BAKER TECHNOLOGY LIMITED
(Unique Entity Number 198100637D)
(Incorporated in the Republic of Singapore)

MATTERS RELATING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 – INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

Pursuant to Rule 704(5) of the Singapore Exchange Securities Trading Limited's Listing Manual, the Board of Directors of Baker Technology Limited (the 'Company") wishes to announce that the Company's auditors, Ernst & Young LLP ("EY"), have issued an "Except For" qualified opinion and raised a matter of emphasis in the Independent Auditors' Report on the financial statements of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2011.

The Board believes that the qualified auditors' opinion and matter of emphasis raised by EY are accounting technicality based on the following:

- During the previous financial year, the Company adopted FRS 31 *Interests in Joint Ventures* to account for its aggregate 15% shareholding in PPL Shipyard Pte Ltd ("PPLS"), held by its subsidiary, PPL Holdings Pte Ltd ("PPLH"). Accordingly, the Group equity accounted for its share of results in PPLS.

- On 26 October 2010, the Company disposed of its entire stake in PPLH, including its aggregate 15% shareholding in PPLS. However, pending the outcome of legal suit with Sembcorp Marine Ltd ("SCM"), which arose from the disposal of PPLH, the Group had deferred the recognition of gain of S$58.2 million from this disposal.

- As the Company was not able to obtain the financial results of PPLS for the period from 1 January 2010 to 26 October 2010 (date of disposal), the Group had recorded its share of PPLS result for that period based on the interim dividend of S$15.8 million received by the Group in April 2010. This amount was also included in the retained earnings as at 31 December 2010 which is carried forward as the opening retained earnings for the current financial year.

- Consequently, as the auditors were unable to carry out additional procedures necessary to satisfy themselves to the appropriateness of the retained earnings and the deferred gain recorded on the consolidated balance sheet as at 31 December, an "except for" qualified audit opinion was given for the financial statements for the year ended 31 December 2011.

- On the same basis of qualification, a similar "except for" qualified audit opinion had been given previously for the financial statements for the year ended 31 December 2010.

- As the Group's disposal of PPLH was completed in the previous financial year, the audit qualification does not have any profit and loss impact for the current financial year ended 31 December 2011.

- Depending on the actual outcome of the legal proceedings, adjustments may have to be made to the amount of the deferred gain arising from the disposal. This was raised as a matter of emphasis by EY.

Copies of the aforesaid Independent Auditors' Report together with the relevant notes are annexed to this announcement for further information.

By Order of the Board
Baker Technology Limited

Tan Kiang Kherng
Financial Controller

19 March 2012

Annex A

Report on the Financial Statements

We have audited the accompanying financial statements of Baker Technology Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2011, the statements of changes in equity of the Group and the Company, and the statement of comprehensive income and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition, and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed below, 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 about 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 of the financial statements that give a true and fair view 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 management, 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 qualified audit opinion.

Basis for Qualified Opinion

As disclosed in Note 3.1(b) to the financial statements, in the previous financial year, the Group was not able to obtain the financial results of PPL Shipyard Pte Ltd ("PPLS") for the period from 1 January 2010 to 26 October 2010 (date of disposal). The Group's share of PPLS's results of $15,823,500 recognised in the consolidated statement of comprehensive income for the financial year ended 31 December 2010 was based on the interim dividend received by the Group in April 2010. This amount was also included in the retained earnings as at 31 December 2010 which is carried forward as the opening retained earnings for the current financial year.

In addition, as disclosed in Note 25 to the financial statements, the Group recorded an amount of $58,237,148 as deferred gain on disposal of the investment in PPL Holdings Pte Ltd ("PPLH"), which held the 15% shareholding in PPLS, in its consolidated balance sheets as at 31 December

2011 and 31 December 2010. The management has deferred the recognition of this gain on disposal due to the pending outcome of the legal case as disclosed further in the note.

In 2010, as the management was not able to obtain the audited financial results of PPLS from 1 January 2010 to the date of disposal, we were unable to carry out audit procedures necessary to satisfy ourselves to the appropriateness of the $15,823,500 recorded in the consolidated statement of comprehensive income for the financial year ended 31 December 2010. As this amount is included in the opening retained earnings for the current financial year, consequently, we are also unable to assess the appropriateness of the retained earnings as at 31 December 2011. In addition, we are also unable to assess the appropriateness of the $58,237,148 deferred gain recorded in the consolidated balance sheets as at 31 December 2011 and as at 31 December 2010 as the $15,823,500 was also used to compute the deferred gain amount.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs, 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 Singapore Financial Reporting Standards 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 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 25 to the financial statements which discloses that the Group currently has a pending legal suit with Sembcorp Marine Ltd ("SCM") which holds the remaining 85% shareholding in PPLS. As disclosed in Note 25, SCM has commenced legal proceedings against the Group and asked the High Court of Singapore to rule, *inter alia,* that the Joint Venture Agreement is no longer in force; to direct the Group to transfer the remaining 15% shareholding interest to SCM against the tendered payment; and to pay damages for the alleged breaches of the Joint Venture Agreement.

Although the legal case is still pending, the Group completed the disposal of the 100% share capital in PPLH including the investment in PPLS and received the consideration amounting to US$116,250,000 on 26 October 2010. Pending the outcome of the legal case, the Group and the Company have deferred the recognition of the gain arising from the disposal amounting to $58,237,148 and $141,941,392 for the Group and the Company respectively. These amounts are recorded in the respective balance sheets of the Group and the Company as at 31 December 2011 and 31 December 2010. Adjustments may have to be made to these amounts depending on the outcome of the above mentioned legal proceedings.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore
19 March 2012

Extract of notes to the financial statement

Note 3.1(b) – Equity accounting of the share of results of joint venture

During 2010, the Group adopted FRS 31 *Interests in Joint Ventures* to account for its 15% investment in PPL Shipyard Pte Ltd ("PPLS"), held by its subsidiary, PPL Holdings Pte Ltd ("PPLH"). Due to the management's control in PPLS and the existence of the shareholders' agreements, the Group had accounted its investment in PPLS as a joint venture and had equity accounted for its share of results since acquisition in May 2007 until 26 October 2010, when the Group disposed of its investment in PPLH, for a gross consideration of $150,543,750 (US$116,250,000). As the Group was not able to obtain the financial results of PPLS's operations for the period from 1 January 2010 to 26 October 2010 (date of disposal). Accordingly, the Group's share of results in PPLS in 2010 was recognised at $15,823,500 based on the interim dividend received by the Group in April 2010.

Note 25 – Deferred gain on disposal of subsidiary

On 16 April 2010, the Company received an unsolicited offer from Yangzijiang Shipbuilding (Holdings) Ltd ("YZJ") to acquire the entire share capital of PPLH, a company which holds an aggregate of 15% interest in PPLS, for US$155,000,000. The Company accepted the offer on 23 April 2010.

On 15 May 2010, SCM, which holds 85% shareholding in PPLS, commenced legal proceeding against PPLH and its wholly owned subsidiary, E-Interface Holdings Limited ("E-Interface") in which PPLS is also a party as second defendant to the counter claim (Suit no. S351/2010/H). SCM has asked the High Court of Singapore to rule, inter alia, that the JV Agreement is no longer in force, to direct PPLH and E-Interface to transfer the remaining 15% shareholding interest in PPLS to SCM against its tendered payment of gross S$59,433,522, and to order them to pay damages for disclosing or causing to disclose confidential information of PPLS to the third party buyer in breach of the JV Agreement.

On 1 September 2010, the Company entered into an amendment and novation agreement with YZJ and a new buyer, QD Asia Pacific Ltd ("QD"), to vary the terms of the original offer, including substituting the original buyer with a new buyer and a revision of consideration from US$155,000,000 to US$116,250,000.

Under the revised offer, it was also provided that in the event that a final judgment or order of the Supreme Court of Singapore in the legal suit determines, or it is agreed by a settlement agreement between SCM, PPLH and E-Interface, that:

(i) SCM had validly exercised a right of pre-emption over the 15% shareholdings in PPLS; or

(ii) PPLH had validly exercised its put option under the supplemental agreement dated 5 July 2003 in respect of the 15% shareholdings in PPLS, then, QD shall:

(i) effect the transfer of shares in PPLH to the Company; and

(ii) pay to the Company (1) the amount of all dividends received after 16 April 2010 by PPLH and E-Interface from PPLS and (2) the amount of any sum received by PPLH from SCM for the 15% shareholdings in PPLS, and

the Company shall repay the revised consideration of US$116,250,000 back to QD.

On 26 October 2010, the Company completed the above disposal of PPLH for a revised consideration of US$116,250,000 (or S$150,543,750).

The current status of the suit is as follows:

1. The evidential hearing ended on 5 October 2011, after 19 hearing days.

2. Parties were directed to file written submissions, in sequence. SCM, PPLS and PPLH / E-Interface have filed their written submissions.

3. The High Court will render a decision after considering all the submissions.

However, pending the outcome of the legal suit between PPLH/E-Interface and SCM, the Group and Company have deferred the recognition of gain of $58,237,148 and $141,941,392, respectively, from this disposal.

The deferred gain on disposal for the Group and Company are computed as follows:

	Group $	**Company** $
Proceed from disposal (US$116.25m)	150,543,750	150,543,750
Less:		
Cost of investment in PPLH	–	3,600,000
Share of net assets of PPLH (excluding the investment in joint venture)	15,424,865	–
Carrying value of the investment in joint venture at the date of disposal	71,879,379	–
Expenses on disposal	5,002,358	5,002,358
	92,306,602	8,602,358
Deferred gain on disposal	58,237,148	141,941,392

Adjustments may be made to the above deferred gain amounts depending on the outcome of the above mentioned legal proceedings.