	(716,576)
Operating profit			2,879,861	2,027,095
Finance costs			(161,042)	(509,215)
Share of results of associates			203,131	–
Exceptional items			17,918,306	–
Profit before tax			20,840,256	1,517,880
Income tax expense			(860,306)	(580,385)
Net profit for the financial year			19,979,950	937,495

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

3. **Segment information (cont'd)**

(c) Allocation basis and transfer pricing (cont'd)

	Asia Pacific		Middle East/Africa/Europe		Consolidated	
	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$
Segment assets	–	32,851,728	–	3,912,211	–	36,763,939
Unallocated assets					44,020,730	40,363
					44,020,730	36,804,302
Segment liabilities	–	13,509,585	–	1,028,271	–	14,537,856
Unallocated liabilities					2,392,631	145,575
					2,392,631	14,683,431
Capital expenditure	271,329	2,063,623	–	–	271,329	2,063,623
Depreciation	499,519	565,786	–	–	499,519	565,786

4. **Revenue**

Revenue of the Group represents invoiced value of goods sold.

5. **Other operating income**

	Group	
	2007	2006
	$	$
Interest income	118,832	2,014
Royalty income	171,125	237,000
Foreign exchange gain - realised	336,021	196,104
	625,978	435,118

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

6. Other operating expenses

The following items have been included in arriving at other operating expenses :

	Group	
	2007	2006
	$	$
Foreign exchange loss		
- Realised	54,708	–
- Unrealised	–	42,831

7. Exceptional items

Gain on disposal of subsidiaries	4,596,006	–
Negative goodwill arising on acquisition recognised under FRS 103 (Note 15)	13,322,300	–
	17,918,306	–

8. Profit before tax

Profit before tax is stated after charging/(crediting) :-

	Group	
	2007	2006
	$	$
Depreciation expense	499,519	565,786
Fees paid to a firm in which a director of the Company is a member	81,640	5,435
Finance costs :		
Interest expense on loans and borrowings (including bank overdrafts)	152,439	490,425
Finance charges payable under finance leases	8,603	18,790
(Gain)/loss on disposal of property, plant and equipment	(91,221)	5,037
Operating lease charges	81,217	242,601
Employee benefit expense (including executive directors) :		
- Contributions to defined contribution plans	391,542	491,496
- Salaries, wages, bonuses and other costs	3,084,508	5,335,758
- Expense of share-based payments	–	22,000
Non-audit fees paid to :		
- Auditors of the Company	18,799	11,596
- Other auditors	5,393	55,841

9. **Income tax expense**

(a) **Major components of income tax expense**

The major components of income tax expense for the years ended 31 December are :-

	Group	
	2007	2006
	$	$
Current income tax		
Current income taxation	842,169	562,385
Underprovision in respect of prior years	18,137	18,000
Income tax expense recognised in the profit and loss account	860,306	580,385

(b) **Relationship between tax expense and accounting profit**

A reconciliation between tax expenses and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December is as follows :-

	Group	
	2007	2006
	$	$
Accounting profit before income tax	20,840,256	1,517,880
Income tax expense at the applicable tax rate of 18% (2006 : 20%)	3,751,246	303,576
Unrecognised deferred tax assets	100,583	243,833
Tax effect of income not subject to tax	(3,144,781)	(17,366)
Tax effect of expenses not deductible in determining taxable profit	210,254	35,454
Tax effect of different tax rates in other countries	11,766	45,549
Tax effect of utilisation of tax losses carried forward	(19,734)	(19,501)
Underprovision in respect of prior years	18,137	18,000
Tax exemption	(27,450)	(21,000)
Others, net	(39,715)	(8,160)
	860,306	580,385

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

9. **Income tax expense (cont'd)**

(b) **Relationship between tax expense and accounting profit (cont'd)**

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 18% for the year of assessment 2008 onwards from 20% for year of assessment 2007.

Deferred income tax

Deferred income tax as at 31 December relates to the following :-

	Group	
	2007	**2006**
	$	**$**
Deferred tax liabilities		
Differences in depreciation	–	90,074
Other items	–	(22,074)
	–	68,000

The Group has no unutilised tax losses as at 31 December 2007 (2006 : $7,040,000) available for offset against future taxable profits subsequent to disposal of certain subsidiaries. The losses arose previously from certain subsidiaries for which no deferred tax assets are recognised due to uncertainty of their recoverability.

10. **Earnings per share**

Basic earnings per share amounts are calculated by dividing profit for the financial year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the financial year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflects the profit and loss account and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2007	**2006**
	$	**$**
Profit for the financial year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per ordinary share	19,979,950	937,495
Weighted average number of ordinary shares for basic earnings per share computation	628,910,254	365,750,000
Dilutive effect of warrants	24,325,631	28,499,819
Weighted average number of ordinary shares adjusted for the effect of dilution	653,235,885	394,249,819

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

11. Property, plant and equipment

	Freehold land and building	Leasehold land and building	Leasehold improve-ments	Furniture and fittings	Office equipment	Motor vehicles	Equipment and tools	Total
	$	$	$	$	$	$	$	$
Group								
Cost :								
At 1 January 2006	2,785,565	1,733,956	485,441	325,850	1,854,112	932,039	3,815,127	11,932,090
Additions	–	1,470,892	238,799	15,202	40,889	39,050	258,791	2,063,623
Disposals	–	–	(114,209)	(22,910)	(19,873)	(46,675)	(1,319,819)	(1,523,486)
Net exchange differences	(22,833)	–	(1,532)	729	(9,733)	(8,670)	(24,587)	(66,626)
At 31 December 2006 and 1 January 2007	2,762,732	3,204,848	608,499	318,871	1,865,395	915,744	2,729,512	12,405,601
Disposals of subsidiaries	(2,968,225)	(3,204,848)	(759,775)	(344,866)	(1,926,449)	(533,520)	(2,837,802)	(12,575,485)
Additions	–	–	134,435	25,431	56,006	12,982	42,475	271,329
Disposals	–	–	–	–	–	(423,780)	–	(423,780)
Net exchange differences	205,493	–	16,841	564	77,915	28,574	65,815	395,202
At 31 December 2007	–	–	–	–	72,867	–	–	72,867
Accumulated depreciation :								
At 1 January 2006	634,345	751,240	366,533	266,278	1,609,817	626,429	3,254,310	7,508,952
Depreciation charge for the year	75,505	57,798	37,752	19,630	102,224	117,521	155,356	565,786
Disposals	–	–	(52,900)	(9,443)	(6,313)	(40,847)	(1,028,028)	(1,137,531)
Net exchange differences	825	–	359	275	(5,314)	977	(17,342)	(20,220)
At 31 December 2006 and 1 January 2007	710,675	809,038	351,744	276,740	1,700,414	704,080	2,364,296	6,916,987
Disposals of subsidiaries	(829,231)	(916,032)	(431,555)	(295,391)	(1,780,708)	(464,252)	(2,522,022)	(7,239,191)
Depreciation charge for the year	63,169	106,994	66,265	18,219	74,073	69,826	100,973	499,519
Disposals	–	–	–	–	–	(339,544)	–	(339,544)
Net exchange differences	55,387	–	13,546	432	74,506	29,890	56,753	230,514
At 31 December 2007	–	–	–	–	68,285	–	–	68,285
Net carrying amount :								
At 31 December 2006	2,052,057	2,395,810	256,755	42,131	164,981	211,664	365,216	5,488,614
At 31 December 2007	–	–	–	–	4,582	–	–	4,582

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

11. Property, plant and equipment (cont'd)

(a) During the financial year, the Group acquired motor vehicle with an aggregate cost of $Nil (2006 : $37,500) by means of finance lease. The carrying amount of assets held under finance leases as at 31 December 2007 was $Nil (2006 : $165,711). Leased assets were pledged as security for the related finance lease liabilities.

(b) The Group's freehold land and building and leasehold land and building with carrying amount of approximately $Nil (2006 : $2,052,000) and $Nil (2006 : $1,471,000) were subject to a first mortgage charge to secure the subsidiaries' bills payable and term loan respectively (Note 21).

(c) The following were the major properties of the Group :

(i) Leasehold factory premises at 5 Tuas Avenue 6, Singapore.
(ii) Leasehold factory premises at 122 Pioneer Road, Singapore.
(iii) Leasehold factory premises at 13 Monterey Road, Dandenong, Australia.

	Office equipment $
Company	
Cost :	
At 1 January 2006, 31 December 2006 and 1 January 2007	67,254
Additions	5,538
At 31 December 2007	72,792
Accumulated depreciation :	
At 1 January 2006	66,092
Depreciation charge for the year	711
At 31 December 2006 and 1 January 2007	66,803
Depreciation charge for the year	1,407
At 31 December 2007	68,210
Net carrying amount :	
At 31 December 2006	451
At 31 December 2007	4,582

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

12. Intangible assets

	Goodwill arising on consolidation	Distribution rights	Design licences	Trademark	Total
	$	$	$	$	$
Group					
Cost :					
At 1 January 2006	31,191	795,117	348,588	41,419	1,216,315
Addition	–	–	–	–	–
Net exchange differences	–	(6,516)	(2,857)	–	(9,373)
At 31 December 2006 and 1 January 2007	31,191	788,601	345,731	41,419	1,206,942
Disposal of subsidiaries	(31,191)	(803,361)	(371,447)	(41,419)	(1,247,418)
Net exchange differences	–	14,760	25,716	–	40,476
At 31 December 2007	–	–	–	–	–
Accumulated amortisation and impairment :					
At 1 January 2006	31,191	795,112	255,047	41,419	1,122,769
Net exchange differences	–	(6,516)	(2,090)	–	(8,606)
At 31 December 2006 and 1 January 2007	31,191	788,596	252,957	41,419	1,114,163
Disposal of subsidiaries	(31,191)	(803,361)	(271,767)	(41,419)	(1,147,738)
Net exchange differences	–	14,765	18,810	–	33,575
At 31 December 2007	–	–	–	–	–
Net carrying amount :					
31 December 2006	–	5	92,774	–	92,779
31 December 2007	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

13. Investment in subsidiaries

	Company 2007 $	Company 2006 $
Shares, at cost	3,600,000	17,348,956
Impairment loss	–	(9,348,954)
Carrying amount of investments	3,600,000	8,000,002

The subsidiary for the financial year ended 31 December is :-

Subsidiary (Country of incorporation)	Cost of investment 2007 $	Cost of investment 2006 $	Percentage of equity held by the Group 2007 %	Percentage of equity held by the Group 2006 %	Principal activity (Place of business)
(3) PPL Holdings Pte Ltd (Singapore)	3,600,000	–	100	–	Investment holding
(1) York Transport Equipment (Asia) Pte Ltd (Singapore)	–	14,095,954	–	100	Production and distribution of axles and related components (Singapore and Asia Pacific countries)
(2) York Transport Equipment Pty. Limited (Australia)	–	3,253,000	–	100	Production and distribution of axles and related components (Australia)
(1) Rednet Pte. Ltd. (Singapore)	–	2	–	100	Trading in axles and related components (Singapore)
	3,600,000	17,348,956			

The subsidiary of PPL Holdings Pte Ltd is :-

(3) E-Interface Holdings Limited (British Virgin Island)	666,000	–	100	–	Investment holding (British Virgin Island)

(1) Audited by Ernst & Young, Singapore
(2) Audited by member firms of Ernst & Young Global in the respective countries
(3) Audited by Paul Go & Co.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

13. Investment in subsidiaries (cont'd)

Disposal of subsidiary

In July 2007, the Company increased its issued and paid-up share capital of York Transport Equipment (Asia) Pte Ltd ("YTEA") from $6,049,999 to $17,675,282 by way of the issue of 12,237,140 ordinary shares to the Company. The payment for the shares was satisfied by the capitalization of the inter-company balances of $11,625,283 due by YTEA to the Company. In addition, the Company also transferred its entire 100% stake in York Transport Equipment Pty. Limited and Rednet Pte. Ltd. to YTEA.

On 5 October 2007, the Group disposed approximately 51% of YTEA and its subsidiaries ("York Transport") for $16,575,000. As a result, York Transport ceased to be a wholly-owned subsidiary of the Group.

Acquisition of subsidiary

On 23 May 2007, the Group acquired a 100% equity interest in PPL Holdings Pte Ltd for $3,600,000 from Dr. Benety Chang, Dr. Doris Heng Chin Ngor, Messrs Anthony Sabastian Aurol and Tan Yang Guan, who each holds 67%, 15%, 15% and 3% respectively of the then paid-up capital of PPL Holdings Pte Ltd.

PPL Holdings Pte Ltd is an investment holding company with a 15% equity stake in PPL Shipyard Pte Ltd, a company which specializes in the design and construction of offshore drilling rigs.

The purchase consideration is to be paid by cash according to the following schedule :-

- May 2007	-	$600,000
- November 2007	-	$1,000,000
- May 2008	-	$1,000,000
- November 2008	-	$1,000,000

As at 31 December 2007, purchase consideration remained unpaid was $2,000,000.

From the date of acquisition, the Group has received dividends in the amount of $11,322,300 from PPL Shipyard Pte Ltd. (See Note 15)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

14. Investment in associates

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Shares, at cost	9,616,388	–	9,616,388	–
Share of post-acquisition reserves	2,095,973	–	–	–
	11,712,361	–	9,616,388	–

Associate (Country of incorporation)	Percentage of equity held by the Group		Principal activity
	2007	2006	
	%	%	
[(1)] York Transport Equipment (Asia) Pte Ltd (Singapore)	49	–	Production and distribution of axles and related components

[(1)] Audited by Ernst & Young, Singapore

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows :

	Group	
	2007	2006
	$	$
Assets and liabilities :		
Total assets	38,173,850	–
Total liabilities	13,537,051	–
Results :		
Revenue	65,951,299	–
Profit for the year	3,531,640	–

15. Other investment

Other investment represents the Group's 15% equity stake in the unquoted equity securities of PPL Shipyard Pte Ltd through the acquisition of 100% of PPL Holdings Pte Ltd in May 2007. This investment is designated as available-for-sale financial asset. This minority stake was originally recorded at cost of $3,066,000. In accordance with FRS 103, the Company determined the fair value of this investment to be $16,388,300, and recorded a negative goodwill of $13,322,300, which was credited to the income statement (Note 7). Subsequent to the acquisition of PPL Holdings Pte Ltd, PPL Shipyard Pte Ltd paid interim dividends of $11,322,300, which was deemed to be declared from pre-acquisition profits, and accordingly has been recorded as a reduction in the carrying value of investment. Consequently, the carrying value has been restated to $5,066,000.

16. Inventories

	Group 2007 $	Group 2006 $
Raw materials	–	38,473
Work-in-process	–	22,899
Finished goods	–	15,546,563
Stocks in transit	–	1,144,387
Total inventories at the lower of cost and net realisable value	–	16,752,322

During the financial year, the Group wrote down $Nil (2006 : $167,119) of inventories which are recognised as expense in the profit and loss account.

17. Trade receivables

	2007	2006
Gross trade receivables	–	12,442,509
Allowance for impairment	–	(189,299)
	–	12,253,210

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of approximately $Nil (2006 : $2,800,000) that is pledged to a bank for secured bank loan (Note 21).

As at 31 December 2007, included in trade receivables of the Group is an amount of $Nil (2006 : $5,486,290) denominated in US dollars.

As at 31 December 2007, the Group had trade receivables amounting to $Nil (2006 : $4,633,866) that were past due but not impaired. These receivables were unsecured and the analysis of their ageing at 31 December was as follows :

	2007	2006
Trade receivables past due :		
Lesser than 30 days	–	2,352,201
30 to 60 days	–	1,086,073
61 to 90 days	–	689,804
91 to 120 days	–	239,757
More than 120 days	–	266,031
	–	4,633,866

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

17. Trade receivables (cont'd)

As at 31 December 2007, the Group's trade receivables that are individually impaired and the movement of the allowance amounts used to record the impairment are as follows :-

	Group	
	2007	2006
	$	$
Trade receivables – nominal amounts	–	199,132
Less : Allowance for impairment	–	(189,299)
	–	9,834
Movement in allowance accounts :		
At 1 January	189,299	241,696
Disposal of subsidiaries	(189,299)	–
Written off	–	(41,171)
Exchange differences	–	(11,226)
At 31 December	–	189,299

Trade receivables that were individually determined to be impaired at the balance sheet date relate to debtors that were in significant financial difficulties and have defaulted on payments. These receivables were not secured by any collateral or credit enhancements.

18. Other receivables

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Advance	–	75,578	–	–
Deposits	–	84,945	–	–
Prepayments	5,241	185,476	5,241	2,247
Tax recoverable	16,759	86,415	16,759	16,759
Sundry receivables	–	216,296	–	–
Interest receivables	10,241	–	10,241	–
	32,241	648,710	32,241	19,006

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

19. Amounts due from subsidiaries

The amounts due from subsidiaries were non-trade, unsecured, non-interest bearing and were repayable on demand.

In July 2007, the Company increased its issued and paid-up share capital of one of its subsidiaries by way of the issue of ordinary shares to the Company. The payment for the shares was satisfied by the capitalization of the inter-company balances due from the subsidiary (Note 13).

20. Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Cash at banks and in hand	333,981	1,568,667	203,320	21,357
Short term deposits	26,871,565	–	15,000,000	–
	27,205,546	1,568,667	15,203,320	21,357

Short-term deposits are made for varying periods of between one week to 1 month depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates ranges from 0.95% to 5.10% per annum.

21. Interest-bearing loans and borrowings

	Group	
	2007	2006
	$	$
Current :		
Obligations under finance leases - secured (Note 25)	–	88,536
Bank overdraft		
- secured	–	520,926
- unsecured	–	–
Bills payable to banks		
- secured	–	1,977,078
- unsecured	–	–
Bank loans		
- SGD 10 year term loan (secured)	–	92,967
- SGD bank loan (unsecured)	–	–
- AUD revolving credit facility (secured)	–	573,556
	–	3,253,063
Non-current :		
Obligations under finance leases - secured (Note 25)	–	130,608
Bank loan	–	1,043,459
- SGD 10 year term loan (secured)		
	–	1,174,067

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

21. Interest-bearing loans and borrowings (cont'd)

As at 31 December 2006, bank overdraft of approximately $521,000 and bills payable of approximately $580,000 were secured by a debenture deed which provided for a fixed and floating charge over a subsidiary's fixed property and assets.

The remaining bills payable of approximately $1,397,000 was secured by a first mortgage charge over a subsidiary's freehold land and building (Note 11).

The Company had also provided a corporate guarantee for the above bank borrowings by its subsidiaries.

Obligations under finance leases

These obligations were secured by a charge over the leased assets (Note 11).

SGD 10 year term loan (current and non-current)

This 10 year term loan was secured by a first mortgage charge over a subsidiary's leasehold land and building (Note 11). The loan was repayable by 120 monthly instalment which commenced in December 2006 and the interest rates have been fixed at 4.48% per annum and 4.98% per annum for the first and second year respectively.

AUD revolving credit facility (current)

This revolving credit facility was secured by a subsidiary's trade receivables (Note 17).

22. Trade payables

Trade payables were non-interest bearing and were normally settled on 30 to 90 days' terms.

Included in trade payables of the Group as at 31 December 2006 was an amount of approximately $3,700,000 denominated in US dollars.

23. Other liabilities

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Accrued operating expenses	119,681	2,497,643	73,642	100,300
Directors' fees	77,000	45,000	77,000	45,000
Other payables	–	353,100	–	275
Allowance for warranty	–	176,726	–	–
	196,681	3,072,469	150,642	145,575

24. Amount due to vendors

This amount relates to the installment payments of $1,000,000 each due in May 2008 and November 2008 in relation to the acquisition of PPL Holdings Pte Ltd (Note 13).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

25. Finance leases

The Group had acquired some motor vehicles, office equipment and equipment and tools under leased facilities. The average discount implicit in the leases was 6.26% to 8.13% per annum. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	Minimum lease payments 2007 $	Present value of payments 2007 $	Minimum lease payments 2006 $	Present value of payments 2006 $
Not later than one year (Note 21)	–	–	101,112	88,536
Later than one year but not later than five years	–	–	128,828	130,608
Later than five years	–	–	15,457	–
Total minimum lease payments	–	–	245,397	219,144
Less : Amounts representing finance charges	–	–	(26,253)	–
Present value of minimum lease payments	–	–	219,144	219,144

26. Share capital

	Group and Company			
	No. of shares	2007 $	No. of shares	2006 $
Issued and fully paid :				
At 1 January	627,000,000	18,005,795	57,000,000	11,400,000
Issuance of rights shares	–	–	570,000,000	14,250,000
Share issue expenses	–	–	–	(284,201)
Issuance of new shares from conversion of warrants	4,174,188	104,354	–	–
Capital reduction	–	–	–	(12,007,711)
Transfer of share premium reserve to share capital	–	–	–	4,647,707
At 31 December	631,174,188	18,110,149	627,000,000	18,005,795

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

26. Share capital (cont'd)

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value and the amount standing in the share premium reserve became part of the Company's share capital.

In June 2006, the Company completed its renounceable non-underwritten rights issue of 570,000,000 new ordinary shares in the capital of the Company at an issue price of $0.025 for each rights share with 28,499,819 free detachable warrants, each warrant carrying the right to subscribe for 1 new ordinary shares in the capital of the Company at an exercise price of $0.025 for each new share, on the basis of 20 rights shares with 1 free detachable warrant for every 2 existing ordinary shares each held by the shareholders of the Company as at books closure dates. The above 570,000,000 rights shares and 28,499,819 warrants were listed on the SGX-Sesdaq on 15 June 2006 and 16 June 2006 respectively.

In June 2006, the Company's capital reduction exercise was effective.

As at 31 December 2007, 24,325,631 (2006 : 28,499,819) warrants remained outstanding.

The Company has a group share option scheme (the "Scheme") for the granting of share options to directors and eligible employees of the Company and the Group. Options are granted for terms of 5 to 10 years to purchase the Company's ordinary shares. These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other company. The scheme shall continue in operation up till 21 May 2012. No option will be granted after that date although any outstanding options continue to be exercisable until expiry. There are no cash settlement alternations.

The following table illustrates the number and exercise price of, and movements in, share options during the year.

	2007		2006	
	Number	Exercise price	Number	Exercise price
Outstanding at beginning of year	–	–	1,062,500	$0.20
Granted during the year	–	–		
Forfeited during the year	–	–	(100,000)	$0.20
Rescinded during the year	–	–	(962,500)	$0.20
Outstanding at end of year	–	–	–	–

On 3 March 2006, the Company and each of the option holders agreed by mutual consent to rescind the options in respect of 962,500 shares granted to them respectively by the Company with effect from 28 February 2006. In addition, options in respect of 100,000 shares were cancelled due to resignation of an employee subsequent to the end of the financial year. As a result, the Company no longer have any outstanding options as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2007

27. Commitments

The Group leases certain property under lease agreements that are non-cancellable within a year and contain provisions for rental adjustments. One of the lease was to expire on 30 November 2022. In 2002, the Group was granted a 30-year extension on this lease, which will now expire on 30 November 2052.

At the balance sheet date, the commitments in respect of non-cancellable operating leases as of 31 December are as follows:

	Group	
	2007	2006
	$	$
Not later than one year	–	112,644
Later than one year but no later than five years	–	337,932
Later than five years	–	3,150,956
	–	3,601,532

28. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if :

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decision of the Group or vice versa; and

(ii) it is subject to common control or common significant influence.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties :-

(a) **Sales and purchase of goods and services**

Except for those related party information disclosed elsewhere in the financial statements, there are no significant transactions between the Group and related parties who are not members of the Group during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2007

28. Related party disclosures (cont'd)

(b) Compensation of key management personnel

	Group	
	2007	2006
	$	$
Short-term employee benefits	957,543	959,211
Share-based payments	–	22,000
	957,543	981,211
Comprise amounts paid to		
- Directors of the Company	241,100	210,224
- Other key management personnel	716,443	770,987
	957,543	981,211

Directors' interests in an employee share option plan

On 3 March 2006, the Company and two of the Company's non-executive directors agreed by mutual consent to rescind the options in respect of 150,000 shares granted to them respectively by the Company with effect from 28 February 2006.

No share options have been granted to any of the Company's directors during the financial year.

29. Directors' and executives' remuneration

Directors' remuneration (including directors of subsidiaries) and fees amounted to $164,100 (2006 : $163,244) and $77,000 (2006 : $45,000) respectively.

The number of directors of the Company with remuneration received from the Company and all of its subsidiaries fall within the following bands :-

	Company	
	2007	2006
	$	$
$500,000 and above	–	–
$250,000 to $499,999	–	–
Below $250,000	4	4
Total	4	4

30. Financial instruments

(a) Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk and credit risk. The Group does not speculate in the currency markets or hold or issue derivatives financial instruments. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

30. **Financial instruments (cont'd)**

(a) **Financial risk management objectives and policies (cont'd)**

Cash flow and fair value interest rate risk

The Group's exposure to movements in market interest rates relate primarily to its short term deposits.

The Group's policy is to place excess funds with short-term tenure in order to maintain a high level of liquidity.

Liquidity risk

The Group maintains sufficient level of cash and bank balances to meet its working capital requirements.

Credit risk

The Group has no significant concentrations of credit risk.

Cash is placed with high credit quality financial institutions.

(b) **Fair value**

Recognised financial instruments

Management has determined that the carrying amounts of trade and other debtors, amounts due from subsidiaries, cash, bank overdraft, trade and other creditors, short-term loans, based on their notional amounts, reasonably approximate their fair values due to their short-term nature.

31. **Subsequent event**

On 1 February 2008, the Company announced the proposed acquisition of the entire issued and paid-up share capital of Sea Deep Shipyard Pte. Ltd. from Saberon Investments Pte Ltd for $20 million. Sea Deep Shipyard Pte. Ltd. is principally engaged in the manufacturing of steel components and service and maintenance for the oil and gas industry. This proposed acquisition is subject to the approval from the Company's shareholders.

32. **Authorisation of financial statements for issue**

The financial statements for the financial year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 6 March 2008.

ANALYSIS OF SHAREHOLDINGS
as at 10 March 2008

SHARE CAPITAL AND VOTING RIGHTS

Share Capital	:	S$18,397,435.40
Number of Shares	:	631,297,576 shares
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 999	106	3.36	6,545	0.00
1,000- 10,000	1,509	47.85	7,932,858	1.26
10,001 - 1,000,000	1,508	47.81	96,481,689	15.28
1,000,001 and above	31	0.98	526,876,484	83.46
Total	3,154	100.00	631,297,576	100.00

TWENTY LARGEST SHAREHOLDERS

	Name	No. of shares	%
1.	Saberon Investments Pte Ltd	436,168,700	69.09
2.	OCBC Securities Private Ltd	18,795,008	2.98
3.	United Overseas Bank Nominees Pte Ltd	10,370,000	1.64
4.	Citibank Nominees Singapore Pte Ltd	4,990,000	0.79
5.	Low Yoke Ming	4,420,000	0.70
6.	DMG & Partners Securities Pte Ltd	4,388,000	0.70
7.	UOB Kay Hian Private Limited	3,566,000	0.56
8.	Lim Lay Kheng Alicia	3,380,000	0.54
9.	HSBC (Singapore) Nominees Pte Ltd	3,210,000	0.51
10.	Goh Boon Chye	3,052,000	0.48
11.	Seah Kheng Lun	2,660,000	0.42
12.	Morgan Stanley Asia (S'pore) Securities Pte Ltd	2,640,000	0.42
13.	Kim Eng Securities Pte. Ltd.	2,481,000	0.39
14.	Ho Huat Heng Darryl (He Faxing Darryl)	2,445,000	0.39
15.	Booi Pang Hin	2,188,000	0.35
16.	DBS Nominees (Private) Limited	1,907,010	0.30
17.	Tang Chong Sim	1,900,000	0.30
18.	Lee Yan Teck	1,800,500	0.29
19.	Phillip Securities Pte Ltd	1,792,266	0.28
20.	DBS Vickers Securities (S) Pte Ltd	1,637,000	0.26
	Total	513,790,484	81.39

ANALYSIS OF SHAREHOLDINGS
as at 10 March 2008

Based on the information available to the Company, as at 10 March 2008, approximately 30.74% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

SUBSTANTIAL SHAREHOLDERS
(As shown in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**Number of Shares**	**%**	**Number of Shares**	**%**
Saberon Investments Pte Ltd	436,168,700	69.09	-	-
Dr. Benety Chang*	-	-	436,168,700	69.09
Dr. Doris Heng Chin Ngor*	-	-	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

* Deemed to be interested in 436,168,700 shares held by Saberon Investments Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

ANALYSIS OF WARRANTHOLDINGS

as at 10 March 2008

DISTRIBUTION OF WARRANTHOLDINGS

Size of warrantholdings	No. of warrantholders	%	No. of warrants	%
1 – 999	65	28.63	31,844	0.13
1,000- 10,000	128	56.39	437,290	1.81
10,001 - 1,000,000	32	14.10	2,286,509	9.45
1,000,001 and above	2	0.88	21,446,600	88.61
Total	227	100.00	24,202,243	100.00

TWENTY LARGEST WARRANTHOLDERS

	Name	No. of warrants	%
1.	Saberon Investments Pte Ltd	19,825,850	81.92
2.	Yeap Lam Kang	1,620,750	6.70
3.	Alex Anthony	500,000	2.07
4.	Tang Song Hee	424,750	1.76
5.	Saw Joo Suan	213,750	0.88
6.	Yeap Lam Wah	148,000	0.61
7.	Ong Swee Whatt	135,000	0.56
8.	Booi Pang Hin	100,000	0.41
9.	Tan Hui Bee Phebe	100,000	0.41
10.	Tan Yee Lee	60,250	0.25
11.	Han Ai Wah	52,000	0.21
12.	Phillip Securities Pte Ltd	46,126	0.19
13.	Lim Kwee Siah	44,250	0.18
14.	Neo Chin Leong	35,250	0.15
15.	Chua Chai Tiang	34,250	0.14
16.	Low Yew Thuan	30,000	0.12
17.	Ong Sim Whee	29,500	0.12
18.	Goh Gek Lee	26,979	0.11
19.	Kim Eng Securities Pte. Ltd.	26,495	0.11
20.	Goh Cheay Hwa	25,000	0.10
	Total	23,478,200	97.00

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual 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 10.30 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended 31 December 2007 together with the reports of the Directors and Auditors thereon.

2. To approve Directors' fees of $77,000/- for the year ended 31 December 2007 (2006 : $45,000/-).

3. To re-elect Dr. Benety Chang who retires in accordance with the Articles of Association of the Company.

   Dr. Benety Chang, if re-elected, will be considered a non-independent Director and will remain as a member of the Nominating Committee. More details on Dr. Benety Chang can be found in our 2007 Annual Report.

4. To re-elect Mr. Wong Kwan Seng Robert who retires in accordance with the Articles of Association of the Company.

   Mr. Wong Kwan Seng Robert, if re-elected, will be considered as an independent Director and will remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. More details on Mr. Wong Kwan Seng Robert can be found in our 2007 Annual Report.

5. To appoint Auditors and to authorise the directors to fix their remuneration.

6. To transact any other ordinary business of which due notice shall have been given.

AS SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution, with or without any modifications:

   "THAT pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited (the "Listing Rules"), authority be and is hereby given to the Directors of the Company to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities to be issued pursuant to this resolution does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's issued share capital at the time this resolution is passed after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed, and any subsequent consolidation or subdivision of the Company's shares. Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, such authority shall remain in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

NOTICE OF ANNUAL GENERAL MEETING

8. To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution, with or without any modifications:

   "THAT authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions of the Baker Group Share Option Scheme 2002 (the "Scheme") and to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of the options under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company from time to time."

By Order of the Board

Aw Seok Chin
Company Secretary

8 April 2008
Singapore

Explanatory Notes

a. The ordinary resolution proposed in item 7, if passed, will empower the Directors of the Company from the date of the Annual General Meeting until the date of the next Annual General Meeting of the Company, to allot and issue new shares and convertible securities in the Company up to the limits as specified in the resolution for such purposes as they consider would be in the interests of the Company. This authority will continue to be in force until the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting of the Company.

b. The ordinary resolution proposed in item 8, if passed, will empower the Directors of the Company to grant options and to issue shares on the exercise of options granted under the Baker Group Share Option Scheme 2002. This scheme, which was approved by the shareholders at an Extraordinary General Meeting of the Company held on 22 May 2002, is limited to 15% of the issued share capital of the Company.

Notes

i. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. 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.

ii. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at No. 122 Pioneer Road, Singapore 639583 not later than 48 hours before the time appointed for holding the Annual General Meeting.

BAKER TECHNOLOGY LIMITED
Company Registration No. 198100637D
(Incorporated in the Republic of Singapore)

PROXY FORM
For Annual General Meeting

(Please read notes overleaf before completing this form.)

IMPORTANT

1. For investors who have used their CPF monies to buy Baker Technology Limited's Shares, this report 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 attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ____ (Name)

of ____ (Address)

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

Name	Address	NRIC/ Passport Number	No. of Shares Represented

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	No. of Shares Represented

and/or failing him/her, the Chairman of the Annual General Meeting ("AGM") as my/our proxies to vote on my/our behalf at the AGM 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 10.30 a.m and at any adjournment thereof. I/We direct my/our proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions Relating to	For	Against
	ORDINARY BUSINESS		
1.	Adoption of Audited Accounts for the year ended 31 December 2007		
2.	Approval of directors' fees		
3.	Re-election of Dr. Benety Chang		
4.	Re-election of Mr. Wong Kwan Seng Robert		
5.	Re-appointment of Auditors		
6.	Any other Business		
	SPECIAL BUSINESS		
7.	Authority for directors to issue shares pursuant to general mandate from shareholders		
8.	Authority for directors to offer and grant options and to allot and issue shares in accordance with the provisions of the Baker Group Share Option Scheme 2002		

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

Signed this day of 2008

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

____

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

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member entitled to attend and vote at the AGM 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 No. 122 Pioneer Road, Singapore 639583 not less than 48 hours before the time set for the AGM.

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 AGM, in accordance with Section 179 of the Companies Act, Chapter 50.

8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Ltd to the Company.

DESIGNED AND PRODUCED BY CREDENCE PARTNERSHIP

Baker Technology Limited
(Company Registration No. 198100637D)

122 Pioneer Road
Singapore 639583
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Fax: 6262 2108