



BAKER TECHNOLOGY LIMITED

Company Registration No.: 198100637D

Full Year Financial Statement And Dividend Announcement for the Period Ended 31 December 2006

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		
	FY 2006 S\$'000	FY 2005 S\$'000	Change %
Revenue	62,567	55,274	13%
Cost of goods sold	(48,742)	(43,757)	11%
Gross profit	13,825	11,517	20%
Other operating income	435	626	(31%)
Administrative expenses	(7,082)	(6,969)	2%
Selling and distribution expenses	(5,042)	(4,510)	12%
Other operating expenses	(110)	(405)	(73%)
Profit from operating activities (a)	2,026	259	682%
Finance costs	(509)	(545)	(7%)
Profit / (loss) before taxation	1,517	(286)	NM
Taxation (b)	(580)	(638)	(9%)
Net profit / (loss) attributable to members of the Company	937	(924)	NM

NM : not meaningful

Explanatory notes:

(a) Profit from operating activities is stated after charging / (crediting):

	Group		
	FY 2006 S\$'000	FY 2005 S\$'000	Change %
Depreciation	566	707	(20%)
Foreign exchange (gain) / loss	(153)	302	NM
Royalty income	(237)	(626)	(62%)

(b) The taxation charge for the current year was in relation to profitable subsidiaries within the Group. Losses reported by certain subsidiaries were not able to offset the taxation charge of these profitable subsidiaries due to different tax jurisdiction.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Non-current assets</u>				
Property, plant and equipment	5,488	4,423	-	1
Investment in subsidiaries	-	-	8,000	8,000
Intangible assets	93	94	-	-
	<u>5,581</u>	<u>4,517</u>	<u>8,000</u>	<u>8,001</u>
<u>Current assets</u>				
Inventories	16,752	17,941	-	-
Trade receivables	12,253	12,353	-	-
Other receivables	649	714	19	55
Amounts due from subsidiaries (a)	-	-	12,711	893
Cash at bank and on hand	1,569	503	21	17
	<u>31,223</u>	<u>31,511</u>	<u>12,751</u>	<u>965</u>
<u>Less: Current liabilities</u>				
Interest-bearing loans and borrowings (b)	3,253	12,385	-	-
Trade payables (c)	6,543	12,171	-	-
Other liabilities	3,072	2,663	145	146
Amount due to holding company	-	578	-	578
Provision for taxation	573	600	-	17
	<u>13,441</u>	<u>28,397</u>	<u>145</u>	<u>741</u>
Net current assets	<u>17,782</u>	<u>3,114</u>	<u>12,606</u>	<u>224</u>
<u>Non-current liabilities</u>				
Amounts due to subsidiary (a)	-	-	-	(1,817)
Interest-bearing loans and borrowings	(1,174)	(186)	-	-
Deferred tax liabilities	(68)	(68)	-	-
Net assets	<u>22,121</u>	<u>7,377</u>	<u>20,606</u>	<u>6,408</u>
<u>Equity attributable to equity holders of Company</u>				
Share capital & share premium ⁽¹⁾	18,006	16,048	18,006	16,048
Reserves	4,115	(8,671)	2,600	(9,640)
Total equity	<u>22,121</u>	<u>7,377</u>	<u>20,606</u>	<u>6,408</u>

(1) - 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.

Explanatory notes:

- (a) - The increase in amounts due from subsidiaries was due to the injection of funds into a subsidiary subsequent to the Group's Rights Issue in June 2006 for the purpose of repayment of bank borrowings and working capital purposes.
- (b) - The decrease in interest-bearing loans and borrowings was mainly due to the repayment of short-term borrowings by a subsidiary subsequent to the Group's Rights Issue in June 2006.
- (c) - The reduction in trade payables was due to prompt payments to suppliers in view of better liquidity subsequent to the Group's Rights Issue in June 2006.

1(b)(ii) Aggregate amount of the group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

As at 31/12/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
\$3,253,000	-	\$2,818,000	\$9,567,000

Amount repayable after one year

As at 31/12/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
\$1,174,000	-	\$186,000	-

Details of any collateral

The Group's borrowings are secured as follows:

- (i) - legal mortgages on the Group's freehold and leasehold properties;
- (ii) - fixed and floating charge on its subsidiary's fixed property and assets;
- (iii) - rights to leased assets (mainly motor vehicles) and certain trade receivables of its subsidiary; and
- (iv) - corporate guarantee by the Company.

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group	
	FY 2006	FY 2005
	S\$'000	S\$'000
<u>Cash flows from operating activities</u>		
Profit / (loss) from operations before taxation	1,517	(286)
Adjustment for:		
Depreciation	566	707
Expense of share-based payments	22	24
Interest expense	509	545
Interest income	(2)	-
Loss / (gain) on disposal of property, plant and equipment	5	(3)
Operating profit before working capital changes	2,617	987
Decrease / (increase) in trade receivables	100	(1,859)
Decrease / (increase) in other receivables	65	(96)
Decrease / (increase) in inventories	1,189	(3,687)
(Decrease) / increase in trade payables	(5,628)	3,404
Increase in other liabilities	409	467
Cash used in operations	(1,248)	(784)
Interest income	2	-
Interest paid	(509)	(545)
Income tax paid	(607)	(158)
Net cash used in operating activities	(2,362)	(1,487)
<u>Cash flows from investing activities</u>		
Intangible assets acquired	-	(22)
Proceeds from disposal of property, plant and equipment	381	50
Purchase of property, plant and equipment	(882)	(245)
Net cash used in investing activities	(501)	(217)
<u>Cash flows from financing activities</u>		
Net proceeds from Rights Issue	13,966	-
(Repayment) / proceed of bank loans, bills payables and secured overdrafts	(8,811)	1,057
Repayments of finance leases	(91)	(129)
Repayment of loan from holding company	(578)	-
Net cash from financing activities	4,486	928
Net increase / (decrease) in cash and cash equivalents	1,623	(776)
Cash and cash equivalents at beginning of financial year	80	868
Effect of exchange rate changes on balances held in foreign currency	(134)	(12)
Cash and cash equivalents at end of financial year	1,569	80

Cash and cash equivalents comprise of:

Cash at bank and on hand	1,569	503
Bank overdraft (unsecured)	-	(423)
	<u>1,569</u>	<u>80</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	← Reserves →					Total Equity
	Share capital & share premium	Capital reserve	Employee share option reserve	Transla- tion reserve	Accum- ulated profits / (losses)	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group						
Balance as at 1/1/2005	16,048	1,928	-	1,313	(10,873)	8,416
Foreign currency translation	-	-	-	(139)	-	(139)
Grant of equity-settled share options to directors and employees	-	-	24	-	-	24
Net loss for the year	-	-	-	-	(924)	(924)
Balance as at 31/12/2005	<u>16,048</u>	<u>1,928</u>	<u>24</u>	<u>1,174</u>	<u>(11,797)</u>	<u>7,377</u>
Foreign currency translation	-	-	-	(181)	-	(181)
Grant of equity-settled share options to directors and employees	-	-	22	-	-	22
Transfer of reserve	-	-	(46)	-	46	-
Issuance of Rights Shares	14,250	-	-	-	-	14,250
Share issue expenses	(284)	-	-	-	-	(284)
Capital reduction	(12,008)	-	-	-	12,008	-
Net profit for the year	-	-	-	-	937	937
Balance as at 31/12/2006	<u>18,006</u>	<u>1,928</u>	<u>-</u>	<u>993</u>	<u>1,194</u>	<u>22,121</u>
Company						
Balance as at 1/1/2005	16,048	2,344	-	-	(8,477)	9,915
Grant of equity-settled share options to directors and employees	-	-	24	-	-	24
Net loss for the year	-	-	-	-	(3,531)	(3,531)
Balance as at 31/12/2005	<u>16,048</u>	<u>2,344</u>	<u>24</u>	<u>-</u>	<u>(12,008)</u>	<u>6,408</u>
Grant of equity-settled share options to directors and employees	-	-	22	-	-	22
Transfer of reserve	-	-	(46)	-	46	-
Issuance of Rights Shares	14,250	-	-	-	-	14,250
Share issue expenses	(284)	-	-	-	-	(284)
Capital reduction	(12,008)	-	-	-	12,008	-
Net profit for the year	-	-	-	-	210	210
Balance as at 31/12/2006	<u>18,006</u>	<u>2,344</u>	<u>-</u>	<u>-</u>	<u>256</u>	<u>20,606</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial 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 previous financial year. As a result, the Company no longer have any outstanding options.

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 share 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.

On 22 June 2006, the Company's capital reduction exercise was effective. As at 31 December 2006, the Company's issued capital was \$18,005,795 comprising 627,000,000 ordinary shares.

As at 31 December 2006, 28,499,819 Warrants remained outstanding.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by its auditors, Messrs Ernst & Young.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

There were no significant changes in the accounting policies and methods of computation adopted by the Group and the Company for the preparation of the financial statements for the year ended 31 December 2006 as compared to the audited financial statements for the year ended 31 December 2005.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Group	
	FY 2006	FY 2005
(i) Basic earnings per share	0.26 cents	(1.62) cents
(ii) Diluted earnings per share	0.24 cents	(1.62) cents

- (i) Basic earnings per ordinary shares for the financial year ended 31 December 2006 was calculated based on the weighted average number of ordinary shares in issue of 365,750,000 (31 December 2005: 57,000,000).
- (ii) Earnings per share for the financial year ended 31 December 2006 on a fully diluted basis was calculated based on the number of ordinary shares in issue during the year adjusted for the dilutive effect of 28,499,819 Warrants.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	Group		Company	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Net Asset Value per Ordinary Share based on issued share capital at the end of the period	3.5 cents	12.9 cents	3.3 cents	11.2 cents

Net asset value per ordinary share as at 31 December 2006 and 2005 was calculated based on the number of shares in issue of 627,000,000 and 57,000,000 respectively.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Revenue

	FY 2006	FY 2005	+ / (-)	+ / (-)
	S\$'000	S\$'000	S\$'000	%
Asia Pacific	45,823	40,845	4,978	12%
Middle East / Africa / Europe	16,744	14,429	2,315	16%
	<u>62,567</u>	<u>55,274</u>	<u>7,293</u>	13%
	=====	=====	=====	

Group revenue rose by 13% from \$55.3 million in FY2005 to \$62.6 million in FY2006 as a result of an increase in demand for our products.

Gross Profit

Gross profit increased by 20% to \$13.8 million as compared to \$11.5 million in FY2005 on the back of higher revenue.

Profit Attributable to Shareholders

The reduction in other operating income for FY2006 was largely due to a reduction in the royalty from a Chinese party under its licensing and technical agreement with our Singapore subsidiary.

The reduction in other operating expenses was due to lower foreign exchange loss in FY2006.

The Group has turned around in FY2006 mainly due to the successful implementation of various initiatives to improve margin and reduce manufacturing costs in our Australia subsidiary.

The lower taxation charge of \$580,000 in FY2006 as compared to \$638,000 in FY2005 was due to lower profits from our Singapore subsidiaries.

Overall, the Group reported a net profit of \$0.9 million for FY2006 as compared to a net loss of \$0.9 million in FY2005.

Cash flows

For FY2006, the Group generated a negative cash flow of \$2.4 million from its operating activities primarily due to prompt payments being made to suppliers.

During the year, the Group raised gross proceeds of \$14.3 million from its renounceable non-underwritten Rights Issue which was utilised in the following manner:

- \$9.2 million to repay bank borrowings of a subsidiary;
- \$0.6 million to repay advances made by its holding company;
- \$0.4 million for expenses incurred in relation to the Rights Issue and Capital Reduction; and
- \$4.1 million as working capital for the Group.

Overall, the Group was in a positive cashflow position as at December 2006, with unutilised banking facilities of approximately \$4.8 million. With its improved financial position, the Group is in a position to procure additional banking and / or financial facilities if it so requires.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

There is no material variance from the previous outlook statement.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Group recorded a profit in FY2006 and it will enhance its position further by expanding its distribution network into untapped markets to increase its revenue. Barring unforeseen circumstances, the Group expects the sales volume to improve this year.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared or recommended by the Company.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

(i) By Business Activities

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.

(ii) **By Geographical Locations**

	Segment Revenue			Segment Results		
	FY 2006	FY 2005	Change	FY 2006	FY 2005	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Asia Pacific	45,823	40,845	12%	2,325	(133)	NM
Middle East/Africa/Europe	16,744	14,429	16%	418	1,074	(61%)
	<u>62,567</u>	<u>55,274</u>	13%	<u>2,743</u>	<u>941</u>	191%
Unallocated expenses				(717)	(682)	5%
Operating profit				2,026	259	682%
Finance costs				(509)	(545)	(7%)
				<u>1,517</u>	<u>(286)</u>	NM
Taxation				(580)	(638)	(9%)
Net profit / (loss)				<u>937</u>	<u>(924)</u>	NM

	Asia Pacific		Middle East/ Africa/ Europe		Consolidated	
	2006	2005	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Segment assets	32,852	31,013	3,912	4,942	36,764	35,955
Unallocated					40	73
					<u>36,804</u>	<u>36,028</u>
Segment liabilities	13,510	25,696	1,028	2,214	14,538	27,910
Unallocated					145	741
					<u>14,683</u>	<u>28,651</u>
Capital expenditures	2,063	277	-	-	2,063	277
Depreciation	566	707	-	-	566	707

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Refer to paragraph 8 above.

15. **A breakdown of sales**

	GROUP		
	2006 S\$'000	2005 S\$'000	Change %
Sales reported for first half year	29,841	27,831	7%
Sales reported for second half year	32,726	27,443	19%
Total sales	62,567	55,274	13%
Loss/(profit) after tax reported for first half year	(143)	46	NM
Profit/(loss) after tax reported for second half year	1,080	(970)	NM
Total profit / (loss) after tax	937	(924)	NM

16. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year (S\$'000)	Previous Full Year (S\$'000)
Ordinary	0	0
Preference	0	0
Total:	0	0

BY ORDER OF THE BOARD

Aw Seok Chin
Company Secretary
27 February 2007