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

(I) MATTERS RELATING TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 – INDEPENDENT AUDITOR'S REPORT; AND

(II) DIFFERENCES BETWEEN UNAUDITED AND AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

Independent Auditor's 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 auditor, Ernst & Young LLP ("EY"), has issued an "except for" qualified opinion in the Independent Auditor's Report on the financial statements of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2012. The audit qualification was on the same basis as previously issued "except for" reports for the financial years ended 31 December 2010 and 31 December 2011.

The qualified auditor's opinion raised by EY is an accounting technicality based on the following:

- During the financial year ended 31 December 2010, 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 the legal suit between PPLH and 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 then.

- 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's results 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 Group's retained earnings as at 31 December 2010 and 31 December 2011 and the opening retained earnings for the current financial year ended 31 December 2012.

- On 30 May 2012, the High Court ruled in PPLH's favour and dismissed SCM's claims in their entirety. In June 2012, SCM filed an appeal against certain parts of the High Court's decision. As the appeal does not affect the ownership of the 15% shareholding of PPLH in PPLS, the Company has fulfilled its obligations under the disposal of PPLH and the disposal is considered as completed. Accordingly, the Group recognised the deferred gain of S$58.2 million in its consolidated profit and loss in the current financial year.

- As the auditor was unable to carry out additional procedures necessary to satisfy itself on the appropriateness of the S$15.8 million included in the Group's opening retained earnings for the current financial year ended 31 December 2012 and consequently, any changes required to the share of PPLS's results recognised in the financial year ended 31 December 2010 will result in a change to the gain on disposal of S$58.2 million recognised in the Group's consolidated profit and loss for the current year, an "except for" qualified audit opinion was given for the financial statements for the year ended 31 December 2012.

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

Differences between Unaudited and Audited Financial Results for the Year Ended 31 December 2012

The Board refers to the Group's unaudited financial results for the year ended 31 December 2012 which was announced on 22 February 2013. The Board wishes to inform shareholders that the Group has made an adjustment for additional bonus accrual of S$1.8 million (mainly for special bonus) to its audited financial statements for the year ended 31 December 2012. The special bonus was for the employees who assisted in the sale of PPLH, the ensuing law suit and the eventual recognition of the gain.

The table below sets out the differences between the audited and unaudited financial statements of the Group and Company for the year ended 31 December 2012:

	Audited	**Unaudited**	**Differences**
	S$'m	S$'m	S$'m
Consolidated Income Statement			
Administrative expenses	(9.7)	(7.9)	(1.8)
Profit before taxation	84.8	86.6	(1.8)
Profit for the year	81.6	83.4	(1.8)
Earnings per share			
Basic (in cents)	11.5	11.8	(0.3)
Diluted (in cents)	8.3	8.4	(0.1)
Consolidated Balance Sheet			
Trade and other payables	14.7	12.9	1.8
Reserves	217.8	219.6	(1.8)
Company's Balance Sheet			
Trade and other payables	3.1	1.3	1.8
Reserves	169.3	171.1	(1.8)
Consolidated Cash Flow Statement			
Operating cash flows before working capital changes	16.1	17.9	(1.8)
Decrease in trade and other payables	(12.4)	(14.2)	1.8

By Order of the Board
Baker Technology Limited

Tan Kiang Kherng
Financial Controller

19 March 2013

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 2012, 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.

Auditor’s 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 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 2010, 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 Group’s retained earnings as at 31 December 2010, and 31 December 2011 and the opening retained earnings for the current financial year ended 31 December 2012.

In addition, as disclosed in Note 25 to the financial statements, the Group had 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 sheet as at 31 December 2011. As discussed in that note, management had deferred the recognition of this gain due to the pending outcome of the legal case then. The legal case was finalised during the current financial year and management has recognised this amount in the Group’s consolidated profit and loss for the current financial year.

Our audit opinion on the financial statements for the year ended 31 December 2011 was modified because we were unable to carry out audit procedures necessary to satisfy ourselves on the appropriateness of the $15,823,500 included in the Group's retained earnings as at 31 December 2011, and the appropriateness of the deferred gain of $58,237,148 recorded in the Group's balance sheet for that year as the $15,823,500 was also used to compute the deferred gain amount.

Consequently, any changes required to the share of PPLS's results recognised in the financial year ended 31 December 2010 will result in a change to the gain on disposal of $58,237,148 recognised in the Group's consolidated profit and loss for the current financial year.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs on the Group's consolidated statement of comprehensive income, statement of changes in equity and cash flow statement, 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 2012 and of 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.

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 2013

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). In 2010, the Group 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'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 retained earnings as at 31 December 2010 and 31 December 2011 and the opening retained earnings for the current financial year ended 31 December 2012.

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 PPLS in its consolidated balance sheets as at 31 December 2011. The management has deferred the recognition of this gain on disposal due to the pending outcome of the legal case then. The legal case was finalised during the current financial year and management has recognised this amount in the Group's consolidated profit and loss for the current financial year.

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, Sembcorp Marine Ltd ("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 shareholders' agreements are 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 shareholders' agreements.

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).

On 30 May 2012, the High Court ruled in PPLH's favour and dismissed SCM's claims in their entirety.

On 29 June 2012, SCM filed an appeal against those parts of the High Court's decision which relate to:-

(i) whether the shareholders' agreements between SCM and PPLH is premised on equal shareholding and continues to apply in its entirety despite SCM's ownership in PPLS being raised from 50% to 85%;

(ii) whether SCM was entitled to terminate the shareholders' agreements due to a breach by PPLH; and

(iii) certain resolutions and orders which are consequential on the findings relating to (i) and (ii).

The appeal does not affect the ownership of the 15% shareholdings of PPLH in PPLS and as a result the Group has fulfilled its obligation to QD under the amendment and novation agreement and the disposal of PPLH to QD is considered complete.

The Group had recorded an amount of $58,237,148 as deferred gain on the disposal of this investment in PPLS in its consolidated balance sheet as at 31 December 2011. Management has deferred the recognition of this gain due to the pending outcome of the legal case then. The legal case was finalised during the current financial year and management has recognised this amount to the consolidated profit and loss for the year.

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

	Group $	**Company** $
Proceeds 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
Gain on disposal	58,237,148	141,941,392