The
PREMIUM
QUALITY

BAKER TECHNOLOGY LIMITED
ANNUAL REPORT 2013

A growth stock

MADE IN SINGAPORE

SCA 2012 BEST ANNUAL REPORT (BRONZE AWARD)

FORBES ASIA'S BEST UNDER A BILLION 2013

Home grown

Fast growth

Investor friendly

WWW.BAKERTECH.COM.SG

Contents

A growth stock

INSTRUCTIONS:

INVEST IN THIS HOME-GROWN COMPANY THAT WILL DELIVER LONG-TERM GROWTH. PLEASE TAKE TIME TO READ THROUGH THIS DOCUMENT.

Winner of Best Annual Report

BRONZE AWARD

AT THE SINGAPORE CORPORATE AWARDS 2013

For Companies with Market Capitalisation
of Less Than $300 Million

Forbes Asia's Best Under a Billion

Listed on Forbes Asia's Best Under a Billion and was one of
only seven companies in Singapore on the list.

Key Figures 2013

$205.9M
Cash Reserves
of 23.6 cents per share

$239.8M
Net Assets
of 27.5 cents per share

$8.8M
Gain
on disposal of an associate

5 cents
Dividend
per share

$83.3M
Revenue

$22.4M
Net Profit

Key Milestones

2000

MAY
Name changed to Baker Technology Limited.

JULY
Saberon Investments Pte Ltd acquired a controlling stake in the Company.

2004

SEPTEMBER
Winner of Singapore Corporate Governance Award (SESDAQ) at SIAS Investors' Choice Awards.

2005

OCTOBER
Merit Award winner of Singapore Corporate Governance Award (SESDAQ) at SIAS Investors' Choice Awards.

2009

APRIL
Won Merit Award for Best Managed Board (for companies with market capitalisation of less than $300 million) in the Singapore Corporate Awards.

NOVEMBER
Completed a renounceable non-underwritten rights issue of 327.4 million warrants at 1.0 cent each.

2010

April
Won Silver Award for Best Managed Board (for companies with market capitalisation of less than $300 million) in the Singapore Corporate Awards.

SEPTEMBER
Listed on Forbes Asia's Best Under a Billion and was one of only eight companies in Singapore on the list.

OCTOBER
Disposed of entire issued and paid up share capital of PPL Holdings Pte Ltd to QD Asia Pacific Ltd for a cash consideration of US$116.25 million.

2011

February
Acquired a 10.5% stake in Discovery Offshore S.A.

JULY
Received Best Managed Board (Gold) and Best Annual Report (Silver) awards (for companies with market capitalisation of less than $300 million) at the Singapore Corporate Awards.

2006

JUNE
Raised $14.3 million from a renounceable non-underwritten rights issue with free detachable warrants.

2007

MAY
Acquired 100% of PPL Holdings Pte Ltd, an investment holding company, which owns a 15% stake in PPL Shipyard Pte Ltd.

OCTOBER
Formed a strategic partnership with a TATA Enterprise Company (TRF Singapore Pte Ltd) which acquired a 51% stake in York Transport Equipment (Asia) Pte Ltd.

2008

APRIL
Acquired 100% of Sea Deep Shipyard Pte. Ltd.

OCTOBER
Upgraded to SGX-ST Mainboard.

2012

MARCH
Disposal of remaining 49% stake in York Transport Equipment (Asia) Pte Ltd.

JUNE
Completed a renounceable non-underwritten rights issue of 280.1 million warrants at 1.0 cent each.

JULY
Winner of Best Annual Report (Silver) award (for companies with market capitalisation of less than $300 million) at the Singapore Corporate Awards.

August
Increased investment in Discovery Offshore S.A. to 20%.

2013

MAY
Incorporation of wholly-owned subsidiary – Baker Engineering Pte. Ltd.

JUNE
Disposal of 20% stake in Discovery Offshore S.A.

JULY
Winner of Best Annual Report (Bronze) award (for companies with market capitalisation of less than $300 million) at the Singapore Corporate Awards.

AUGUST
Listed on Forbes Asia's Best Under a Billion and was one of only seven companies in Singapore on the list.

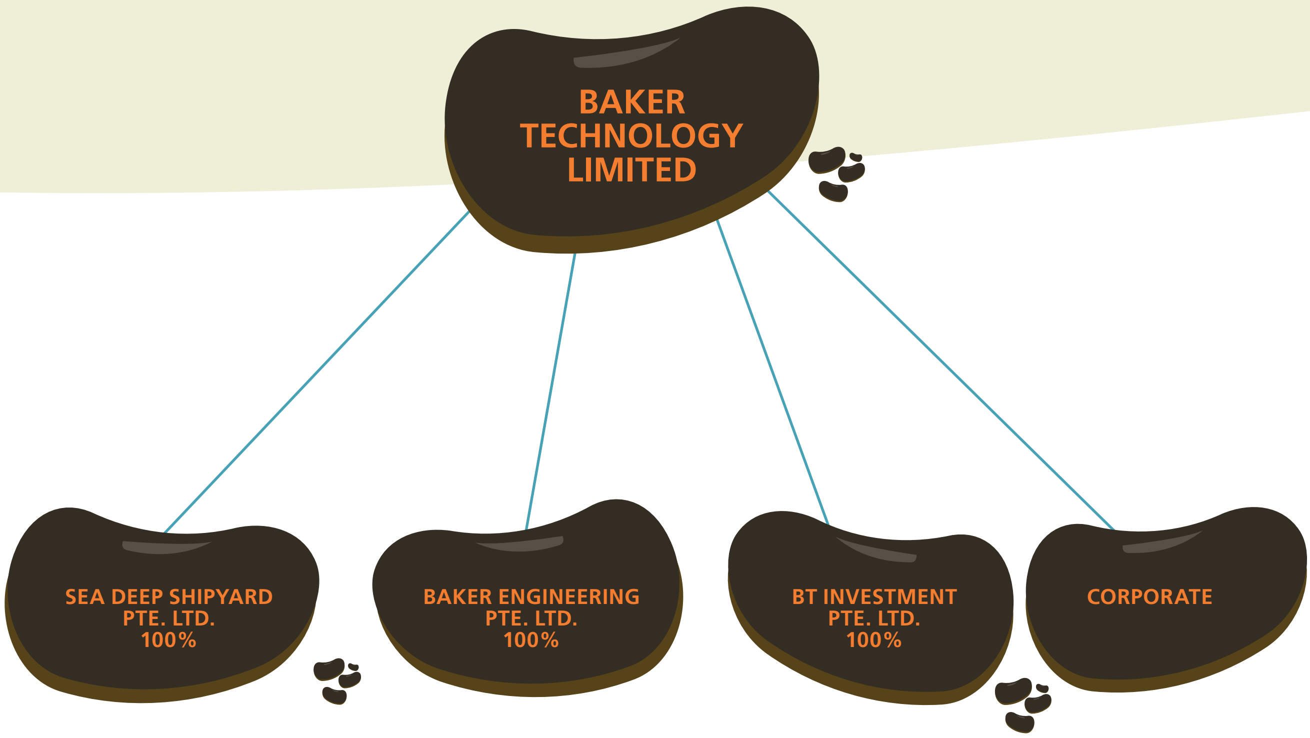
SEPTEMBER
Incorporation of wholly-owned subsidiary – BT Investment Pte. Ltd.

Corporate Structure

Baker Technology Limited ("Baker Tech") is an investment holding company focused mainly on the offshore oil and gas industry. Its key operating subsidiary, Sea Deep Shipyard Pte. Ltd. ("Sea Deep"), is a leading manufacturer and provider of specialised equipment and engineering solutions to oil companies and rig builders in Asia Pacific and the Middle East.

The Group incorporated two wholly-owned subsidiaries, Baker Engineering Pte. Ltd. ("Baker Engineering") and BT Investment Pte. Ltd. ("BT Investment") in 2013, which will increase the Group's market presence and expertise within the offshore oil and gas industry. Baker Engineering's focus is on the design and fabrication of components and equipment for the offshore oil and gas sector, while BT Investment will explore acquisitions and strategic alliances.

Baker Tech has built up advanced engineering capabilities and an outstanding reputation for innovation, quality, and reliability. The Group will continue to leverage this, whilst exploring strategic opportunities and partnerships to extend its reach into new markets, in order to enhance returns for shareholders. The Group believes in adhering to best practices in corporate governance, as well as developing its people, and being a responsible corporate citizen.



Corporate Information

BOARD OF DIRECTORS

CHAIRMAN
Lim Ho Seng *(Non-Executive)*

EXECUTIVE
Dr Benety Chang *(Chief Executive Officer)*
Jeanette Chang

LEAD INDEPENDENT DIRECTOR
Wong Meng Yeng

NON-EXECUTIVE
Tan Yang Guan
Wong Kwan Seng Robert*
Ang Miah Khiang *(Independent)*
Han Sah Heok Vicky *(Independent)*

AUDIT COMMITTEE
Ang Miah Khiang *(Chairman)*
Han Sah Heok Vicky
Wong Meng Yeng

NOMINATING COMMITTEE
Wong Meng Yeng *(Chairman)*
Han Sah Heok Vicky
Dr Benety Chang

REMUNERATION COMMITTEE
Han Sah Heok Vicky *(Chairman)*
Ang Miah Khiang
Lim Ho Seng

COMPANY SECRETARY
Nga Ko Nie

REGISTERED OFFICE
10 Jalan Samulun
Singapore 629124
Tel: +65 - 6262 1380
Fax: +65 - 6262 2108
Website: www.bakertech.com.sg

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: +65 - 6536 5355
Fax: +65 - 6536 1360

AUDITOR
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge:
Low Yen Mei
(appointed since financial year ended 31 December 2010)

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Australia and New Zealand Banking Group Limited
Standard Chartered Bank
BNP Paribas, Singapore Branch
Citibank N.A., Singapore Branch

* Retiring after the Annual General Meeting on 25 April 2014.

grow

Home grown

Fast growth

Investor friendly

The PREMIUM QUALITY

STEP 1

MEET OUR MANAGEMENT

- CHAIRMAN'S MESSAGE
- BOARD OF DIRECTORS AND KEY EXECUTIVES

grow

Chairman's Message

"GROWTH IS NEVER BY MERE CHANCE; IT IS THE RESULT OF FORCES WORKING TOGETHER."

- JAMES CASH PENNEY, FOUNDER OF J.C. PENNEY

DEAR SHAREHOLDERS,

2013 is the year in which we planted the seeds for bigger and better growth in future years. We have added to our Group structure as well as expanded our management team to lead the way in this new stage of development. In addition, with the need for more space to set the foundation for our work in the coming years, we acquired new premises in late 2013.

A YEAR OF CHANGE

In June 2013, we disposed of our entire 20.29% stake in Discovery Offshore S.A. ("DO"), an owner of ultra high-specification jack-up drilling rigs based in Luxembourg. The decision was prompted by DO's major shareholder, Hercules Offshore, Inc. ("Hercules"), acquiring additional shares from other shareholders triggering a mandatory general offer for all the remaining shares in DO. After carefully weighing our options, despite having intended this investment to be part of a longer term strategy, we decided that it would be better to realise the return on our investment, rather than retain our stake and become a minority shareholder. Hence, we sold our shares to Hercules at NOK 15.00 per share, the same price offered during the mandatory general offer. We recognised a gain of $8.8 million on this disposal.

We have also seen a number of changes in the Board of Directors over the last twelve months. Mr Anthony Sabastian Aurol stepped down from his positions as Executive Director and Chief Operating Officer to pursue personal interests. Mr Wong Kwan Seng Robert, who has served as a Director since 1998, has indicated he will not be offering himself for re-election at the upcoming Annual General Meeting. On behalf of the Board, we thank Mr Aurol and Mr Wong for their invaluable contributions during their many years of service.

The Board was bolstered by three additions in 2013 – Ms Jeanette Chang, Executive Director, who joined the Board on 1 September 2013 and Mr Ang Miah Khiang and Ms Han Sah Heok Vicky, both Independent Directors who joined the Board on 1 November 2013 and 1 December 2013 respectively. The presence of Ms Chang and Ms Han adds gender diversity to the Board. I am very pleased to extend a warm welcome to all our new Directors and I am confident that their diverse expertise and experience will be invaluable.

FY2013 FINANCIAL PERFORMANCE

Performance for FY2013 was strong with full year revenue at $83.3 million and a net profit of $22.4 million. Although this was lower as compared to FY2012 due to lower recognition of gains on disposal of investments in FY2013, Baker Tech's net profits (excluding investment gains) of $13.6 million and $12.5 million for FY2013 and FY2012 respectively demonstrates that our subsidiary Sea Deep Shipyard Pte. Ltd. ("Sea Deep") continued to perform in line with expectations. Sea Deep's order book also saw a recovery after several challenging quarters and ended the year with US$54 million in orders as at 31 December 2013. These orders are expected to be completed in the next 12 to 18 months. Overall, our financial position strengthened with $205.9 million in cash as at 31 December 2013 and no borrowings.

Given our financial performance in FY2013 and taking into account the gains from sale of our stake in DO, the Board of Directors is recommending a first and final dividend of 1 cent per ordinary share and a special dividend of 4 cents per ordinary share. Also, in order not to disadvantage our warrant holders, we will again be recommending an adjustment to the exercise price of the 2012 warrants to reflect the lower intrinsic value of the shares following this dividend payout.

RECOGNITION AND AWARDS

Baker Tech continued its run at the Singapore Corporate Awards in 2013, winning a Bronze award for Best Annual Report (for companies with less than $300 million in market capitalisation). This is the third consecutive year that we have won an award in this category. We were also included in Forbes Asia's Best Under a Billion list, which highlights 200 of the best listed companies in the Asia Pacific region with annual revenues of less than US$1 billion. This is the second time that we have been included in the list. In 2013 we were one of only seven companies in Singapore on the list.

BRANCHING OUT

We are in a prime position to expand our footprint through organic and inorganic growth while being mindful of the need to enhance shareholder returns and diversify the Group's revenue streams. In line with our plans to grow the business, we have established two wholly-owned subsidiaries, Baker Engineering Pte. Ltd. ("Baker Engineering") and BT Investment Pte. Ltd. ("BT Investment"). Organic growth will come through Baker Engineering which will specialise in the design, engineering, development and fabrication of equipment for the oil and gas and offshore marine industry.

grow

Chairman's Message

BT Investment, as an investment holding company, will mainly drive inorganic growth through exploring opportunities for acquisitions and strategic alliances with companies mainly in the oil and gas and offshore marine industry. I would like to take this opportunity to welcome the respective Managing Directors of the two subsidiaries, Mr Tan Wee Lee and Mr Heath McIntyre. Both men bring with them a wealth of experience in their respective fields and we look forward to their contributions. Shareholders can expect to receive updates on the business during the course of the year.

OUTLOOK

The outlook for the marine offshore sector is somewhat uncertain for 2014. Oil prices have been buoyant in the last 3 years and initial signs indicate that the global economy is regaining its footing. There is also increasing demand for higher specification jack-up rigs that are able to operate in harsher and deeper environments, as well as a need to carry out refurbishment or repairs on older rigs. These trends bode well for the Group. However, the costs associated with the exploration and production of crude oil have been steadily increasing, which has caused some oil producers to start re-evaluating their business activities. This may have subsequent knock-on effects on the entire supply chain.

Furthermore, given that competition in offshore engineering is intense, we cannot afford to rest on our laurels. To that end, we will continue to strive for excellence in our internal operations and ensure that we maintain our competitive edge and reputation for quality.

APPRECIATION
As we transition to the next stage of growth, the Board and I wholeheartedly thank our shareholders for continuing to support us in our journey. We are grateful to the management and staff for all their hard work and we would also like to thank all our customers, suppliers, business partners and advisors for their ongoing support.

I would also like to extend my appreciation to my fellow Board members for their commitment in nurturing and growing the Group and I look forward to the next steps ahead especially with our new Board members.

Let us look forward to reaping the fruits of our labour in the years ahead.

LIM HO SENG
Chairman of the Board
April 2014

grow

Board of Directors

MR LIM HO SENG

Mr Lim Ho Seng has been the Chairman of Baker Technology Limited ("Baker Tech") since November 2002. He was appointed to the Board since 1 October 1999 and was last re-elected on 25 April 2013. Mr Lim was re-designated from an Independent Non-Executive Director to a Non-Executive Director of Baker Tech on 1 January 2014 as he has completed more than nine years of service on the Board. He is also a member of the Remuneration Committee.

Mr Lim also sits on the board of KS Energy Limited. Mr Lim was the former Chief Executive Officer of NTUC Fairprice Co-operative Ltd. In the preceding 3-year period, he was an Independent Director of Kian Ann Engineering Ltd and Lippo-Mapletree Indonesia Retail Trust Management Ltd.

Mr Lim is a Fellow of the Institute of Singapore Chartered Accountants, 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

Dr Benety Chang is the Chief Executive Officer of Baker Tech and was appointed to the Board since 5 May 2000. He was last re-elected on 25 April 2012. Dr Chang, who is an Executive Director, is also a member of the Nominating Committee. He has extensive experience in the offshore oil and gas industry and was the major founding shareholder and Deputy Chairman of PPL Shipyard Pte Ltd until his resignation in 2012.

Dr Chang holds a MBBS degree from the University of Singapore.

MS JEANETTE CHANG

Ms Jeanette Chang was appointed as an Executive Director on 1 September 2013. Ms Chang has an engineering and finance background having worked with Mott MacDonald Group in London on UK and Singapore engineering projects. Prior to joining Baker Tech, Ms Chang was with Barclays Bank PLC for nine years, most recently as Director in its Equity Capital Markets team. She has significant experience in corporate finance especially in relation to fund raising in the capital markets.

Ms Chang holds a Masters in Engineering First Class (Civil Engineering) degree from Imperial College London and a Masters of Business Administration with Distinction from London Business School.

MR TAN YANG GUAN

Mr Tan Yang Guan was appointed to the Board since 5 May 2000 and was last re-elected on 25 April 2013. Mr Tan is a Non-Executive Director.

Mr Tan has more than 38 years of extensive experience in accounting, auditing and financial management. He started his career in audit with Ernst & Young in 1975. In 1988, he joined rig-builder, PPL Shipyard Pte Ltd ("PPLS") and was its Finance Director from 1995 to 2012. He was responsible for PPLS' financial, treasury and corporate finance functions.

Mr Tan is a Fellow of the Association of Chartered Certified Accountants of the United Kingdom, a Fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

grow

Board of Directors

Non-Executive Director

MR WONG KWAN SENG ROBERT

Mr Wong Kwan Seng Robert was appointed to the Board since 24 February 1998 and was last re-elected on 29 April 2011. Mr Wong is a Non-Executive Director of the Company.

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

Mr Wong is also an Independent Director of Wee Hur Holdings Ltd and Willas-Array Electronics (Holdings) Limited and sits on the board of Mount Alvernia Hospital. In the preceding 3-year period, he was an Independent Director of Darco Water Technologies Limited and Aqua-Terra Supply Co. Limited. Mr Wong graduated from the National University of Singapore in 1983 with a Bachelor of Laws (Honours) Degree.

Lead Independent Director

MR WONG MENG YENG

Mr Wong Meng Yeng was appointed to the Board since 3 June 2010 and was last re-elected on 29 April 2011. An Independent Director, he chairs the Nominating Committee and is a member of the Audit Committee. He was appointed as the Lead Independent Director of the Company on 1 January 2014.

Mr Wong has been an advocate and solicitor in Singapore since 1984 and practices corporate law. He is currently a director of Alliance LLC, a law corporation he co-founded in 2001. He is also an Independent Director of Multi-Chem Limited, KS Energy Limited and Keong Hong Holdings Limited. Mr Wong graduated from the National University of Singapore in 1983 with a Bachelor of Laws (Honours) Degree.

MR ANG MIAH KHIANG

Mr Ang Miah Kiang was appointed to the Board on 1 November 2013 as an Independent Director and as a member of the Audit Committee. He was appointed as the Chairman of the Audit Committee and member of the Remuneration Committee on 1 January 2014.

Mr Ang spent the greater part of his career in the small-medium enterprise financing business, having held the position of Managing Director of GE Commercial Financing (S) Ltd (formerly known as Heller Financial (S) Ltd). He was also concurrently the regional director for GE related businesses in the Asia Pacific.

Mr Ang is also an Independent Director of Uni-Asia Holdings Limited, Ley Choon Group Holdings Limited and PS Group Holdings Ltd. In the preceding 3-year period, he was an Independent Director of Asia Enterprises Holding Limited, Cal-comp Precision (Singapore) Limited (formerly known as Avaplas Ltd) and Heng Long International Ltd. He is a non-practising Fellow of the Institute of Singapore Chartered Accountants and holds a Bachelor of Accountancy degree from the University of Singapore.

.

MS HAN SAH HEOK VICKY

Ms Han Sah Heok Vicky was appointed to the Board on 1 December 2013 as an Independent Director. She was appointed as the Chairman of the Remuneration Committee and member of the Audit and Nominating Committees on 1 January 2014.

Ms Han is currently a director of BA Contracts Pte. Ltd., a company that is principally engaged as a wholesaler, importer and exporter of various building materials including jacking pipes and as a subcontractor in the building and construction industry. Prior to July 2013, Ms Han was the head of the Corporate Finance Department of NRA Capital Pte. Ltd., specialising in providing corporate advisory and fund raising transaction services to companies.

Ms Han holds a Bachelor of Accountancy degree from the National University of Singapore. Since her graduation in 1982, she has worked with various banking and financial institutions in Singapore, specialising in providing corporate finance services. She has extensive experience in merchant banking with a particular emphasis on corporate finance related transactions including public listings, equity offerings and acquisitions and divestments.

grow

Key Executives

MR TAN KIANG KHERNG
CHIEF FINANCIAL OFFICER
BAKER TECHNOLOGY LIMITED

MR TAN KENG TIONG ALVIN
SENIOR VICE PRESIDENT
BUSINESS DEVELOPMENT
BAKER TECHNOLOGY LIMITED

MR TAN KIANG KHERNG

Mr Tan Kiang Kherng joined the Group in June 2002 as Financial Controller and was promoted to Chief Financial Officer in September 2013. He is responsible for all financial matters of the Group which includes financial reporting, strategic financial planning, treasury and internal controls. Prior to joining the Group, Mr Tan was a Senior Audit Manager with Ernst and Young, Singapore.

He graduated from Nanyang Technological University with a Bachelor of Accountancy (Honours) degree and is a member of the Institute of Singapore Chartered Accountants.

MR TAN KENG TIONG ALVIN

Mr Tan Keng Tiong Alvin joined the Group in 2001 and is responsible for overall business development for the Group. Mr Tan started his career in the marine oil and gas industry and has held several senior positions with various companies in the marine transport sector.

He holds a Bachelor of Business degree from Curtin University of Technology, a Master of Business Administration from the Nanyang Technological University and has completed the Advanced Management Programme at Haas School of Business, University of California Berkeley in 2011.

MR ONG THIAN WHEE ALBERT
MANAGING DIRECTOR
SEA DEEP SHIPYARD PTE. LTD.

MR TAN WEE LEE
MANAGING DIRECTOR
BAKER ENGINEERING PTE. LTD.

MR HEATH MCINTYRE
MANAGING DIRECTOR
BT INVESTMENT PTE. LTD.

MR ONG THIAN WHEE ALBERT

Mr Ong Thian Whee Albert joined the Group in September 2006 and is responsible for the overall management and operations of Sea Deep Shipyard Pte. Ltd. ("Sea Deep"). He also sits on the board of Sea Deep's subsidiary, Interseas Shipping (Private) Limited.

Mr Ong has been in the oil and gas industry since 1975, and has accumulated extensive industry experience and built numerous valuable business relationships within the industry.

MR TAN WEE LEE

Mr Tan Wee Lee joined the Group in October 2013 and is responsible for overall management and operations of Baker Engineering Pte. Ltd. Mr Tan started his career in Keppel FELS as a Graduate Management Trainee (Electrical Superintendent) in 1995. In 1998, he joined PPL Shipyard Pte Ltd ("PPLS") as a Project Engineer and was promoted to Project Manager in 2005. During his 10 years in PPLS he was involved in all aspects of rig construction and was Project Manager of 5 high specification jack-up drilling rig projects. In 2008, he joined a Chinese private shipyard as General Manager to set up a marine and offshore division. He later established an engineering and marketing subsidiary in Singapore and was the Managing Director of the Singapore company.

Mr Tan holds a Bachelor of Engineering (Electrical Engineering) degree from Nanyang Technological University Singapore.

MR HEATH MCINTYRE

Mr Heath McIntyre joined the Group in December 2013 and is responsible for overall management and operations of BT Investment Pte. Ltd. Prior to joining the Group and since 2006, Mr McIntyre was Executive Director at Southern Capital Group ("SCG"), an independent private equity firm focused on middle-market buyout investments in South East Asia. Prior to SCG, he spent 6 years at Affinity Equity Partners (formerly UBS Capital Asia Private Equity) then a large-cap private equity firm principally involved in buyout investments in the broader Asia Pacific region.

Mr McIntyre holds a Bachelor of Commerce degree from University of Toronto and a Master of Business Administration from University of Chicago, Graduate School of Business.

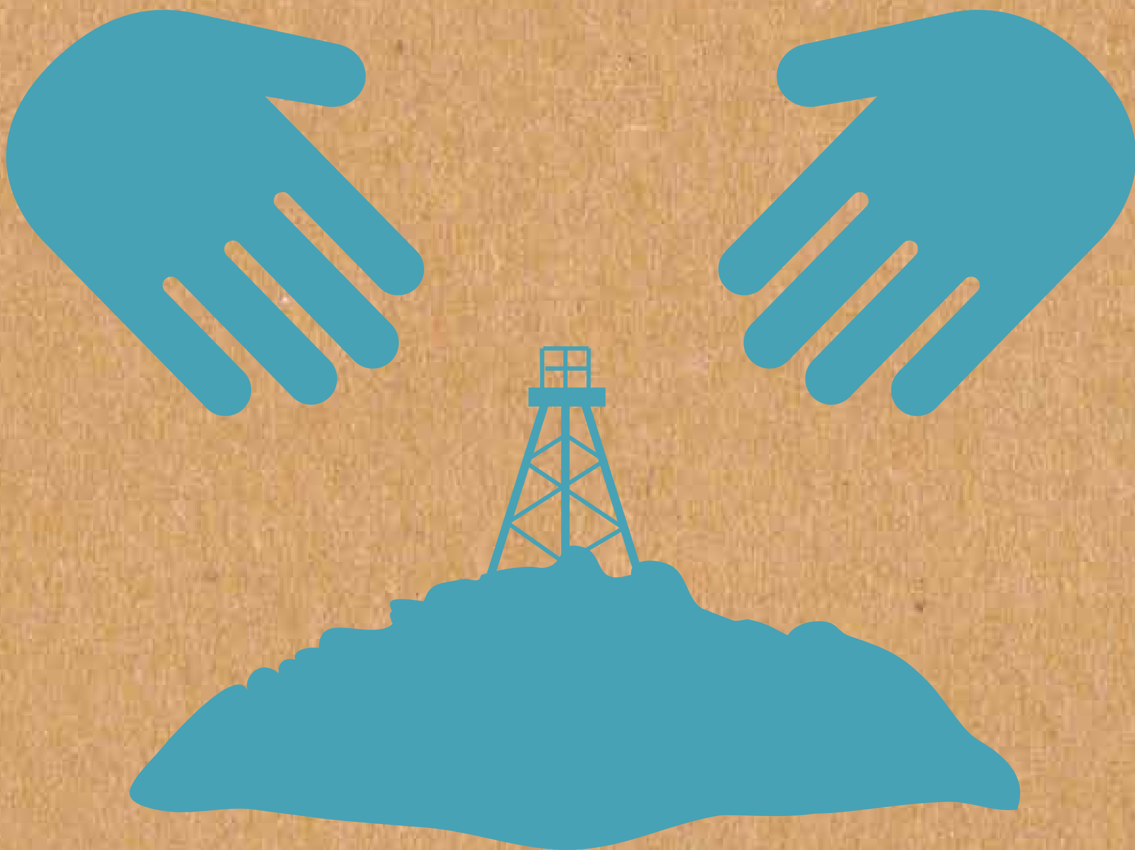
cultivate

Home grown

Fast growth

Investor friendly

The PREMIUM QUALITY



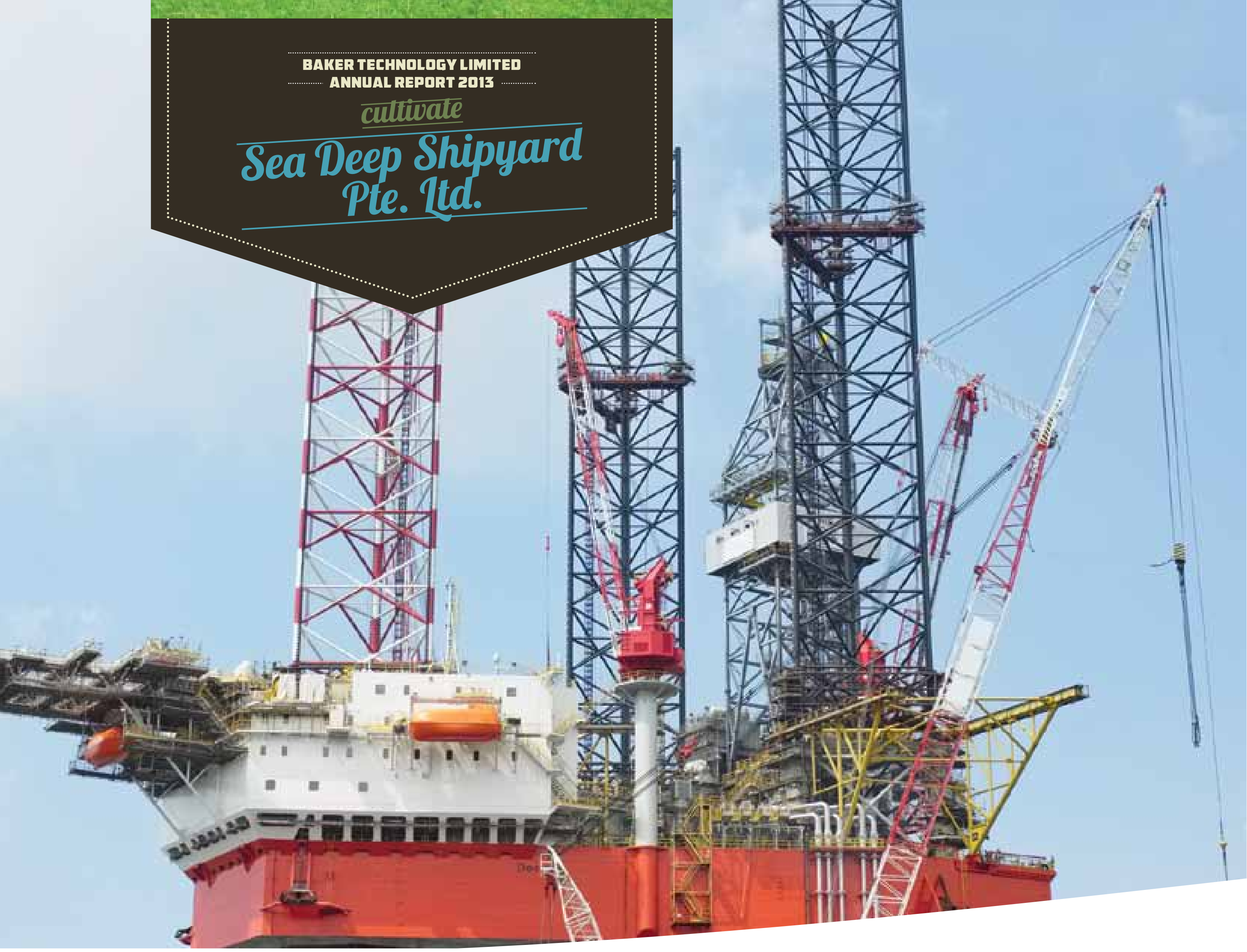
STEP 2

UNDERSTAND OUR BUSINESS

- SEA DEEP SHIPYARD PTE. LTD.
- BAKER ENGINEERING PTE. LTD.
- BT INVESTMENT PTE. LTD.

cultivate

Sea Deep Shipyard Pte. Ltd.



SEA DEEP SHIPYARD PTE. LTD.

Baker Tech acquired Sea Deep Shipyard Pte. Ltd. ("Sea Deep") in 2008 and over the last five years, Sea Deep has established itself as a leading manufacturer with outstanding engineering expertise. Supported by its team of highly skilled engineers with multi-engineering disciplines, Sea Deep provides excellent product customisation services to meet its customers' specific requirements for engineering products.

Sea Deep offers its own proprietary Sea Hercules cranes, specifically designed for Floating Production Storage Offloading Unit (FPSO) and fixed and floating platforms. Designed for reliability, cost effective maintenance and user–friendliness, Sea Hercules cranes have a proven track record and have established themselves with a strong presence in Asia Pacific and the Middle East.

In 2013, Sea Deep was appointed the sole-agent for DMW Marine Group LLC ("DMW Marine") for South East Asia. DMW Marine is the manufacturer and distributor of a complete range of marine cranes and products designed for hoisting operations. Their designs take into consideration the stresses and load conditions of the harsh marine environment. Sea Deep actively markets DMW Marine products and services which complement the range of Sea Deep's cranes.

Today, Sea Deep has delivered high specification cranes to cater for all operating conditions. Along with its wholly-owned subsidiary, Interseas Shipping (Private) Limited., Sea Deep builds strong and long-term alliances with its customers and continues to drive its growth through active dedication towards research and development. Striving towards innovation and efficiency, Sea Deep partakes in project management and turnkey conversions with proprietary designs whilst ensuring that high standards of health and safety are met.

SEA HERCULES

DMWMARINEGROUP

Sea Deep occupies a waterfront facility complete with fully-functional workshops, warehouse facility, blasting chambers and an office building. It has its own in-house testing and training facilities.

Sea Deep's range of products and services include:

- Offshore Pedestal Crane – Sea Hercules Kingpost Crane
- Special Steel Products and Components Fabrication – Rack Chords and Pinions
- Design and Engineering Services
- Ancillary Equipment – Elevating Systems, Skidding Systems, Raw Water Towers and Winches
- Mechanical Handling Equipment

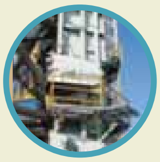
Sea Deep continues to expand on its capabilities by improving and increasing its comprehensive suite of products and services offered.

SEA DEEP

INTERSEAS

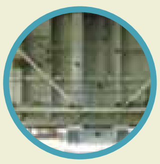
Sea Deep Shipyard Pte. Ltd.

KEY BUSINESS PRODUCTS



CONVERSION/REFURBISHMENT OF JACKING SYSTEMS

Our range of ABS-approved electric-driven elevating systems offers advanced speeds with high pinion holding capacity. Each pinion has its own separate gear reduction train, motor and brake system.



1

SKIDDING SYSTEMS

Our skidding systems are amongst the most respected and are custom built to classification standards. We offer a variety of skidding systems, claw assembly with hydraulic cylinders and rack and pinion skidding units.

2

RAW WATER TOWER STRUCTURES

With a time-tested rack and pinion elevating system on a triangular truss-type tower, our raw water towers offer efficient and economic supply of seawater to the jack-up rig while in jacked-up mode. Each tower is tailored to customers' specific requirements for their existing fleet of rigs.

3

RACK CHORDS

We design, procure and fabricate rack chords and gear pinions for jack-up rigs to suit customised requirements.

CUSTOMISATION & ENGINEERING WORKS

Our engineering works adhere to specifications, often exceeding our customers' expectations and meeting applicable international design codes and classification society requirements. We offer custom fabrication of high tensile components, including rack and pinions, machine tool manufacturing, and bridge components.

4

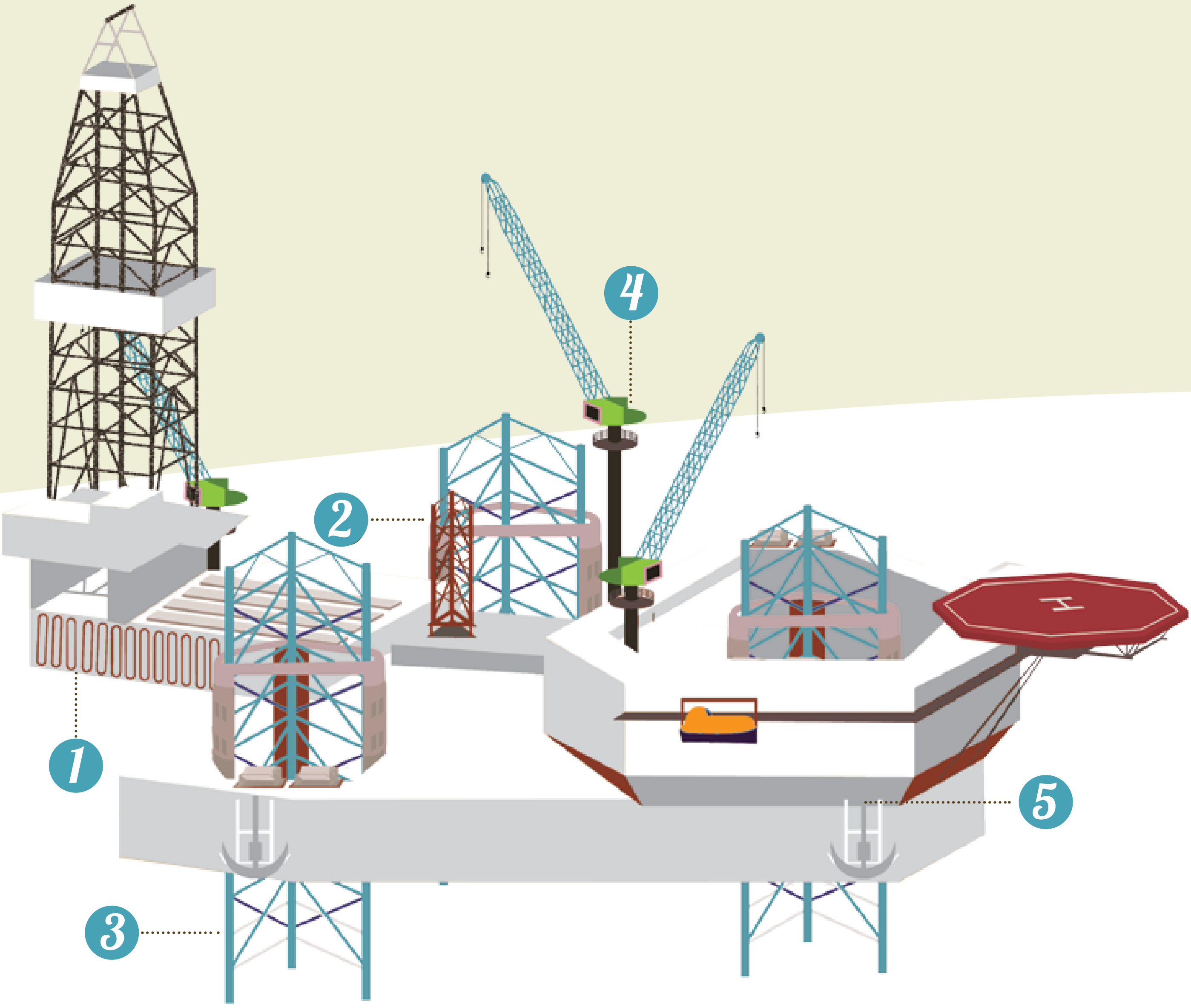
OFFSHORE PEDESTAL CRANES

We design, manufacture and market our own proprietary range of 25 to 150 tonne offshore pedestal cranes. In addition to reliability, cost effective maintenance and user friendliness, each crane is engineered to customer's needs and adhere to industry requirements.

5

ANCHOR WINCHES

Compact and equipped with dynamic braking and high torque, the anchor winches are designed to cater to varied requests such as wire rope sizes. These winches are certified to ABS standards for Mobile Offshore Drilling Units (MODU).


1
2
3
4
5
H

Baker Engineering Pte. Ltd.

BAKER ENGINEERING

BAKER ENGINEERING PTE. LTD.

Baker Engineering Pte. Ltd. ("Baker Engineering") was incorporated in May 2013 as a wholly-owned subsidiary of Baker Tech. Baker Engineering will complement and add a new dimension to Baker Tech's core business segment of designing and fabricating offshore marine equipment.

Operating out of new premises in Jurong which includes an office building and workshop facility, Baker Engineering will serve to increase the Group's presence globally.

cultivate

BT Investment Pte. Ltd.

BT INVESTMENT

BT INVESTMENT PTE. LTD.

Baker Tech incorporated a wholly-owned subsidiary – BT Investment Pte. Ltd. ("BT Investment") in September 2013.

BT Investment is established principally as an investment holding company, focused on exploring new business opportunities to increase the Group's revenue stream and expansion of Baker Tech's product offerings through acquisitions and strategic alliances.

nurture

Home grown

Fast growth

Investor friendly

The PREMIUM QUALITY

STEP 3

BELIEVE IN OUR VALUES

- WORKPLACE SAFETY AND HEALTH
- CORPORATE SOCIAL RESPONSIBILITY
- INVESTOR RELATIONS
- RISK MANAGEMENT AND MITIGATION

nurture

Workplace Safety and Health

WORKPLACE SAFETY AND HEALTH

Baker Tech places great emphasis on workplace safety and health ("WSH"). We actively engage staff across all levels to work together to identify work-related risks, and discuss preventive safety measures. Our WSH initiatives and efforts toward safety excellence at the workplace ensures the well-being of all our staff.

Educational briefings and trainings are organised to reinforce the safety conscious mindset at the workplace. Advisory messages, banners and signboards with respect to safety, are strategically located to help cultivate a safe and healthy workplace. Sea Deep arranges for employees to attend seminars and workshops held by the Singapore Institute of Safety Officers ("SISO") to stay current with the latest developments for WSH.

The Group ensures that selected operational employees attend the Risk Assessment Certification Programme as well as the Occupational First Aid Course. In addition, all new employees have to undergo internal safety and training orientation programmes to ensure that WSH is put into practice.

We take pride in taking care of our foreign workers by accommodating them in approved and well-managed dormitories with comfortable transportation to and from work. They also enjoy various recreational activities. With regular drills and WSH practices in place, all employees are well prepared for any emergency situation in the workplace.

OUR EMPLOYEES GENUINELY CARE ABOUT HIGH QUALITY TIMELY DELIVERY AND TAKE PRIDE IN THEIR WORK. IT IS THROUGH SUPPORTING THEIR TALENT AND INCREASING THEIR KNOWLEDGE AND SKILLS BASE THAT THEY ARE ABLE TO PERFORM TO THE BEST OF THEIR ABILITIES.

TOWARDS CONTINUED LEARNING AND GROWTH

Behind the success of Baker Tech stands the firm partnership between the Company and its human capital. Our people stand committed and are passionate in driving the success of Baker Tech. At Baker Tech, we invest in our employees as we believe that our employees give us the competitive edge to ensure the continued success of the Group. The Group recognises employees who display leadership skills and have the ability to inspire others. Their skills and potential are developed through training and management programmes.

As an integral part of our efforts towards achieving organisational effectiveness Baker Tech promotes staff engagement programmes and provides staff welfare benefits. Regular staff gatherings are organised to facilitate staff communication and gather effective feedback across all levels.

nurture

Corporate Social Responsibility

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to fulfilling its social responsibility as a good corporate citizen by acting ethically and responsibly in all areas of our business operations. At Baker Tech, we adopt and incorporate best practices in the way we conduct our business. It has been a longstanding tradition to contribute to local communities, to deliver excellence in all our products and services to our esteemed customers and to foster a supportive working environment for all our employees.

MAKING ROOM IN OUR HEARTS FOR OUR COMMUNITY. WE FIRMLY BELIEVE THAT EMPLOYEES SHOULD LEAD A BALANCED LIFESTYLE, PROVIDING FOR A LONGER, BETTER AND HAPPIER LIFE.

ENCOURAGING A HEALTHY LIFESTYLE

Through our active efforts to promote a healthy and active lifestyle, Baker Tech participated in the sponsorship of Singapore Exchange ("SGX") Bull Charge 5KM Fun Run in November 2013. Our participation in this event encouraged team bonding and staff interaction across various levels.

Every year, Baker Tech works closely with different charitable organisations to contribute to society and to provide assistance to those who are less fortunate. This year, Baker Tech donated towards assisting The Breadline Group and the Breast Cancer Foundation ("BCF").

The Breadline Group comprises of volunteers from all walks of life, sharing a deep concern for the welfare and well-being of the old and under-privileged in Singapore. Volunteers at The Breadline Group pay regular home visits to families-in-need, and offer a helping hand, a listening ear and / or provide financial assistance. The beneficiaries of The Breadline Group are often recommended by social workers and medical social workers from different welfare groups.

Baker Tech hopes that with the donation, The Breadline Group will be able to foster better emotional care and offer better financial aid to support the destitute community.

As a part of our community outreach initiatives, Baker Tech also sponsored the new racing attire for BCF Paddlers in the Pink. The new racing attire will comprise of BCF's signature pink wind breaker, racing tops and paddling shorts. With this sponsorship and support, Baker Tech hopes to continue to inspire the Paddlers in the Pink to continue in their relentless pursuit of their worthy cause, and to continue motivating women to lead full and active lives after breast cancer.

nurture

Investor Relations

INVESTOR RELATIONS

Baker Tech is committed to regular and timely communication with the investment community. It believes in maintaining open and continuous dialogue with shareholders, analysts, fund managers and the financial media.

The Investor Relations team at Baker Tech is led by the Chairman of the Board, Mr Lim Ho Seng, and actively supported by key executives and management.

Over the course of the financial year 2013, investors were updated on major corporate developments including the payout of a bumper 8.5 cent special dividend, which also resulted in an adjustment to the outstanding warrants in order to reflect a lower intrinsic stock value. The Group also disposed of its entire stake in a subsidiary, Discovery Offshore S.A., and the rationale for the disposal was outlined to the market.

The Investor Relations team proactively engages the investment community through several key events in the year. In keeping with past practice, briefings are held twice a year for the reporting of the Group's half-year and full year financial results. The Annual General Meeting (AGM) also provides a key platform for shareholder engagement and this was held on 25 April 2013 at the NUSS Kent Ridge Guild House. Directors and Senior Management of the Group were present to answer questions from shareholders in attendance.

Baker Tech's corporate website, www.bakertech.com.sg, is a comprehensive source of information for shareholders and the investment community. The Company's publicly disclosed financial information, annual reports and announcements can be found on the website.

All material information, including its quarterly financial performance, position and prospects, and materials from results briefings, is disclosed and released in a timely manner via SGXNet onto the SGX-ST website before dissemination to the shareholders, financial media and investment community. This information is also available on the Investor Relations page on the Company's corporate website.

Baker Tech continues to be recognised for its efforts in transparency and reporting to shareholders, and received an award for the third consecutive year at the Singapore Corporate Awards 2013, attaining a Bronze award for 'Best Annual Report' in the category for companies with a market capitalisation under $300 million. Baker Tech regularly reviews and updates its corporate governance and reporting policies to uphold its reputation as a quality company for shareholders.

nurture

Risk Management and Mitigation

RISK MANAGEMENT AND MITIGATION

As a listed company, Baker Tech is committed to safeguarding stakeholders' interests, the Group's assets and to deliver sustainable value to shareholders.

The Group has in place an Enterprise Risk Management framework to effectively mitigate and minimise significant exposures to industry-related, financial and operational risks to ensure overall health of the Group's activities and businesses.

The framework and implementation actions are regularly assessed and evaluated by the Board to ensure alignment with the Group's strategic objectives and consistency with the Group's risk appetite.

INDUSTRY-RELATED RISKS

As a manufacturer and provider of specialised engineering components for the offshore marine oil and gas industry, the Group is exposed to challenges facing the oil and gas industry today. Global economic sentiment and price swings from demand and supply are key factors driving offshore explorations and drilling activities.

Volatile commodity prices – particularly steel, can also potentially weigh on the Group's financial performance. With steel being the main element in the Group's products, the Group is predisposed to fluctuations in steel prices stemming from cyclical demand. Delayed delivery of raw materials could result in extended completion time, which could have a negative implication on the Group's financial performance.

To mitigate this, the Group accounts for steel price volatility within its contracts with customers to better manage price fluctuations in the market, while maintaining close working relationships with its long-term suppliers to ensure timely delivery of raw materials for the smooth completion of projects.

Baker Tech explores business opportunities to diversify its core activities and actively engages in research and development to stay current with technological developments and product innovations in order to fortify its existing range of products and to develop new products to extend its market reach.

In its effort to diversify and increase its revenue stream, Baker Tech incorporated Baker Engineering Pte. Ltd. and BT Investment Pte. Ltd. in 2013.

Baker Engineering will focus on design, engineering, development and fabrication of components and equipment for the oil and gas and offshore marine industry. BT Investment will explore acquisitions and strategic alliances.

FINANCIAL RISKS

Like any global operations, Baker Tech's activities are susceptible to exchange currency fluctuations, primarily in U.S. dollar and Euro.

To minimise the impact on its financial performance, the Group adopts natural hedging by procuring resources in the same currency as the sales currency and undertakes spot conversion of excess foreign currencies to Singapore dollar as required.

Most of the Group's operations are project-based, executed over a prolonged period of time. With payments made progressively, the Group can potentially run into credit risks and defaults. Hence, the Group has established a policy to impose credit verifications and predominantly deals with counterparties with high credit ratings. In most instances, the Group also collects up-front non-refundable deposits and closely reviews outstanding debts.

OPERATIONAL RISKS

Operational risks are particularly inherent in the manufacture of heavy and bulky offshore engineering equipment.

In accordance with the guidelines enforced by the Ministry of Manpower, Baker Tech has several Workplace Safety and Health ("WSH") initiatives in place. A Safety Committee oversees all WSH procedures in the workplace and regular meetings are held to review and provide an update on safety issues.

Risk assessment is also carried out before the start of production activities and toolbox meetings are conducted by supervisors daily.

All operational employees of the Group are required to undergo internal safety briefings, external competency training, orientation programmes and fire evacuation drills to ensure preparedness during emergencies.

In the event of an unforeseen global disease outbreak, the Group has a contingency plan which complies with the response measures advised by the Ministry of Health.

By observing internal and external controls, the Group maximises operational efficiency through the reduction of downtime and ensures continuity to fulfill customer obligations.

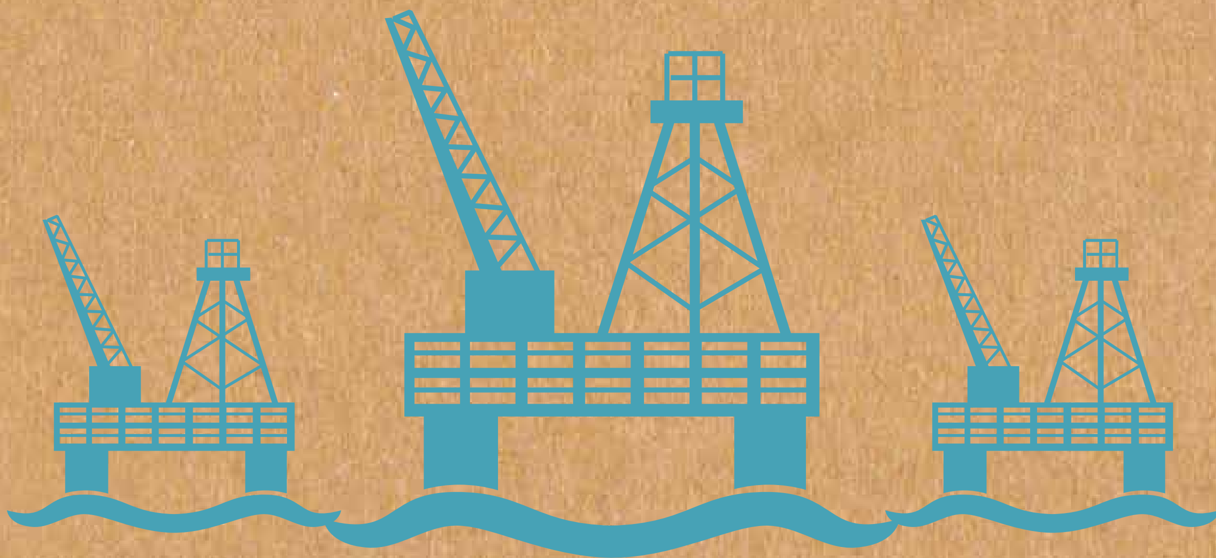
reap

Home grown

Fast growth

Investor friendly

The PREMIUM QUALITY



STEP 4

SHARE IN OUR SUCCESS

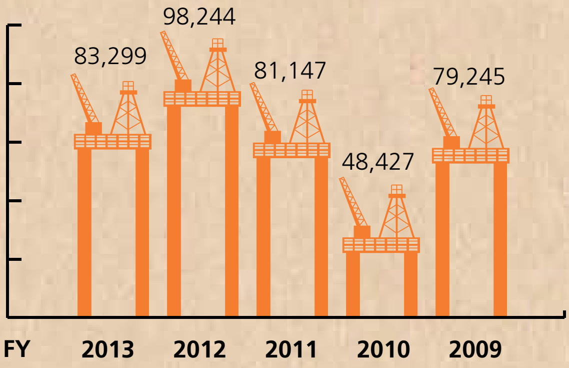
- OPERATION AND FINANCIAL REVIEW
- FIVE-YEAR FINANCIAL HIGHLIGHTS
- STABLE ORDER BOOKS
- REVENUE GROWTH

Five-Year Financial Highlights

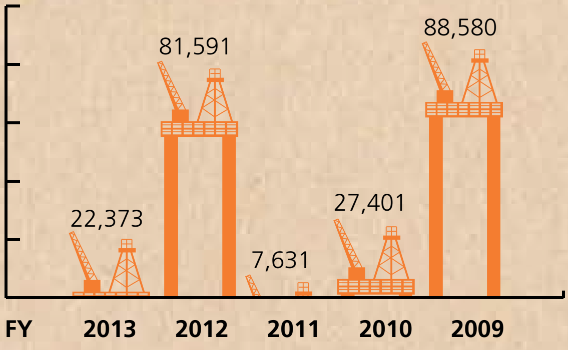
	2013	2012	2011	2010	2009
Financial Performance ($'000)					
Revenue	83,299	98,244	81,147	48,427	79,245
Gross profit	23,768	25,084	23,510	24,931	51,299
Share of results from joint venture / associates	(495)	587	(247)	16,212	55,160
Gains from disposal of subsidiary / associates	8,757	69,132	-	-	-
Pre-tax profit	26,080	84,799	10,630	30,389	96,130
Pre-tax profit*	17,818	15,081	10,877	14,177	40,970
Net Profit	22,373	81,591	7,631	27,401	88,580
Financial Position ($'000)					
Total assets	256,169	292,485	267,375	263,300	198,299
Cash and short-term deposits	205,871	173,902	169,277	214,130	76,428
Loans and borrowings	-	3,678	-	99	145
Net current assets	222,902	225,358	129,922	163,848	69,787
Shareholders' equity	239,843	268,143	171,791	187,133	166,285
Per Share Data (Cents)					
Earnings per share	2.7	11.5	1.1	4.1	13.9
Diluted Earnings per share	2.4	8.3	0.8	2.8	13.8
Dividend per share	5.00	10.00	1.00	3.00	2.25
Cash per share	23.6	23.6	24.2	31.4	11.7
Net asset per share	27.5	36.4	24.5	27.4	25.4
Other Information					
Return on shareholders' equity	9%	30%	4%	15%	53%
Return on assets	10%	29%	4%	12%	48%
Dividend cover	0.5	1.2	1.1	1.4	6.2
Average number of employees	130	145	116	88	99
Revenue per employee	641	678	700	550	800
Net order book (US$'m)	54	49	80	33	7
Stock Information					
Number of shares on issue ('000)	872,141	736,807	700,169	682,578	654,768
Highest/Lowest share price (cents)	45.0/25.5	34.5/25.0	44.5/23.5	56.5/28.0	37.5/10.0
Year-end share price (cents)	27.0	32.5	24.5	38.5	32.5
Year-end market capitalisation ($'m)	235.5	239.5	171.5	262.8	212.8

* Excluding share of results from joint ventures / associates and gains from disposal of subsidiary / associates

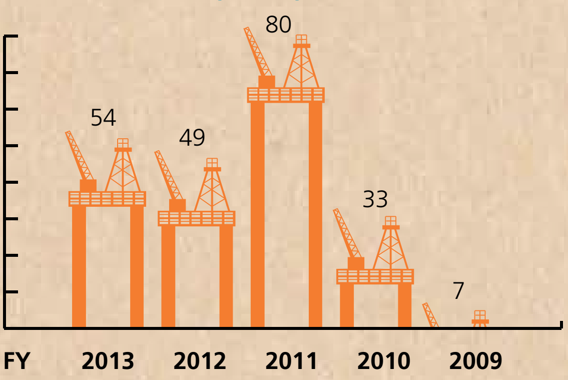
REVENUE ($'000)



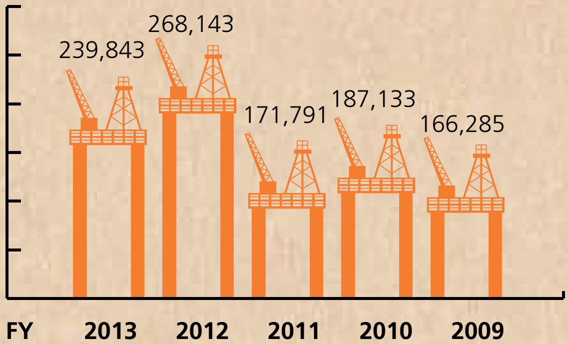
PROFIT AFTER TAX ($'000)



NET ORDER BOOK (US$'M)



SHAREHOLDERS' EQUITY ($'000)



SHARE PRICE PERFORMANCE ($)

reap

Operating Review

OVERVIEW

Baker Tech recorded a net profit of $22.4 million for FY2013, which is lower than the $81.6 million recorded in FY2012, due to lower investment gains in FY2013. Excluding the investment gains, the Group's net profit would be $13.6 million and $12.5 million for FY2013 and FY2012, respectively.

Baker Tech's principal activity is in the manufacture and provision of specialised marine offshore equipment and services for the oil and gas industry.The Group remains optimistic on the long term prospects of the oil and gas industry and is on the lookout for new opportunities to diversify and increase existing revenue streams. Over the course of FY2013, the Group incorporated two wholly-owned subsidiaries, namely Baker Engineering Pte. Ltd. ("Baker Engineering") and BT Investment Pte. Ltd. ("BT Investment").

Baker Engineering is involved in the design, engineering, development and fabrication of components and equipment for the oil and gas and offshore marine industry. It operates from the Group's new premises at 10 Jalan Samulun, Singapore 629124. BT Investment's focus is on acquisitions and strategic alliances.

In line with the establishment of the new subsidiaries, the Group expanded its Board of Directors and management team during the year.

MARINE OFFSHORE

	2013 $'000	2012 $'000	% chg
Revenue	83,299	98,244	-15%
EBITDA	21,475	21,534	-
Pre-tax Profit	20,295	20,040	1%

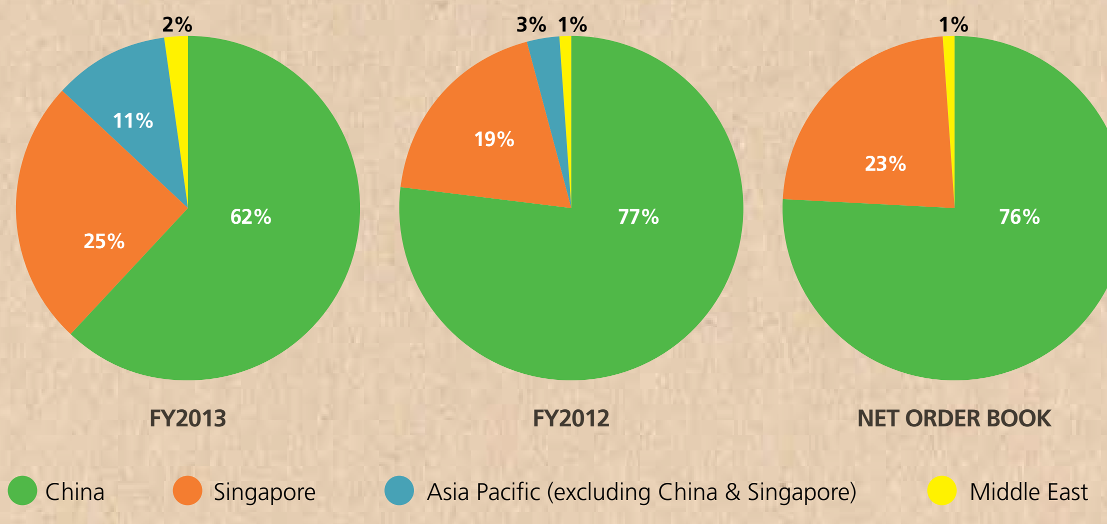
The Group witnessed a slowdown in order intake beginning in July 2012 and lasting through to the middle of 2013, primarily due to the Eurozone crisis, US fiscal cliff, and tight credit markets which weighed heavily on the industry during FY2012. Hence, the net order book peaked at US$64 million at the end of June 2012, before declining to a low of US$33 million as at June 2013. Since July 2013, the Group saw an influx of orders, and the net order book has since improved to US$54 million as at 31 December 2013. These orders are expected to be completed within the next 12 to 18 months.

Consequently, the Group recorded lower Marine Offshore revenue due to lower revenue recognition from new projects that were secured in FY2013. However, due to higher margins on projects, and a foreign exchange gain, pre-tax profit from Marine Offshore improved by a marginal 1% to $20.3 million.

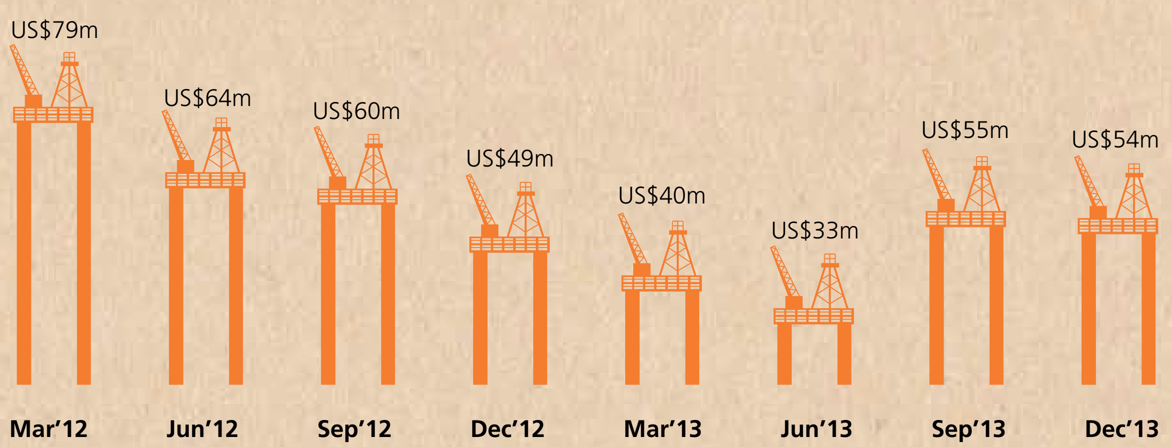
reap

Operating Review

REVENUE BY GEOGRAPHICAL AREA



NET ORDER BOOK TREND



China is an important market for the Group's marine offshore business and was the main contributor of revenue for FY2013, followed by Singapore. China is in the midst of a strategic shift away from shipbuilding towards marine offshore engineering. According to China's Ministry of Industry and Information Technology, in the first 10 months of 2013 the sector already lodged US$12.8 billion worth of orders, easily surpassing the US$8.5 billion in orders for the whole of 2012. As a percentage of global market share, China accounted for 26% in 2013, compared to 13% in 2012.

Nevertheless, the Group's near term prospects will remain challenging due to uncertainty in the global marketplace.

reap

Financial Review

Income Statement	2013 $'000	2012 $'000	Changes %
Revenue	83,299	98,244	-15%
Cost of goods sold	(59,531)	(73,160)	-19%
Gross profits	23,768	25,084	-5%
Other operating income / (expenses), net	1,871	(173)	NM
Administrative expenses	(7,813)	(9,708)	-20%
Finance costs	(8)	(122)	-93%
Share of results of associates	(495)	587	NM
Gain on disposal of associates	8,757	10,894	-20%
Recognition of deferred gain from disposal of subsidiary (PPLH)	-	58,237	NM
Profit before tax	26,080	84,799	-69%
Income tax expenses	(3,707)	(3,208)	16%
Profit after tax	22,373	81,591	-73%
Gross Profit Margin	29%	26%	

The 15% reduction in Group revenue was mainly attributable to the slowdown of order intake from July 2012 to June 2013, and lower contribution from newer projects secured in FY2013. Despite the reduction in revenue, gross profit decreased by only 5% due to better margins resulting from improvements in production efficiency.

Pre-tax profit was significantly lower compared to FY2012 mainly due to lower investment gains in FY2013. In FY2013, the Group recorded a gain of $8.8 million on the disposal of its stake in Discovery Offshore S.A. In comparison, FY2012 pre-tax profit included the recognition of a deferred gain of $58.2 million from the sale of the stake in PPL Holdings Pte Ltd ('PPLH"), and a $10.9 million gain on disposal of York Transport Equipment (Asia) Pte Ltd ("York").

The decrease in pre-tax profit was partially offset by a reduction in administrative expenses, mainly due to lower payroll costs and lower legal fees due to the conclusion of the legal suit in May 2012. The Group's key operating subsidiary in the marine offshore segment, Sea Deep, maintained its healthy contribution to the Group's earnings, contributing pre-tax profit of $20.3 million. This was a marginal increase from $20.0 million in 2012.

Other operating income was boosted by a foreign exchange gain of $1.6 million due to the strengthening of both the US dollar and the Euro against the Singapore dollar.

The Group's effective tax rate for FY2013 was 14% compared to 4% in FY2012. These rates were lower than the statutory income tax rate of 17% in Singapore, as the substantial gains from the disposals of subsidiary / associates were capital in nature and thus not subjected to tax.

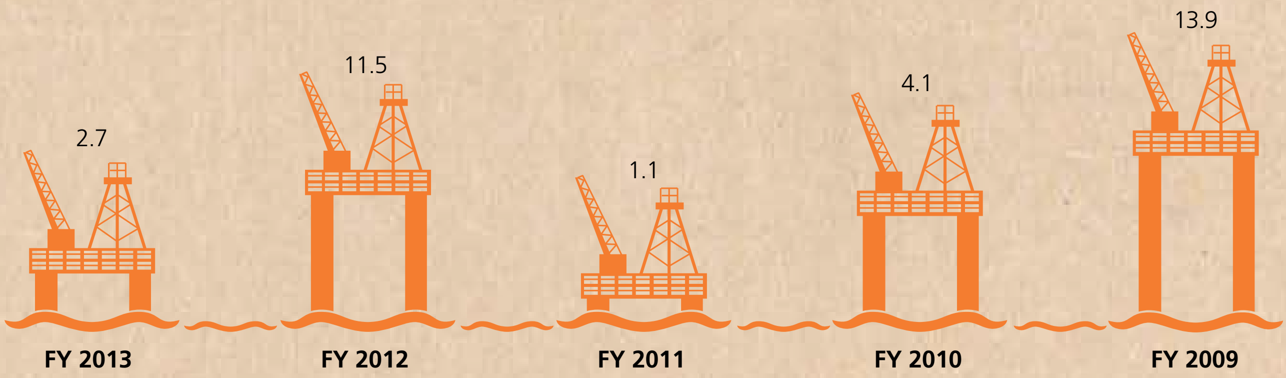
As a result of the above factors, the Group's net profit reduced 73% to $22.4 million in FY2013. Basic earnings per share were 2.7 cents for FY2013, compared to 11.5 cents in FY2012. Fully diluted earnings per share were 2.4 cents, after adjusting for the dilutive effect of approximately 145 million warrants outstanding.

reap

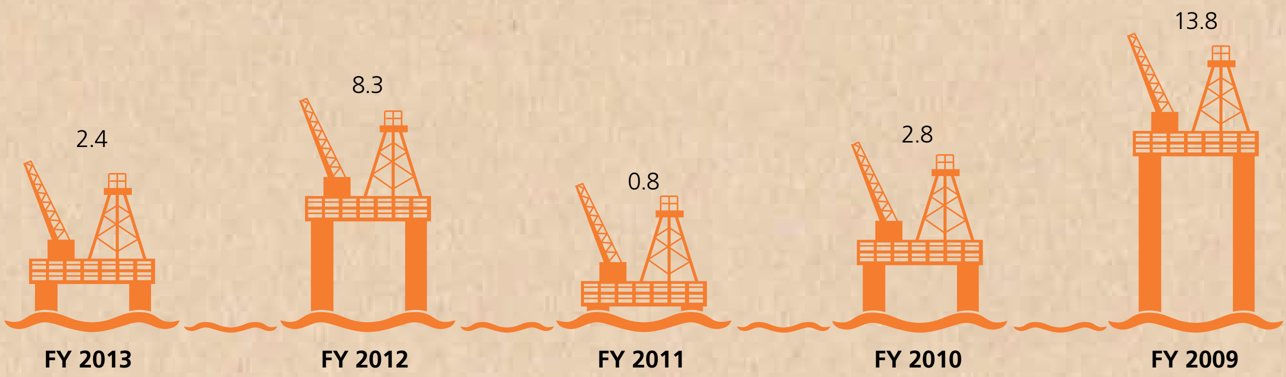
Financial Review

The Directors have recommended a dividend of 5 cents per share to be paid for the year ended 31 December 2013, comprising a first and final tax exempt (one-tier) dividend of 1 cent and a special tax exempt (one-tier) dividend of 4 cents. This is subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

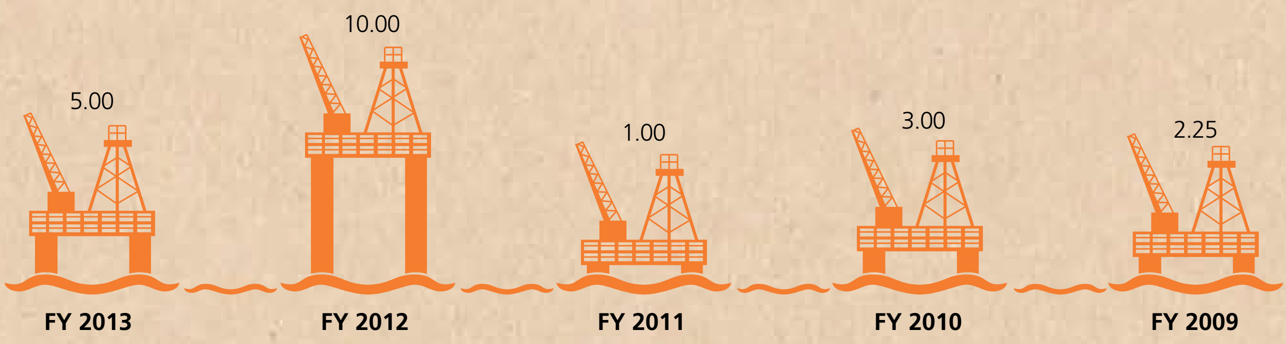
BASIC EARNINGS PER SHARE (CENTS)



DILUTED EARNINGS PER SHARE (CENTS)



DIVIDEND PER SHARE (CENTS)



FINANCIAL POSITION

Balance Sheets	2013 $'000	2012 $'000	Changes %
Non-current assets			
Property, plant and equipment	6,057	2,822	115%
Intangible assets	7,551	7,551	0%
Investment in associate	-	32,020	-100%
Investment securities	2,456	-	NM
Deferred tax assets	876	392	123%
	16,940	42,785	-60%
Current assets	239,229	249,700	-4%
Current liabilities	(16,326)	(24,342)	-33%
Net current assets	222,903	225,358	-1%
Net assets	239,843	268,143	-11%
Share capital	86,851	50,317	73%
Reserves	152,992	217,826	-30%
Shareholders' equity	239,843	268,143	-11%

The Group's non-current assets reduced by 60% mainly due to the disposal of its 20.3% stake in an associate, Discovery Offshore S.A. ("DO"), in June 2013 for net proceeds of approximately $40.5 million. This was prompted by DO's other major shareholder, Hercules Offshore, Inc. ("Hercules") announcing that it had acquired additional shares in DO, triggering an obligation for Hercules to make a mandatory offer for all the remaining outstanding shares in DO, at an offer price of NOK 15.00. Having considered the change in DO's shareholding structure resulting from Hercules' share purchase, the potential for Hercules to acquire further shares in DO in view of the mandatory offer, and the Group's capital gains from the disposal, the Group decided to dispose of its entire stake in DO.

reap

Financial Review

The reduction in non-current assets was partially offset by the purchase of fixed assets for the Group's new premises at 10 Jalan Samulun and purchase of investment securities.

Current assets decreased marginally from $249.7 million to $239.2 million. Current assets comprised mainly of cash and short-term deposits amounting to $205.9 million, which was equivalent to 23.6 cents per share.

Current liabilities decreased from $24.3 million to $16.3 million mainly due to the repayment of short-term bank borrowings, and lower level of production activities as at year-end. The Group had zero net debt as at 31 December 2013.

Shareholders' equity decreased by $28.3 million mainly due to the payment of $87.2 million in dividends to shareholders, which was partially offset by $36.5 million of proceeds from the conversion of warrants, and retained profits for the year.

As a result, the Group's net asset value per share reduced from 36.4 cents at the end of 2012 to 27.5 cents at end 2013.

CASH FLOWS

Cash Flows	2013 $'000	2012 $'000	Changes %
Cash from / (used in) operating activities	52,341	(23,069)	NM
Cash from investing activities	29,302	17,044	72%
Cash (used in) / from financing activities	(54,350)	10,938	NM
Net increase in cash & cash equivalent	27,293	4,913	456%
Effect of exchange rate changes on cash and cash equivalent	677	(289)	NM
Cash & cash equivalent at beginning of year	173,901	169,277	3%
Cash & cash equivalent at end of year	201,871	173,901	16%

The Group's operating cash flows improved in FY2013 primarily due to lower working capital requirements as a result of lower levels of inventories, work-in-progress, and payables. The improvement in investing cash flows was mainly due to the net proceeds from the disposal of DO. The Group reported a negative financing cash flow primarily due to the payment of dividends of $87.2 million to shareholders, partially offset by the inflow of $36.5 million from the conversion of warrants by warrant holders. The Group's cash position remains very strong at over $200 million as at end 2013, or 23.6 cents per share.

GROUP QUARTERLY RESULTS

	Q1 $'000	Q2 $'000	Q3 $'000	Q4 $'000	Full Year $'000
Revenue					
2013	25,059	22,142	20,718	15,380	83,299
2012	35,101	25,035	21,706	16,402	98,244
Gross Profit					
2013	6,025	4,663	6,672	6,408	23,768
2012	4,909	7,061	8,109	5,005	25,084
Pre-tax profit					
2013	4,215	12,160	4,479	5,226	26,080
2012	14,245	62,290	6,905	1,359	84,799
Net profit					
2013	3,247	11,320	3,619	4,187	22,373
2012	13,605	61,330	5,705	952	81,592
Gross profit margin					
2013	24%	21%	32%	42%	29%
2012	14%	28%	37%	31%	26%
Net profit margin					
2013	13%	51%	17%	27%	27%
2012	39%	245%	26%	6%	83%

Group revenue increased quarter-on-quarter to $25.1 million in 1Q2013, but declined progressively over the next 3 quarters. This was attributable to a lower contribution from new projects in line with the general slowdown of order intake from July 2012 until June 2013. The effects were particularly felt during the final 2 quarters of 2013.

Gross profit margins varied depending on the product mix and stages of construction of the projects being undertaken during the various quarters. Notably, gross profit margin were higher at 42% in 4Q2013 due to improvements in production efficiency for certain projects and reached a low of 14% in 1Q2012 due to a different product mix and more competitive pricing for certain projects. Additionally, a significant portion of the Group's revenue for 1Q2012 was from projects in their early stages of construction, where the margins recognised tend to be lower.

The surge in pre-tax profits in 2Q2013, 1Q2012 and 2Q2012 were due to gains on disposal of investments, namely DO ($8.8 million), York ($10.9 million), and the recognition of the deferred gain on disposal of PPLH ($58.2 million), respectively.

reap

Five-Year Performance Review

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Revenue	83,299	98,244	81,147	48,427	79,245
Gross profit	23,768	25,084	23,510	24,931	51,299
Pre-tax profit	26,080	84,799	10,630	30,389	96,130
Pre-tax profit*	17,818	15,081	10,877	14,177	40,970
Net profit	22,373	81,591	7,631	27,401	88,580
Shareholders' equity	239,843	268,143	171,791	187,133	166,285
Loans and borrowings	-	3,678	-	99	145
Cash and short-term deposits	205,871	173,902	169,277	214,130	76,428
Earnings per share (Cents)	2.7	11.5	1.1	4.1	13.9
Diluted Earnings per share (Cents)	2.4	8.3	0.8	2.8	13.8

* - Excluding share of results from joint venture & associates and gains from disposal of subsidiary / associates.

2009

2009 was the first full year of contribution from Sea Deep Shipyard Pte. Ltd. ("Sea Deep") following its acquisition in April 2008. However, group revenue increased only marginally to $79.3 million due to the slowdown of activities in the marine offshore sector following the onset of the global financial crisis. Credit availability had been affected by the global credit crunch, leading to delays in the finalisation of a number of offshore projects. As a result, the Group's net order book fell to a low of US$7 million as at December 2009, from US$57 million a year prior.

However, as the Group had secured a number of high value specialised steel structure projects in previous years, higher margins were recognised in the final stages as the projects neared completion. This resulted in a significant increase in gross profit from $21.9 million in 2008 to $51.3 million in 2009. Coupled with a strong performance from PPL Shipyard Pte Ltd ("PPLS"), where the Group's 15% share of profits amounted to $55.4 million, the Group's pre-tax profit surged to a record $96.1 million for the year.

2010

The Group continued to weather the effects of the global financial crisis. Revenue decreased from $79.2 million to $48.4 million as a result of slower order intake in 2009. Correspondingly, gross profit dropped to $24.9 million. Over the course of the year, however, activities in the oil and gas industry started picking up and the Group's order book began to strengthen again. As of December 2010, the order book had recovered to US$33 million.

Most notably, the Group sold its stake in PPL Holdings Pte Ltd ("PPLH") during the year for US$116.25 million ($150.5 million). However, due to the ensuing legal suit between PPLH and Sembcorp Marine Ltd ("SCM") over the disposal, the gain on disposal of $58.2 million was deferred until the final ruling was passed in 2012.

As a result of lower contributions from Sea Deep and a lower share of results from PPLH, pre-tax profit decreased from $96.1 million to $30.4 million in 2010. However, following the completion of the disposal of PPLH, the Group's cash position improved significantly from $76.4 million to $214.1 million.

2011

The recovery was underway in 2011 and the Group's net order book began to strengthen, jumping from US$33 million to a high of US$102 million in September 2011, before ending the year at US$80 million. Consequently, revenue increased by 68%, from $48.4 million in 2010 to $81.1 million in 2011. However, competitive pricing and lower margins from some projects, with less opportunity for value-added services, resulted in gross profit easing by 6% to $23.5 million.

Combined with the absence of contribution from PPLS and higher professional fees incurred for the legal dispute with SCM, the Group's pre-tax profit declined from $30.4 million to $10.6 million. The Group's cash position remained strong at $169.3 million.

2012

The Group achieved record revenue in 2012, growing 27% from $81.1 million in 2011 to $98.2 million. The Group also disposed of its 49% stake in York for $22.2 million, realising a gain of $10.9 million from the disposal. Following the High Court ruling in the Group's favour in relation to the legal suit with SCM, the Group recognised the deferred gain of $58.2 million from the disposal of PPLH. As a result of these gains, pre-tax profit surged to $86.6 million.

However, amidst an increasingly uncertain global economic outlook, order intake began to slow down in the second half of the year. As at December 2012, the net order book stood at US$49 million.

The Group's cash position remained strong at $173.9 million.

2013

The Group's profitability for 2013 was bolstered by the gain of $8.8 million from the disposal of its associate, DO. Excluding the investment gain, the Group's net profit improved from $12.5 million in 2012 to $13.6 million for 2013.

Despite paying out a record dividend of $87.2 million to shareholders for financial year 2012, the Group's cash position remained strong at $205.9 million at December 2013 or 23.6 cents per share. This was attributable to proceeds from the conversion of warrants and positive cash inflows from operations.

sustain

Home grown

Fast growth

Investor friendly

The PREMIUM QUALITY

STEP 5

EMBRACE OUR POLICIES

☑ CORPORATE GOVERNANCE

sustain

Corporate Governance

Baker Tech received a Bronze award for Best Annual Report for companies under $300 million in market capitalisation at the 2013 Singapore Corporate Awards, making it the third consecutive year that the Group has won an award in this category. The award recognises excellence in the presentation of financial reporting, high level of corporate disclosures and transparency. For the years 2009 to 2011, the Group won awards in the "Best Managed Board" category including the prestigious Gold Award in 2011. The Singapore Corporate Awards, organised by The Business Times and supported by The Singapore Exchange, aim to showcase and honour excellence in shareholder communications and corporate governance amongst SGX-listed companies.

Since the inception of the Governance and Transparency Index ("GTI"), co-published by The Business Times and the NUS Corporate Governance and Financial Reporting Centre, Baker Tech has applied the GTI as a yardstick and continues to strive for improvement in its score. In doing so, the Group has aligned itself with corporate governance best practices. Baker Tech attained a score of 61 in the 2013 issue, a vast improvement from its score of 35 in the inaugural 2009 issue. The 2013 score placed the Group in 52nd place out of over 600 companies.

The revised Code of Corporate Governance 2012 (the "Code") is applicable in respect of the Company's Annual Report for the financial year ended 31 December 2013 ("FY2013"). This report describes the Company's corporate governance practices with specific reference to the Code, except as otherwise explained in the report.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Board supervises the overall management of the business and affairs of the Group. The Board also sets the Group's values and standards and ensures its obligations to all shareholders and other stakeholders are understood and met. While the Board remains responsible for providing oversight in the preparation and presentation of the financial statements, it has delegated to Management the task of ensuring that the financial statements are drawn up and presented in compliance with the relevant provisions of the Singapore Companies Act, Cap. 50 and the Singapore Financial Reporting Standards. The Board delegates responsibility to the Chief Executive Officer to manage the business of the Group and to its various Board Committees to deal with the specific areas described hereinafter.

The Group has adopted internal guidelines regarding matters that require Board approval. These include approval of annual budgets, board policies, strategies and financial objectives of the Group, financial statements, declaration of dividends and material transactions such as major investment or acquisition, divestments and funding proposals.

The Board has established three (3) Board Committees to assist the Board in discharging its duties and responsibilities. The Board Committees are the Audit Committee, the Remuneration Committee and the Nominating Committee. Each Board Committee has its own specific terms of reference setting out the scope of its duties and responsibilities, rules and regulations and procedures governing the manner in which it is to operate and how decisions are to be taken.

The Group has an Authority Matrix that defines the procedures and levels of authorisation required for specified transactions and sets out approval limits for operating and capital expenditure. This matrix is reviewed on a regular basis and accordingly revised when necessary.

The dates of Board and Board Committee meetings as well as annual general meeting are scheduled one year in advance. In addition to these scheduled meetings, ad-hoc Board and Board Committee meetings are also held as and when circumstances require. Telephonic attendance and conference via audio-visual communication at Board and Board Committee meetings are allowed under the Company's Articles of Association. In 2013, the Board met eight times.

The attendance of the Directors at meetings of the Board and Board Committees during FY2013 is as follows:

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended
Lim Ho Seng[(1)]	8	8	5	5	1	1	2	2
Dr Benety Chang	8	8	5	5*	1	1	2	2*
Anthony Sabastian Aurol[(2)]	4	4	3	3*	1	1*	1	1*
Jeanette Chang[(3)]	2	2	1	1*	1	1*	1	1*
Tan Yang Guan	8	7	5	5	1	1*	2	2
Wong Meng Yeng	8	7	5	5	1	1	2	2
Wong Kwan Seng, Robert	8	7	5	4*	1	1*	2	1*
Ang Miah Khiang[(4)]	2	1	1	1	-	-	1	1*
Han Sah Heok Vicky[(5)]	1	1	-	-	-	-	-	-

Notes:

(1) Mr Lim Ho Seng was re-designated from an Independent Director to a Non-Executive Director on 1 January 2014. He ceased to be the Chairman of the Audit and Remuneration Committees and a member of the Nominating Committee on 1 January 2014 but remained as a member of the Remuneration Committee.

(2) Mr Anthony Sabastian Aurol resigned as Executive Director on 3 June 2013 and as Chief Operating Officer on 24 July 2013.

(3) Ms Jeanette Chang, who is the daughter of Dr Benety Chang, Chief Executive Officer, was appointed as an Executive Director on 1 September 2013.

(4) Mr Ang Miah Khiang was appointed as an Independent Director and as a member of the Audit Committee on 1 November 2013. He was appointed as the Chairman of Audit Committee and member of the Remuneration Committee on 1 January 2014.

(5) Ms Han Sah Heok Vicky was appointed as an Independent Director on 1 December 2013. She was appointed as the Chairman of Remuneration Committee and member of the Audit and Nominating Committees on 1 January 2014.

* Refers to meetings attended by invitation

\- Not applicable

The Directors are provided with updates regarding new legislation and/or regulations which are relevant to the Group. The Board was duly updated on the Code, changes to relevant laws and related matters. In addition, when there are events, seminars, training or updates in areas such as accounting, legal and industry specific knowledge which are relevant to the Group, the Directors are encouraged to attend the programmes at the Company's expense. Some of the seminars attended by the Directors in FY2013 included programmes organised by the Singapore Institute of Directors ("SID") and the Institute of Singapore Chartered Accountants. First time listed company Directors will attend the Listed Company Director Programme organised by SID. Annually, our external auditors update the Audit Committee and the Board on new or revised financial reporting standards.

The Company has an orientation programme for newly appointed Directors to familiarise themselves with the Group's Senior Management, business, culture, governance and best practices.

Upon the appointment of Ms Jeanette Chang, Mr Ang Miah Khiang and Ms Han Sah Heok Vicky as Directors of the Company during FY2013, they were given an induction package comprising the Company's latest annual report, director's duties, responsibilities and obligations as well as information on internal policies/procedures and regulatory guidelines relevant to the Group and Guidebook on Audit Committee (for new appointees to the Audit Committee). Formal letters of appointment, signed by the Chairman of the Board, had been furnished to both Mr Ang and Ms Han who are Independent Directors.

Principle 2: Board Composition and Guidance

The present Board comprises 8 Directors. There are 3 Independent Directors, 3 Non-Executive Directors and 2 Executive Directors. The Directors are:

Mr Lim Ho Seng	Chairman, Non-Executive Director
Dr Benety Chang	Chief Executive Officer
Ms Jeanette Chang	Executive Director
Mr Tan Yang Guan	Non-Executive Director
Mr Wong Kwan Seng Robert	Non-Executive Director
Mr Wong Meng Yeng	Lead Independent Director
Mr Ang Miah Khiang	Independent Director
Ms Han Sah Heok Vicky	Independent Director

Mr Lim Ho Seng has been re-designated from an Independent Director to a Non-Executive Director ("Re-designation") with effect from 1 January 2014 as he has served for more than nine years on the Board.

Mr Wong Meng Yeng was appointed as Lead Independent Director on 1 January 2014 on account of the Re-designation.

Ms Jeanette Chang was appointed as an Executive Director on 1 September 2013 while Mr Ang Miah Khiang and Ms Han Sah Heok Vicky were appointed as Independent Directors on 1 November 2013 and 1 December 2013 respectively.

Mr Wong Kwan Seng Robert will not be seeking re-election at the Company's upcoming Annual General Meeting ("AGM") in April and thereafter, there will be 3 Independent Directors out of the 7 member Board.

With more than one-third of the Board comprising Independent Directors and such Independent Directors having the requisite experience, expertise and standing, the Board is able to exercise objective judgment in the best interest of the Company, and no individual or small group of individuals dominate the Board's decision-making process.

The present Board includes 2 female directors (Ms Jeanette Chang and Ms Han Sah Heok Vicky) in recognition of the importance and value of gender diversity.

The Board, through the Nominating Committee, reviews the size and composition of the Board and Board Committees to ensure that the size of the Board is condusive to effective discussion and decision making and the Board has the appropriate number of independent directors. When there is a vacancy or a need for new appointments to the Board, the Nominating Committee would select and recommend candidates based on their skills, experience, knowledge and diversity in terms of expertise.

The Board is of the view that its present size is appropriate, taking into account the nature and scope of the Group's operations. The current Board has a good mix of core competencies in the areas of marine and offshore industry knowledge, accounting and finance, compliance, legal, business and management experience, familiarity with regulatory requirements and knowledge of risk management. The profiles of the Directors are set out on pages 14 to 17 of this Report.

The Non-Executive Directors, including Independent Directors, participate actively in the Board and Board Committees. They are free to request further clarification and also have independent access to our Senior Management. If necessary, Non-Executive Directors, including Independent Directors, may initiate meetings to address any specific matter involving any other member of our Management.

Principle 3: Chairman and Chief Executive Officer ("CEO")

The Company has a separate Chairman and CEO with clear division of roles and responsibilities. The Chairman was an Independent Director until his re-designation to Non-Executive Director on 1 January 2014. He has no familial relationship with CEO. The Chairman provides leadership to the Board. He sets the meeting agenda in consultation with the CEO and ensures that Directors are provided with accurate, timely and clear information. The CEO has the executive responsibility for the day-to-day operations of the Group.

Lead Independent Director ("Lead ID")

Mr Wong Meng Yeng was appointed as Lead ID on 1 January 2014. As Lead ID, Mr Wong is the principal liaison to address shareholders' concerns, in which direct contact through normal channels of the Chairman, the CEO or the Chief Financial Officer ("CFO") has failed to resolve or for which such contact is inappropriate. All the Independent Directors, including Lead ID, will meet at least annually without the presence of Executive and Non-Independent Directors to discuss matters of significance which are then reported to the Chairman accordingly.

Principle 4: Board Membership

The Nominating Committee ("NC") comprises the following three members:

Mr Wong Meng Yeng	(Chairman and Lead Independent Director)
Ms Han Sah Heok Vicky[2]	(Independent Director)
Dr Benety Chang	(CEO, Executive Director)

Notes:

1 Mr Lim Ho Seng resigned as a member of the NC on 1 January 2014.

2 Ms Han Sah Heok Vicky was appointed as a member of the NC on 1 January 2014.

The Chairman of the NC, Mr Wong Meng Yeng, is neither a shareholder nor directly associated with a substantial shareholder of the Company.

The NC's key terms of reference are to review and recommend candidates for appointment and re-appointment of Directors to the Board and the various Committees, to access the effectiveness of the Board, to nominate any Director for re-election at the AGM, having regard to the Directors' contribution and performance and to determine whether or not a Director is independent.

The NC adopts the Code's definition of an independent director and guidelines as to relationships in determining the independence of a director. Each Director is required to complete a Confirmation of Independence form to confirm his independence. The Independent Directors are Mr Wong Meng Yeng, Mr Ang Miah Khiang and Ms Han Sah Heok Vicky.

The NC is responsible for identifying and recommending new Board members to the Board, after considering the needs and requirements of the Board and evaluating the competencies and suitability of the candidates which include, academic and professional qualifications, industry experience, number of other directorships, relevant experience as a director and ability and adequacy in carrying out required task.

During FY2013, the NC recommended and the Board approved the appointment of Ms Jeanette Chang as an Executive Director of the Company on 1 September 2013. The NC also recommended and the Board approved the appointment of Mr Ang Miah Khiang and Ms Han Sah Heok Vicky as Independent Directors on 1 November 2013 and 1 December 2013 respectively.

The NC has adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. The guideline provides that, as a general rule, each Director should not hold more than 5 listed company board representations. In determining the ability of a director to carry out his duties as a director of the Company, the NC also takes into account the results of the assessment of the effectiveness of the individual director, and the respective director's actual conduct on the Board.

In respect of FY2013, the NC was of the view that each Director had discharged his/her duties adequately and that each Director's directorship was in line with the Company's guidelines of not more than 5 listed company board representations.

The NC may engage recruitment consultants to undertake research on, or assessment of, candidates for new positions on the Board, or to engage such other independent experts as it deems necessary. The search and nomination process for new directors can also be conducted through contacts and recommendations. Candidates who are shortlisted after being interviewed by members of the NC are then assessed by the Board for approval and appointment.

In accordance with the provisions of the Company's Articles of Association, one-third of the directors are required to retire from office by rotation at every AGM. New directors who are appointed by the Board will submit themselves for re-election at the following AGM.

Mr Wong Kwan Seng Robert and Mr Wong Meng Yeng are Directors retiring by rotation at the AGM. Mr Wong Kwan Seng Robert has expressed his intention to retire at the AGM and will not seek re-election.

Ms Jeanette Chang, Mr Ang Miah Khiang and Ms Han Sah Heok Vicky are new Directors retiring at the AGM.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, a person of or over the age of 70 years may, by ordinary resolution passed at an annual general meeting of a company, be re-appointed as a director of the Company. The NC noted that Mr Lim Ho Seng has reached the age of 70 years and is required to vacate his office at the conclusion of the forthcoming AGM of the Company. Mr Lim has expressed his consent to seek re-appointment as a Director of the Company at the forthcoming AGM.

All Directors to be re-elected and appointed have to be assessed and recommended by the NC before submission to the Board for approval. In recommending a Director for re-election to the Board, the NC takes into consideration the Director's contribution and performance at Board meetings, including attendance, preparedness, participation and candour. Each NC member abstains from participating in matters in which he is interested.

The Board had accepted the NC's recommendation and being eligible, Mr Wong Meng Yeng, Ms Jeanette Chang, Mr Ang Miah Khiang, Ms Han Sah Heok Vicky and Mr Lim Ho Seng will be offering themselves for re-election / re-appointment at the AGM. Mr Wong Meng Yeng and Ms Han Sah Heok Vicky, being NC members, had abstained from deliberations and voting in respect of his/her own nomination and assessment.

Principle 5: Board Performance

The NC assesses the performance of the Board and Board Committees. The NC has implemented a process for an annual assessment of the effectiveness of the Board as a whole, its Board Committees as well as of the Chairman and each Director.

Board and Board Committees reviews incorporate factors such as Board composition, conduct of meetings, corporate strategy and planning, risk management, measuring and monitoring performance, financial reporting and communication with shareholders. The NC evaluated the performance of each Director, taking into account individual Director's self-assessment. This evaluation process took into account, among others, each Director's commitment of time for meetings of the Board and Board Committees, participation, contribution and deliberation of issues at meetings, knowledge and understanding of the major risk factors of the Company and interaction with fellow Directors, Management and other relevant parties.

Based on the NC's review, the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

Principle 6: Access to Information

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

Prior to each Board and Board Committee meeting, Management will provide the Directors with the meeting agenda and the relevant materials relating to the matters to be discussed during the meeting, so as to facilitate an informed discussion. During the regular Board meetings, key Management who are able to explain and provide insights to the matters to be discussed at the Board meetings are invited to make the appropriate presentations and answer any queries from the Directors.

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 Board has direct and independent access to Company's Senior Management and the Company Secretary for support in the discharge of their responsibilities. The Company Secretary attends all Board and Board Committee meetings and ensures that all Board procedures are followed. The Company Secretary, together with Management, also ensures that the Company complies with all applicable statutory and regulatory rules. The minutes of all Board and Committee meetings are circulated to the Directors. The appointment and removal of the Company Secretary is subject to the approval of the Board.

REMUNERATION MATTERS

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

The Remuneration Committee ("RC") comprises the following three members:

Ms Han Sah Heok Vicky[2]	(Chairman and Independent Director)
Mr Ang Miah Khiang	(Independent Director)
Mr Lim Ho Seng[3]	(Non-Executive Director)

Notes:

1 Mr Wong Meng Yeng and Mr Tan Yang Guan resigned as members of the RC on 1 January 2014.

2 Ms Han Sah Heok Vicky was appointed Chairman of the RC in place of Mr Lim Ho Seng on 1 January 2014.

3 Mr Lim Ho Seng resigned as Chairman of the RC on 1 January 2014 and remained as a member.

The key terms of reference of the RC are to review and recommend a framework of remuneration for the Directors and key management personnel ("KMP") and the remuneration packages of the Executive Directors and KMP to ensure that the framework is competitive and sufficient to attract, retain and motivate the Directors to provide good stewardship of the Company and the KMP to successfully manage the Company. In reviewing the remuneration of Directors and KMP, the RC considers market conditions and pay conditions and within the industry as well as the Company's performance and the individual's performance. None of the RC members or Directors is involved in deliberations in respect of any remuneration, compensation or any form of benefit to be granted to him/her. 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 a base/fixed salary component (which includes the 13th month based AWS) and a variable bonus component that is linked to the Company/Group and individual performance.

Directors' Fees

The Executive Directors do not receive Directors' fees. Non-Executive Directors, including Independent Directors, (save for Mr Tan Yang Guan, who is remunerated by way of consultancy fees for the providing financial advice and overview to the Group) are paid Directors' fees which take into consideration the time and effort spent and responsibilities of the Directors. The Directors' fees comprise a basic fee and additional fees for appointment on Board Committees.

Following a review by the RC to align the fees with prevailing market rates and to reflect the new structure of the Board, it is proposed that adjustments be made to the Directors' fee framework in respect of the financial year ending 31 December 2014 ("FY2014").

The current and proposed frameworks are as set out below.

	FY2013 Fee (per annum)	Proposed FY2014 Fee (per annum)
Basic Fee for Board Members	$35,000	$38,500
Additional fee:		
- Allowance for Board Chairman	$5,000	75.0% of Basic Fee
- Allowance for Lead Independent Director	-	20.0% of Basic Fee
- Audit Committee Chairman	50.0% of Basic Fee	50.0% of Basic Fee
- Audit Committee Members	25.0% of Basic Fee	25.0% of Basic Fee
- Remuneration / Nominating Committee Chairman	25.0% of Basic Fee	25.0% of Basic Fee
- Remuneration / Nominating Committee Members	12.5% of Basic Fee	12.5% of Basic Fee

In addition to the above framework for FY2013, the Board Chairman is paid a consultancy fee of $18,000 for his involvement in matters relating to Investor Relations. However for FY2014, it is proposed that the consultancy fee be replaced by an increase in the Board Chairman allowance and an allowance for the Lead ID be introduced for FY2014 given the new Lead ID role. To facilitate timely payment of Directors' fees, the RC had also recommended that Directors' fees be paid on a quarterly basis in arrears for FY2014.

The Directors' fees payable to Non-Executive Directors are subject to shareholders' approval at the AGM. The RC has recommended a total Directors' fees of $172,709 for the financial year ended 31 December 2013. Shareholders' approval will also be sought for Directors' fees proposed for FY2014 amounting to $275,596. The increase in Directors' fees from FY2013 is mainly due to an increase in the number of Non-Executive Directors as well as the increase in Basic Fee.

A breakdown (in percentage terms) of the Executive Directors' remuneration for FY2013 is set out below:

Executive Directors	Fees (%)	Salary, CPF & Allowance (%)	Bonus %)	Other Benefits (%)
$750,000 to $1,000,000				
Dr Benety Chang	-	51	49	-
$250,000 to below $500,000				
Anthony Sabastian Aurol(1)	-	100	-	-
Below $250,000				
Jeanette Chang(2)	-	70	30	-

Notes:

(1) Mr Anthony Sabastian Aurol resigned as Executive Director on 3 June 2013 and as Chief Operating Officer on 24 July 2013.

(2) Ms Jeanette Chang was appointed as an Executive Director on 1 September 2013.

The remuneration for the Non-Executive Directors for FY2013 is set out below:

Non-Executive Directors	Fees* ($)	Salary, CPF & Allowance ($)	Bonus ($)	Other Benefits** ($)
Lim Ho Seng	70,625	-	-	18,000
Tan Yang Guan	-	-	-	159,715
Wong Meng Yeng	56,875	-	-	-
Wong Kwan Seng Robert	35,000	-	-	-
Ang Miah Khiang(1)	7,292	-	-	-
Han Sah Heok Vicky(2)	2,917	-	-	-

Notes:

(1) Mr Ang Miah Khiang was appointed as an Independent Director on 1 November 2013 and the Director's fee is pro-rated and rounded up for FY2013 accordingly.

(2) Ms Han Sah Heok Vicky was appointed as an Independent Director on 1 December 2013 and the Director's fee is pro-rated and rounded up for FY2013 accordingly.

* These fees are subject to approval by shareholders as a lump sum at the AGM for FY2013.

** This relates to consultancy fees paid by the Company.

The remuneration of the top five key executives, who are not Directors of the Company for FY2013 fall within the remuneration bands is as follows:

Top five key executives	Designation	Fees	Salary, CPF & Allowance (%)	Bonus (%)	Other Benefits (%)
$1,250,000 to $1,500,000					
Ong Thian Whee Albert	Managing Director (Sea Deep Shipyard Pte. Ltd.)	-	17	83	-
$250,000 to below $500,000					
Tan Kiang Kherng	Chief Financial Officer (Baker Technology Limited)	-	69	31	-
Tan Keng Tiong Alvin	Senior Vice President - Business Development (Baker Technology Limited)	-	71	29	-
Below $250,000					
Tan Wee Lee(1)	Managing Director (Baker Engineering Pte. Ltd.)	-	70	30	-
Heath McIntyre(2)	Managing Director (BT Investment Pte. Ltd.)	-	100	-	-

Notes:
(1) Mr Tan Wee Lee joined Baker Engineering Pte. Ltd. on 1 October 2013 and his salary is pro-rated for FY2013 accordingly.
(2) Mr Heath McIntyre joined BT Investment Pte. Ltd. on 16 December 2013 and his salary is pro-rated for FY2013 accordingly.

The Company believes that it may not be in the Group's interest to disclose the remuneration of the Executives to the level as recommended by the Code, given highly competitive hiring conditions and the need to retain the Group's talent pool.

There are no employees in the Group who are immediate family members of a Director or the CEO and whose remuneration exceeds $50,000 during FY2013.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board, through its announcements of quarterly and full-year results as well as price sensitive issues, aims to provide shareholders with a balanced and understandable assessment of the Group's financial performance, position and prospects.

The Company recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis in order that it may effectively discharge its duties. On a regular basis, Board members are provided with business and financial reports comparing actual performance with budget, highlights on key business indicators and other major issues.

Principle 11: Risk Management and Internal Controls

The Board has overall responsibility for the management of the Group's key risks to safeguard shareholders' interests and its assets.

The Audit Committee ("AC") assists the Board in providing risk management oversight while the ownership of day-to-day management and monitoring of existing internal control systems are delegated to Management which comprise the Executive Directors and senior executives of the Group.

The AC, with the assistance of the internal auditors, reviews the adequacy and effectiveness of the Company's internal control systems, including financial, operational, compliance and information technology controls and risks management policies and systems established by the Management on an annual basis. In addition, the external auditors will highlight any material control weaknesses within the Group discovered in the course of the statutory audit. Any material findings from both the internal and external auditors together with the improvement recommendations are reported to the AC. The AC will review the internal and external auditors' comments and findings, ensure that there are adequate internal controls within the Group and follow-up on actions implemented.

The Company has in place an enterprise-wide risk management framework ("ERM Framework") to enhance its risk management capabilities. The key risks have been identified and action plans are in place to mitigate these risks. Management will regularly review the key risks, both existing and emerging new risks, and current controls on the key risks and take necessary measures to address and mitigate these risks.

For 2013, the Board and the AC had in addition received assurance from the CEO and the CFO on the adequacy and effectiveness of the Company's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

Based on the ERM Framework established, reviews carried out by the AC, the work performed by the internal and external auditors and assurance from the Management, the Board, with the concurrence of the AC, is of the opinion that the internal controls and systems maintained by Management during the financial year and up to the date of this report are adequate in addressing financial, operational, compliance and information technology risks and to meet the current scope of the Group's business operations. The AC and the Board note that no system of internal controls is capable of providing absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Principle 12: Audit Committee

The Audit Committee ("AC") comprises the following:

Mr Ang Miah Khiang[2]	(Chairman and Independent Director)
Mr Wong Meng Yeng	(Lead Independent Director)
Ms Han Sah Heok Vicky[3]	(Independent Director)

Notes:

1 Mr Tan Yang Guan resigned as a member of the AC on 1 January 2014.

2 Mr Ang Miah Khiang was appointed as a member of the AC on 1 November 2013 and as the Chairman of the AC in place of Mr Lim Ho Seng on 1 January 2014.

3 Ms Han Sah Heok Vicky was appointed as a member of the AC on 1 January 2014.

The Board is of the view that the AC members are appropriately qualified, with majority of the members having recent and relevant accounting or related financial management expertise and experience.

The main responsibilities of the AC are to assist the Board in discharging its statutory and other responsibilities relating to four main areas:

- Overseeing financial reporting;
- Overseeing internal control and risk management systems;
- Overseeing internal and external audit processes; and
- Overseeing interested person transactions.

The AC carried out their duties in accordance with the terms of reference which include the following:

(i) Review the scope and results of the external audit work, cost effectiveness of the audit, and the independence and objectivity of the external auditors.

(ii) Review the Group's quarterly and full year financial statements, the accounting principles adopted and the external auditor's report on the financial statements of the Group before submission to the Board for approval.

(iii) Review, 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.

(iv) Review and report to the Board at least annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems, relying on reviews carried out by the internal auditors.

(v) Recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors.

(vi) Review interested person transactions in accordance with the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The AC met five times during the year under review. Details of members and their attendance at meetings are provided on page 55. The auditors (if required), the CFO and Company Secretary are invited to these meetings.

The AC has the authority to investigate any activity it deems appropriate within its Terms of Reference and is authorised to obtain independent professional advice. It has full access to and cooperation of the Management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any director, member of management or any other person to attend its meetings.

The AC has reviewed the non-audit services provided to the Group by the external auditors, Ernst & Young LLP for FY 2013, and is of the opinion that the provision of such non-audit services does not affect the independence and objectivity of the external auditors. Accordingly, the AC has recommended to the Board the nomination of Ernst & Young LLP for re-appointment as external auditors at the forthcoming AGM. The fees payable to the external auditors in respect of audit and non-audit services are set out in page 105 of this Annual Report.

The Company confirms that it has complied with Rules 712 and 715 of the Listing Manual issued by SGX-ST in relation to the external auditors.

During 2013, the AC met with the internal and external auditors without the presence of Management to review any matter that might be raised privately.

The Company has a Code of Conduct ("CoC") and Gift Policy to regulate the ethical conduct of its employees. The CoC also extends to Directors of the Company and all consultants and agents engaged by the Group for the purpose of representing the Group in certain areas of works.

The Company has in place a Whistle-blowing Policy. This policy provides an independent feedback channel through which matters of concern about possible improprieties in matters of financial reporting and other matters may be raised by employees directly to any AC member in confidence and in good faith without fear of reprisals. The AC ensures that independent investigations and any appropriate follow up actions are carried out. Details of this policy have been disseminated and made available to all employees of the Group. To date, there were no reports received through the whistle blowing mechanism.

Principle 13: Internal Audit

The Group outsources its internal audit function to RSM Ethos Pte Ltd, a firm specialising in governance, risk and consulting. The AC is satisfied that the internal auditors have met the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

The internal auditors report directly to the AC. The AC reviews the internal audit reports and follow-up actions and the effectiveness of the Group's internal audit function. The AC also reviews and approves the internal audit plan. The AC is of the view that the internal audit function is adequately resourced to perform its functions and has, to the best of its ability, maintained its independence from the activities that it audits.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated fairly and equitably and the rights of all investors, including non-controlling shareholders are protected.

Shareholders are informed of any changes in the Group's business that are likely to materially affect the value of the Group's shares.

The Group ensures that shareholders have the opportunity to participate effectively in and vote at general meetings. The link to SGX-ST's investor guides "An Investor's Guide to Preparing for Annual General Meetings" and "An Investor's Guide to Reading Annual Reports" has been included on the Company's website under "Investor Relations" with the aim of providing further assistance to shareholders in their investment activities.

The Company's Articles of Association currently does not allow investors who hold shares through nominees such as CPF and custodian banks to appoint more than two proxies to vote at the general meetings.

Principle 15: Communication with Shareholders

The Company is committed to engaging its shareholders and the investing community and providing pertinent and accurate information about the Company in an effective, fair and timely manner. The Company has put in place an Investor Relations Policy that promotes this.

The Company does not practice selective disclosure. All material information including quarterly results announcement, is disclosed regularly and in a timely manner via SGXNet and the Company's website. In addition, Management holds briefings with analysts to coincide with the release of the Group's half yearly and annual financial results to promote better appreciation of the Group's performance and developments. Management also takes an active role in communications with its shareholders and the investing community, through face-to-face meetings and email communications to address their queries or concerns and to update them on the latest corporate developments.

The Company's website at www.bakertech.com.sg is the key resource of information to shareholders. Among other things, it contains corporate announcements, media releases, financial results, presentations and annual reports.

Further details on the Group's investor relations activities during the year can be found in the Investor Relations section of the Annual Report on page 34.

Principle 16: Conduct of Shareholder Meetings

The Board supports and encourages active shareholder participation at general meetings. The Company's Articles of Association allow all shareholders to appoint up to two proxies to attend and vote on his/her behalf and a proxy need not be a member of the Company. Voting in absentia by mail, email or fax has not been implemented due to concerns relating to issues of authentication of shareholder identity and other related security issues.

The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. At general meetings, shareholders are given the opportunity to express their views and ask questions regarding the Company and the Group. All Directors, in particular the Chairman of the Board and Chairpersons of Board Committees, and the external auditors are present and available to address shareholder's questions. Minutes of the AGM are prepared and available upon request, which includes substantive comments or queries from the shareholders and responses from the Board and Management.

For greater transparency and effective participation, the Company will put all resolutions to vote by poll at the upcoming AGM and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day.

DEALINGS IN SECURITIES

The Group has adopted an internal guideline on dealings in the securities of the Company by the Directors, officers and employees of the Company and its subsidiaries. The Group issues quarterly reminders to Directors, officers and employees on the restrictions in dealings in shares of the Company during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year; and one month before the announcement of the Company's full year financial results, and ending on the date of the announcement of the relevant results. Directors and officers are also reminded not to trade in securities of the Company at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Company's securities on short-term considerations.

ADDITIONAL INFORMATION

INTERESTED PERSON TRANSACTIONS POLICY

All interested person transactions are subject to review by the AC.

For financial year 2013, there were no interested person transactions.

MATERIAL CONTRACTS

There were no material contracts of the Company and its subsidiaries involving the interests of the CEO, each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

MAJOR PROPERTIES

The Group holds the following properties in Singapore:

Location	Description	Tenure of land	Area (sqm)	Open market valuation $'000
6 Pioneer Sector 1 Singapore 628418	A purpose-built shipyard complex with single-storey workshops, 3-storey office, stores, water frontage and paint blasting/open fabricating	Expiring on 31 December 2023	31,094	14,500
10 Jalan Samulun Singapore 629124	An existing custom-built premises with single-storey workshop, 3-storey office and water frontage	Expiring on 31 December 2025	10,430	3,000

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 2013.

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)*
Jeanette Chang	*(Appointed on 1 September 2013)*
Tan Yang Guan	
Wong Kwan Seng Robert	
Wong Meng Yeng	
Ang Miah Khiang	*(Appointed on 1 November 2013)*
Han Sah Heok Vicky	*(Appointed on 1 December 2013)*

In accordance with Article 104 of the Company's Articles of Association, Wong Kwan Seng Robert and Wong Meng Yeng are directors retiring at the Annual General Meeting.

Wong Meng Yeng, being eligible, offers himself for re-election. Wong Kwan Seng Robert has expressed his intention to retire at the Annual General Meeting and will not seek re-election.

In accordance with Article 108 of the Company's Articles of Association, Jeanette Chang, Ang Miah Khiang and Han Sah Heok Vicky retire and, being eligible, offer themselves for re-election.

In accordance with Section 153(6) of the Companies Act, Cap. 50, Lim Ho Seng retires and, being eligible, offers himself for re-appointment.

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' INTERESTS 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 as stated below :-

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Name of director	Direct interest At the beginning of financial year	Direct interest At the end of financial year	Deemed interest At the beginning of financial year	Deemed interest At the end of financial year
The Company				
Baker Technology Limited				
Ordinary shares				
Lim Ho Seng	810,000	1,134,000	–	–
Dr Benety Chang	305,516,348	345,516,348	68,399,183	68,399,183
Tan Yang Guan	14,744,836	20,642,770	–	–
Wong Kwan Seng Robert	300,000	300,000	–	–
2012 Warrants				
Lim Ho Seng	324,000	–	–	–
Dr Benety Chang	122,206,539	82,206,539	27,359,673	27,359,673
Tan Yang Guan	5,897,934	–	–	–
Wong Kwan Seng Robert	120,000	–	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2014.

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

The Company does not have any outstanding options as at 31 December 2013.

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

3. 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;

4. reviewing the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

5. meets with the external and internal auditors and management in separate executive sections to discuss any matters that these groups believe should be discussed privately with the AC;

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

7. recommending the reappointment of the external auditor to the Board;

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

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

10. reviewing the interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

The AC has held five meetings during the year. 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.

AUDITOR

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

On behalf of the board of directors:

Lim Ho Seng
Chairman

Dr Benety Chang
Chief Executive Officer

Singapore
10 March 2014

Statement by Directors

We, Lim Ho Seng and Dr Benety Chang, 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 statement of comprehensive income, 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 2013, and of the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the 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:

Lim Ho Seng
Chairman

Dr Benety Chang
Chief Executive Officer

Singapore
10 March 2014

Independent Auditor's Report

TO THE MEMBERS OF BAKER TECHNOLOGY LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Baker Technology Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 75 to 133, which comprise the balance sheets of the Group and the Company as at 31 December 2013, the statements of changes in equity of the Group and the Company, the consolidated statement of comprehensive income and consolidated cash flow statement 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 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 audit opinion.

Opinion

In our opinion, 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 2013 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.

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 Chartered Accountants
Singapore
10 March 2014

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 $	Group 2012 $
Revenue	5	83,299,070	98,244,113
Cost of goods sold		(59,531,275)	(73,160,150)
Gross profit		23,767,795	25,083,963
Other items of income			
Recognition of deferred gain on disposal of subsidiary	25	–	58,237,148
Other operating income	6	10,932,326	11,721,139
Other items of expenses			
Administrative expenses		(7,812,766)	(9,708,158)
Finance costs		(7,670)	(121,913)
Other operating expenses	7	(304,660)	(999,821)
Share of results of associates		(495,000)	586,800
Profit before tax	8	26,080,025	84,799,158
Income tax expense	9	(3,707,194)	(3,208,000)
Profit for the year attributable to owners of the Company		22,372,831	81,591,158
Other comprehensive income, net of tax			
Reversal on fair value changes of available-for-sale investment		–	7,500,000
Total comprehensive income for the year attributable to owners of the Company		22,372,831	89,091,158
Earnings per share	10		
Basic (in cents)		2.7	11.5
Diluted (in cents)		2.4	8.3

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

Balance Sheets

AS AT 31 DECEMBER 2013

	Note	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Non-current assets					
Property, plant and equipment	11	6,056,716	2,821,924	4,319,154	9,610
Goodwill	12	7,551,331	7,551,331	–	–
Investment in subsidiaries	13	–	–	21,000,001	20,000,000
Investment in an associate	14	–	32,019,623	–	32,030,623
Investment securities	15	2,456,456	–	2,456,456	–
Deferred tax assets	16	876,000	392,000	–	–
		16,940,503	42,784,878	27,775,611	52,040,233
Current assets					
Gross amount due from customers for contract work-in-progress	17	14,547,420	25,844,908	–	–
Inventories	18	5,573,492	19,162,177	–	–
Trade and other receivables	19	13,191,710	19,679,741	93,080	167,652
Prepaid operating expenses		45,049	44,531	10,792	16,637
Amounts due from subsidiaries	20	–	–	5,478,265	2,700,000
Pledged deposits	21	–	11,067,427	–	–
Cash and short-term deposits	22	205,871,055	173,901,562	156,810,290	167,789,758
		239,228,726	249,700,346	162,392,427	170,674,047
Less : Current liabilities					
Gross amount due to customers for contract work-in-progress	17	820,675	1,844,795	–	–
Loans and borrowings	23	–	3,678,049	–	–
Trade and other payables	24	11,738,469	14,746,029	1,372,274	3,139,566
Tax payable		3,767,092	4,073,458	3,729	4,656
		16,326,236	24,342,331	1,376,003	3,144,222
Net current assets		222,902,490	225,358,015	161,016,424	167,529,825
Net assets		239,842,993	268,142,893	188,792,035	219,570,058
Equity attributable to owners of the Company					
Share capital	26	86,850,625	50,316,870	86,850,625	50,316,870
Reserves		152,992,368	217,826,023	101,941,410	169,253,188
Total equity		239,842,993	268,142,893	188,792,035	219,570,058

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 2013

Group	Attributable to owners of the Company					
	Share capital (Note 26)	Capital reserve (1)	Retained earnings	Fair value reserve	Total reserves	Total equity
	$	$	$	$	$	$
2013						
At 1 January 2013	50,316,870	2,344,269	215,481,754	–	217,826,023	268,142,893
Profit for the year, representing total comprehensive income for the financial year	–	–	22,372,831	–	22,372,831	22,372,831
Contributions by and distributions to owners						
Issuance of new shares from conversion of warrants	36,533,755	–	–	–	–	36,533,755
Dividends on ordinary shares (Note 33)	–	–	(87,206,486)	–	(87,206,486)	(87,206,486)
Total contributions by and distribution to owners	36,533,755	–	(87,206,486)	–	(87,206,486)	(50,672,731)
At 31 December 2013	86,850,625	2,344,269	150,648,099	–	152,992,368	239,842,993

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Group	Attributable to owners of the Company					
	Share capital (Note 26)	Capital reserve [1]	Retained earnings	Fair value reserve	Total reserves	Total equity
	$	$	$	$	$	$
2012						
At 1 January 2012	36,053,443	2,344,269	140,893,545	(7,500,000)	135,737,814	171,791,257
Profit for the year	–	–	81,591,158	–	81,591,158	81,591,158
Other comprehensive income for the year						
Reversal on fair value changes of available-for-sale investment	–	–	–	7,500,000	7,500,000	7,500,000
Total comprehensive income for the year	–	–	81,591,158	7,500,000	89,091,158	89,091,158
Contributions by and distributions to owners						
Issuance of warrants	2,801,180	–	–	–	–	2,801,180
Warrant issue expenses	(258,010)	–	–	–	–	(258,010)
Issuance of new shares from conversion of warrants	11,720,257	–	–	–	–	11,720,257
Dividends on ordinary shares (Note 33)	–	–	(7,002,949)	–	(7,002,949)	(7,002,949)
Total contributions by and distribution to owners	14,263,427	–	(7,002,949)	–	(7,002,949)	7,260,478
At 31 December 2012	50,316,870	2,344,269	215,481,754	–	217,826,023	268,142,893

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Company	Attributable to owners of the Company					
	Share capital (Note 26)	Capital reserve (1)	Retained earnings	Fair value reserve	Total reserves	Total equity
	$	$	$	$	$	$
2013						
At 1 January 2013	50,316,870	2,344,269	166,908,919	–	169,253,188	219,570,058
Profit for the year representing total comprehensive income for the financial year	–	–	19,894,708	–	19,894,708	19,894,708
Contributions by and distributions to owners						
Issuance of new shares from conversion of warrants	36,533,755	–	–	–	–	36,533,755
Dividends on ordinary shares (Note 33)	–	–	(87,206,486)	–	(87,206,486)	(87,206,486)
Total contributions by and distribution to owners	36,533,755	–	(87,206,486)	–	(87,206,486)	(50,672,731)
At 31 December 2013	86,850,625	2,344,269	99,597,141	–	101,941,410	188,792,035

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Company	Share capital (Note 26)	Capital reserve [1]	Retained earnings	Fair value reserve	Total reserves	Total equity
	Attributable to owners of the Company					
	$	$	$	$	$	$
2012						
At 1 January 2012	36,053,443	2,344,269	18,095,773	(7,500,000)	12,940,042	48,993,485
Profit for the year	–	–	155,816,095	–	155,816,095	155,816,095
Other comprehensive income for the year						
Reversal on fair value changes of available-for-sale investment	–	–	–	7,500,000	7,500,000	7,500,000
Total comprehensive income for the year	–	–	155,816,095	7,500,000	163,316,095	163,316,095
Contributions by and distributions to owners						
Issuance of warrants	2,801,180	–	–	–	–	2,801,180
Warrant issue expenses	(258,010)	–	–	–	–	(258,010)
Dividends on ordinary shares (Note 33)	–	–	(7,002,949)	–	(7,002,949)	(7,002,949)
Issuance of new shares from conversion of warrants	11,720,257	–	–	–	–	11,720,257
Total contributions by and distributions to owners	14,263,427	–	(7,002,949)	–	(7,002,949)	7,260,478
At 31 December 2012	50,316,870	2,344,269	166,908,919	–	169,253,188	219,570,058

(1) Capital reserve arose from restructuring exercise in prior years.

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 2013

	2013 $	2012 $
Cash flows from operating activities		
Profit before tax	26,080,025	84,799,158
Adjustments for :		
Depreciation of property, plant and equipment	1,236,830	1,413,853
Loss on disposal of property, plant and equipment	51,660	326
Recognition of deferred gain on disposal of subsidiary	–	(58,237,148)
Gain on disposal of investment in associates	(8,757,440)	(10,894,451)
Interest income	(486,718)	(509,738)
Interest expense	7,670	121,913
Share of results of associates	495,000	(586,800)
Unrealised exchange (gain) / loss	(763,260)	767,807
Operating cash flows before working capital changes	17,863,767	16,874,920
Decrease / (increase) in inventories	13,588,685	(12,804,767)
Decrease in gross amount due from customers for contract work-in-progress	11,297,488	5,716,209
Decrease in gross amount due to customers for contract work-in-progress	(1,024,120)	(5,273,296)
Decrease / (increase) in trade and other receivables	6,586,702	(7,960,695)
(Increase) / decrease in prepaid operating expenses	(518)	11,941
Decrease / (increase) in pledged deposits	11,067,427	(5,005,126)
Decrease in trade and other payables	(3,020,076)	(12,393,061)
Cash flows from / (used in) operations	56,359,355	(20,833,875)
Interest paid	(7,670)	(121,913)
Interest received	486,718	509,738
Income tax paid	(4,497,560)	(2,622,863)
Net cash flows from / (used in) operating activities	52,340,843	(23,068,913)

Consolidated Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013 $	2012 $
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	3,000	–
Purchase of property, plant and equipment	(4,526,282)	(394,317)
Net proceeds from disposal of investment in associates	40,523,942	21,850,674
Placement of short-term deposits	(4,000,000)	–
Purchase of investment in an associate	(241,879)	–
Purchase of investment securities	(2,456,456)	(4,412,595)
Net cash flows from investing activities	29,302,325	17,043,762
Cash flows from financing activities		
Net proceeds from conversion of warrants	36,533,755	11,720,257
Net proceeds from warrant issue	–	2,543,170
Dividends paid on ordinary shares	(87,206,486)	(7,002,949)
Proceeds from loans and borrowings	–	17,666,533
Repayment of loans and borrowings	(3,678,049)	(13,988,484)
Net cash flows (used in) / from financing activities	(54,350,780)	10,938,527
Net increase in cash and cash equivalents	27,292,388	4,913,376
Effect of exchange rate changes on cash and cash equivalents	677,105	(288,627)
Cash and cash equivalents at beginning of financial year	173,901,562	169,276,813
Cash and cash equivalents at end of financial year (Note 22)	201,871,055	173,901,562

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 2013

1. CORPORATE INFORMATION

Baker Technology Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is at 10 Jalan Samulun, Singapore 629124.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Notes 13 to the financial statements.

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, except as disclosed in the accounting policies below, and are presented in Singapore Dollars (S$ or $).

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.2 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	***Effective for annual periods beginning on or after***
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 *Basis of consolidation and business combination*

(a) *Basis of consolidation*

Basis of consolidation from 1 January 2010

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
– De-recognises the carrying amount of any non-controlling interest;
– De-recognises the cumulative translation differences recorded in equity;
– Recognises the fair value of the consideration received;
– Recognises the fair value of any investment retained;
– Recognises any surplus or deficit in profit or loss;
– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

– Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

– Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

– Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of consolidation and business combination (cont'd)

(b) *Business combinations*

Business combinations from 1 January 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the events of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.8. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

In comparison to the above mentioned requirements, the following differences applied:

- Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

- Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

- When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

- Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 *Foreign currency*

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

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 measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss 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 other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) *Consolidated financial statements*

For consolidation purposes, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.5 *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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. 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 included as income in the determination of the Group's share of profit or loss of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associates and therefore is the profit after tax and non-controlling interests in the subsidiaries of associates.

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.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

The financial statements of the associate are prepared as of the same reporting date as the Company unless it is impracticable to do so. When the financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the Company, adjustments are made for the effects of significant transactions or events that occur between the sale and the reporting date of the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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 :

Leasehold land and buildings	- over remaining terms of lease
Leasehold improvements	- 5 to 7 years
Furniture and fittings	- 5 years
Office equipment	- 3 to 5 years
Motor vehicles	- 4 to 5 years
Plant and equipment	- 3 to 10 years

Assets under construction are not depreciated as these assets are not yet available for use.

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 and adjusted prospectively, if appropriate.

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 profit or loss in the year the asset is derecognised.

2.8 *Goodwill*

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 *Goodwill (cont'd)*

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. 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 cash-generating 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 fair values of the operation disposed of and the portion of the cash-generating unit retained.

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 indication exists, or when an 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 of disposal 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. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, 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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

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 profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair values recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) *Loans and receivables*

Non-derivative 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, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) *Held-to-maturity investments*

Non-derivative 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, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 *Financial instruments (cont'd)*

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

Subsequent measurement (cont'd)

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

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

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

De-recognition

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 had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial assets

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.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus and in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities 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 liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) ***Financial liabilities at amortised cost***

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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 profit or loss.

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 profit or loss.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) 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*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Impairment of financial assets (cont'd)*

(c) *Available-for-sale financial assets (cont'd)*

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 profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in the profit or loss; increase in fair value after their impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

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.

2.13 *Inventories*

Inventories, which are made up mainly materials, components and spares, are valued 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 costs on a weighted average method.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average method.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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 incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 *Provisions*

General

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provision

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related cost is revised annually.

2.16 *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 in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the profit or loss 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 profit or loss.

2.17 *Employee benefits*

(a) ***Defined contribution plan***

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to a defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

(b) ***Employee leave entitlement***

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.18 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 *Leases (cont'd)*

(a) *As lessee*

Operating lease payments are recognised as an expense in the profit or loss 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.

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.19(b)(v). Contingent rents are recognised as revenue in the period in which they are earned.

2.19 *Construction contracts and revenue*

(a) *Construction contracts*

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when:

(i) total contract revenue can be measured reliably;
(ii) it is probable that the economic benefits associated with the contract will flow to the entity;
(iii) the costs to complete the contract and the stage of completion can be measured reliably; and
(iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date to the estimated costs to complete.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 *Construction contracts and revenue (cont'd)*

(b) *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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Sales of goods*

Revenue from sales of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers, usually on delivery of goods.

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.

(ii) *Rendering of services*

Revenue from rendering of services is recognised by reference to the stage of completion at the end of the reporting period. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(iii) *Interest income*

Interest income is recognised using the effective interest method.

(iv) *Dividend income*

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

(v) *Rental income*

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.20 *Taxes*

(a) *Current income tax*

Current income 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 at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in the profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 *Taxes (cont'd)*

(b) *Deferred tax*

Deferred 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 liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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; and

- 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 and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference 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; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period 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 the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 *Taxes (cont'd)*

(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.

2.21 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 4, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.22 *Share capital and share issue expenses*

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

2.23 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. It shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.25 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies :

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 *Judgments made in applying accounting policies (cont'd)*

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 12 to the financial statements.

(b) ***Impairment of loans and receivables***

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the end of the reporting period is disclosed in Note 19 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT')

3.2 *Key sources of estimation uncertainty (cont'd)*

(c) *Income taxes*

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 income tax payables and deferred tax assets as at 31 December 2013 was $3,767,092 and $876,000 (2012: $4,073,458 and $392,000), respectively. The gain on disposal of a subsidiary and associates are capital in nature and not taxable.

(d) *Contract revenue*

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers. For project in progress, allowance for foreseeable losses is made when the contract revenue has fallen below contract cost. The carrying amounts of assets and liabilities arising from construction contracts at the balance sheet date are disclosed in Note 17 to the financial statements.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows :

(i) The marine offshore segment is essentially the Group's principal business activity. This segment consists of Sea Deep Shipyard Pte. Ltd. and its subsidiary. Collectively, they are the manufacturers and providers of specialised marine offshore equipment and services for the oil and gas industry.

(ii) The investments segment relates to the Group's investments in associates and other investments, including the corresponding gains on disposals of investments and the recognition of the deferred gain on disposal of subsidiary.

(iii) The corporate segment is involved in Group-level corporate services and treasury functions.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments, if any, are on arm's length basis in a manner similar to transactions with third parties.

4. SEGMENT INFORMATION (CONT'D)

	Marine offshore		Investments		Corporate		Adjustments and elimination		Per consolidated financial statements	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$	$	$	$	$
Revenue										
– external customers	83,299,070	98,244,113	–	–	–	–	–	–	83,299,070	98,244,113
Results:										
EBITDA *	21,474,576	21,534,163	(21,108)	–	(2,278,101)	(4,827,376)	(600,000)	(600,000)	18,575,367	16,106,787
Depreciation and amortisation	(1,228,873)	(1,400,791)	–	–	(7,957)	(13,062)	–	–	(1,236,830)	(1,413,853)
Interest expense	(7,670)	(121,913)	–	–	–	–	–	–	(7,670)	(121,913)
Interest income	57,392	28,883	–	–	429,326	480,855	–	–	486,718	509,738
Recognition of deferred gain on disposal of subsidiary	–	–	–	58,237,148	–	–	–	–	–	58,237,148
Gain on disposal of an associate	–	–	8,757,440	10,894,451	–	–	–	–	8,757,440	10,894,451
Share of results of associates	–	–	(495,000)	586,800	–	–	–	–	(495,000)	586,800
Segment profit/(loss)	20,295,425	20,040,342	8,241,332	69,718,399	(1,856,732)	(4,359,583)	(600,000)	(600,000)	26,080,025	84,799,158
Segment assets	92,479,457	84,930,613	2,456,456	32,019,623	161,233,316	175,534,988	–	–	256,169,229	292,485,224
Segment liabilities	14,944,411	21,198,109	5,821	–	1,376,004	3,144,222	–	–	16,326,236	24,342,331
Other segment information:										
Purchase of investment securities	–	–	2,456,456	–	–	–	–	–	2,456,456	–
Investment in an associate	–	–	–	32,019,623	–	–	–	–	–	32,019,623
Additions to non-current assets	208,387	391,539	–	–	4,317,896	2,778	–	–	4,526,283	394,317

** Earnings before interest, taxation, depreciation and amortisation*

4. SEGMENT INFORMATION (CONT'D)

Geographical information

Revenue information based on the geographical location of customers is as follows:

	Revenue	
	2013	**2012**
	$	$
China	51,594,259	76,063,916
Singapore	21,270,803	18,102,991
Middle East	1,534,332	1,020,267
Asia Pacific (excluding China and Singapore)	8,818,981	3,047,944
Others	80,695	8,995
	83,299,070	98,244,113

Except for the Group's available-for-sale investment of $339,012 at 31 December 2013 and an investment in associate of $32,019,623 at 31 December 2012 which are located in Europe, all the assets and capital expenditure of the Group are located in Singapore.

Information about a major customer

Revenue from one major customer amounted to approximately $31,995,000 (2012: $34,286,000), arising from the provision of specialised marine offshore equipment and services.

5. REVENUE

Revenue mainly consists of contract revenue from the manufacturing and provision of specialised marine offshore equipment and services for the oil and gas industry.

6. OTHER OPERATING INCOME

	Group	
	2013	**2012**
	$	$
Rental income	49,000	117,600
Interest income from short term deposits	486,718	509,738
Gain on disposal of an associate (Note 14)	8,757,440	10,894,451
Foreign exchange gain	1,634,168	–
Other income	5,000	199,350
	10,932,326	11,721,139

7. OTHER OPERATING EXPENSES

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

	Group	
	2013	2012
	$	$
Foreign exchange loss	–	871,495
Loss on disposal of property, plant and equipment	51,660	326

8. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group	
	2013	2012
	$	$
Depreciation of property, plant and equipment	1,236,830	1,413,853
Consultancy service fee paid / payable to directors	177,735	187,110
Finance costs on loans and borrowings	7,670	121,913
Operating lease expenses	968,276	1,137,891
Employee benefit expense (including executive directors):		
- Contributions to defined contribution plans	603,970	564,874
- Salaries, wages, bonuses and other costs	6,969,384	7,914,876
Audit fees paid to auditors of the Company	174,000	178,666
Non-audit fees paid to:		
- Auditors of the Company	33,950	5,992
- Other auditors	82,739	62,145
Legal and other professional fees *	35,528	1,322,082

* Included in legal and other professional fees is an amount of $Nil (2012: $131,783) paid to a firm in which a director of the Company is a director.

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	
	2013	**2012**
	$	$
Statement of comprehensive income :		
Current income tax:		
- Current income taxation	3,720,000	3,600,000
- Underprovision in respect of prior years	471,194	–
	4,191,194	3,600,000
Deferred income tax:		
- Origination and reversal of temporary difference (Note 16)	(484,000)	(241,249)
- Overprovision in respect of prior years	–	(150,751)
	(484,000)	(392,000)
Income tax expense recognised in the statement of comprehensive income	3,707,194	3,208,000

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

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

	Group	
	2013	**2012**
	$	$
Accounting profit before tax	26,080,025	84,799,158
Income tax expense at the applicable tax rate of 17% (2012: 17%)	4,433,604	14,415,857
Adjustments for tax effect of:		
Income not subject to taxation	(1,507,142)	(12,083,728)
Non-deductible expenses	378,474	1,079,636
Under / (over) provision in respect of prior years	471,194	(150,751)
Tax exemption	(75,578)	(52,060)
Others, net	6,642	(954)
Income tax expense recognised in profit or loss	3,707,194	3,208,000

The gains on disposal of a subsidiary and associates are capital in nature and not taxable.

10. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing profit for the financial year, net of tax, attributable to owners 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 table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	2013 $	2012 $
Profit for the financial year attributable to owners of the Company used in the computation of basic and diluted earnings per ordinary share	22,372,831	81,591,158
Weighted average number of ordinary shares for basic earnings per share computation	832,125,414	707,031,802
Dilutive effect of warrants	101,621,195	280,040,952
Weighted average number of ordinary shares for diluted earnings per share computation	933,746,609	987,072,754

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings	Leasehold improvements	Assets under construction	Furniture and fittings	Office equipment	Motor vehicles	Plant and equipment	Total
	$	$	$	$	$	$	$	$
Cost:								
At 1 January 2012	7,165,966	2,966,341	173,580	26,492	316,347	116,032	4,678,191	15,442,949
Additions	–	12,940	299,016	5,240	20,841	–	56,280	394,317
Disposal	–	–	–	–	(950)	–	–	(950)
Reclassification	–	31,550	(418,330)	–	–	–	386,780	–
At 31 December 2012 and 1 January 2013	7,165,966	3,010,831	54,266	31,732	336,238	116,032	5,121,251	15,836,316
Additions	–	126,808	4,312,994	–	49,933	–	36,548	4,526,283
Disposal / write off	–	–	(54,266)	–	(10,053)	–	(12,760)	(77,079)
Reclassification	–	–	–	748	(748)	–	–	–
At 31 December 2013	7,165,966	3,137,639	4,312,994	32,480	375,370	116,032	5,145,039	20,285,520
Accumulated depreciation:								
At 1 January 2012	5,940,131	1,423,756	–	20,919	264,551	38,203	3,913,603	11,601,163
Depreciation charge for the year	355,429	494,727	–	2,665	27,941	23,206	509,885	1,413,853
Disposal	–	–	–	–	(624)	–	–	(624)
At 31 December 2012 and 1 January 2013	6,295,560	1,918,483	–	23,584	291,868	61,409	4,423,488	13,014,392
Depreciation charge for the year	355,428	523,177	–	2,987	29,120	16,556	309,562	1,236,830
Disposal / write off	–	–	–	–	(9,658)	–	(12,760)	(22,418)
At 31 December 2013	6,650,988	2,441,660	–	26,571	311,330	77,965	4,720,290	14,228,804
Net carrying amount:								
At 31 December 2012	870,406	1,092,348	54,266	8,148	44,370	54,623	697,763	2,821,924
At 31 December 2013	514,978	695,979	4,312,994	5,909	64,040	38,067	424,749	6,056,716

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The Group's leasehold land and building is located at 6 Pioneer Sector 1, Singapore 628418. The Group's new premises at 10 Jalan Samulun, Singapore 629124 has been classified as assets-under-construction as at 31 December 2013.

(b) Depreciation charge of $931,638 (2012: $1,190,010) has been included in the Group's cost of goods sold.

	Assets under construction	Office equipment	Total
	$	$	$
Company			
Cost:			
At 1 January 2012	–	46,514	46,514
Additions	–	2,778	2,778
At 31 December 2012 and 1 January 2013	–	49,292	49,292
Additions	4,312,994	4,902	4,317,896
Disposal	–	(10,053)	(10,053)
At 31 December 2013	4,312,994	44,141	4,357,135
Accumulated depreciation:			
At 1 January 2012	–	26,620	26,620
Depreciation charge for the year	–	13,062	13,062
At 31 December 2012 and 1 January 2013	–	39,682	39,682
Depreciation charge for the year	–	7,957	7,957
Disposal	–	(9,658)	(9,658)
At 31 December 2013	–	37,981	37,981
Net carrying amount:			
At 31 December 2012	–	9,610	9,610
At 31 December 2013	4,312,994	6,160	4,319,154

12. GOODWILL

	$
Group	
Cost :	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	7,551,331
Accumulated impairment :	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	–
Net carrying amount :	
31 December 2012 and 31 December 2013	7,551,331

Impairment testing of goodwill

The goodwill was derived from the acquisition of Sea Deep Shipyard Pte. Ltd., the cash generating unit (CGU).

	Group	
	2013	**2012**
	$	$
Sea Deep Shipyard Pte. Ltd.	7,551,331	7,551,331

The recoverable amount of the CGU has been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. Management have considered and determined the factors applied in these financial budgets.

A pre-tax discount rate of 10% (2012: 10%) per annum, which is commonly adopted within the industry, was applied to the cash flow projections. In addition, management has also adopted a conservative forecasted growth rate of 3% (2012: 3%) per annum for 5 years cash flow projections. The bulk of the Group's profit relates to the operations of the Sea Deep Group. Given this information, the recoverable amount is not sensitive to other assumptions.

No impairment loss was required for the carrying amount of goodwill assessed as at 31 December 2013 and 2012 as the recoverable amount of the CGU was in excess of the carrying value.

13. INVESTMENT IN SUBSIDIARIES

	Company 2013 $	Company 2012 $
Shares, at cost	21,000,001	20,000,000

The subsidiaries for the financial year ended 31 December are :-

Subsidiaries (Country of incorporation)	Cost of investment 2013 $	Cost of investment 2012 $	Percentage of equity held by the Group 2013 %	Percentage of equity held by the Group 2012 %	Principal activities (Place of business)
[(1)] Sea Deep Shipyard Pte. Ltd. (Singapore)	20,000,000	20,000,000	100	100	Manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry (Singapore)
[(1)] Baker Engineering Pte. Ltd. (Singapore) - incorporated on 22 May 2013	1,000,000	–	100	–	Design and fabrication of offshore and marine equipment (Singapore)
[(1)] BT Investment Pte. Ltd. (Singapore) - incorporated on 19 September 2013	1	–	100	–	Investment holding (Singapore)
	21,000,001	20,000,000			

The subsidiary of Sea Deep Shipyard Pte. Ltd. is :-

[(1)] Interseas Shipping (Private) Limited (Singapore)	200,000	200,000	100	100	Manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry (Singapore)

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

14. INVESTMENT IN AN ASSOCIATE

	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
Shares, at cost	–	32,030,623	–	32,030,623
Share of post-acquisition reserves	–	(11,000)	–	–
	–	32,019,623	–	32,030,623

The carrying cost of the investment in an associate is represented by:

	Group 2013 $	Group 2012 $
Share of net assets	–	29,659,623
Goodwill on acquisition	–	2,360,000
	–	32,019,623

Associate (Country of incorporation)	Percentage of equity held by the Group 2013 %	Percentage of equity held by the Group 2012 %	Principal activity
[(1)] Discovery Offshore S.A. (Luxembourg)	–	20	Ownership of jack-up rigs to serve customers in the exploration and production sector

[(1)] Audited by Ernst & Young LLP, Luxembourg

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

	Group 2013 $	Group 2012 $
Assets and liabilities :		
Total assets	–	149,609,810
Total liabilities	–	3,292,684
Results :		
Revenue	–	–
Net loss for the year	–	(1,919,038)

14. INVESTMENT IN AN ASSOCIATE (CONT'D)

Disposal of an associate

A. Disposal of investment in Discovery Offshore S.A.

Discovery Offshore S.A. ("DO") is a Luxembourg-based public limited liability company incorporated on 12 January 2011 for the purpose of owning new ultra high specification jackup drilling rigs. DO's main assets are two Keppel FELS Super A class high specification harsh environment jackup rigs.

In February 2013, the Company purchased additional 87,150 shares in DO from the open market for a total consideration of $241,879. As a result, the Company's interest in DO increased from 20.16% to 20.29%.

In June 2013, DO's other major shareholder, Hercules Offshore, Inc. ("Hercules") announced that it had acquired additional shares in DO and triggered an obligation to make a mandatory offer for all the remaining outstanding shares in DO at an offer price of NOK 15.00.

Having considered the change in DO's shareholding structure following Hercules' share purchase, the potential for Hercules to acquire further shares in DO in view of the mandatory offer and the Group's capital gains from the disposal, the Company disposed of its entire stake in DO in June 2013.

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

	Group 2013 $
Proceeds from disposal	40,997,858
Less:	
Carrying value of the investment	(31,766,502)
Expenses on disposal	(473,916)
Gain on disposal	8,757,440

The share of losses from DO of $495,000 (2012: $11,000) has been recognised in the consolidated statement of profit and loss.

14. INVESTMENT IN AN ASSOCIATE (CONT'D)

B. Disposal of investment in York Transport Equipment (Asia) Pte Ltd

On 23 March 2012, TRF Limited exercised its call option for the remaining 49% interest in York Transport Equipment (Asia) Pte Ltd ("York") and accordingly, the Company received net proceeds of $21,850,674 from the disposal. After the disposal, York ceased to be an associate of the Company. The gain on disposal for the Group was computed as follows:

	Group 2012 $
Proceeds from disposal	22,178,235
Less:	
Carrying value of the investment	(10,956,223)
Expenses on disposal	(327,561)
Gain on disposal	10,894,451

The share of results from York of $Nil (2012: $597,800) has been recognised in the consolidated statement of profit and loss.

15. INVESTMENT SECURITIES

	Group and Company 2013 $	Group and Company 2012 $
Non-current:		
Available-for-sale financial assets		
- 4.15% p.a. SGD corporate bond due 27 October 2021 (quoted) - at fair value	2,117,444	–
- Equity securities (unquoted)	339,012	–
	2,456,456	–

The Group and Company's unquoted equity securities relates to a minority stake in an investment fund company, which was incorporated in Luxembourg. Fair value information has not been disclosed because fair value cannot be measured reliably. These equity instruments are not quoted on any market and does not have any comparable industry peer that is listed.

16. DEFERRED TAX

Deferred tax as at 31 December relates to the following :

	Group			
	Balance sheet		Statement of comprehensive income	
	2013	2012	2013	2012
	$	$	$	$
Deferred tax assets:				
Provisions	724,030	376,450	(347,580)	(376,450)
Differences in depreciation for tax purposes	168,000	34,100	(133,900)	(34,100)
Deferred tax liability:				
Differences in depreciation for tax purposes	(16,030)	(18,550)	(2,520)	18,550
	876,000	392,000	(484,000)	(392,000)

Tax consequence of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 33).

17. GROSS AMOUNT DUE FROM / (TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group	
	2013	**2012**
	$	$
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date*	17,055,035	91,209,924
Less: Progress billings and advances	(3,328,290)	(67,209,811)
	13,726,745	24,000,113
Presented as:		
Gross amount due from customers for contract work-in-progress	14,547,420	25,844,908
Gross amount due to customers for contract work-in-progress	(820,675)	(1,844,795)
	13,726,745	24,000,113
* Included in cost incurred is an amount of:		
Unused inventories on site	15,850,000	19,600,000
Advances received included in gross amount due to customers for contract work	152,947	1,622,732
Retention sums on construction contract included in trade receivables	2,813,783	2,159,400

18. INVENTORIES

	Group	
	2013	**2012**
	$	$
Balance sheet:		
Materials, components and spares	5,573,492	19,162,177

The cost of the goods sold reported in the statement of comprehensive income includes the total inventories recognised as an expense for the year.

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Trade receivables	12,292,299	18,243,759	–	–
Deposits	477,780	654,048	7,000	22,223
Tax recoverable	343,558	558,558	86,080	–
Sundry receivables	78,073	223,376	–	145,429
Total trade and other receivables	13,191,710	19,679,741	93,080	167,652
Trade and other receivables (excluding tax recoverable)	12,848,152	19,121,183	7,000	167,652
Amount due from subsidiaries (Note 20)	–	–	5,478,265	2,700,000
Pledged deposits (Note 21)	–	11,067,427	–	–
Cash and short-term deposits (Note 22)	205,871,055	173,901,562	156,810,290	167,789,758
Total loans and receivables	218,719,207	204,090,172	162,295,555	170,657,410

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.

The Group's trade receivables denominated in foreign currencies at 31 December are as follows:

	Group	
	2013	2012
	$	$
United States dollar	9,478,516	10,317,529
Euro	2,813,783	7,915,444

At the end of the reporting period, trade receivable amounting to $Nil (2012: $4,010,108) was arranged to be settled via letter of credits issued by a reputable bank in country where the customer was based.

19. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $8,427,966 (2012: $6,299,351) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows :

	Group	
	2013	2012
	$	$
Trade receivables past due but not impaired :		
Lesser than 30 days	1,524,058	3,880,436
30 to 60 days	3,914,476	1,122,400
61 to 90 days	2,813,783	24,568
More than 90 days	175,649	1,271,947
	8,427,966	6,299,351

Of the trade receivables of $175,649 (2012: $1,271,947) which was past due for more than 90 days, $Nil (2012: $1,037,000) relates to retention sums on construction contracts.

20. AMOUNTS DUE FROM SUBSIDIARIES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Dividend receivable	–	–	5,000,000	–
Non-trade receivables	–	–	478,265	2,700,000
	–	–	5,478,265	2,700,000

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

21. PLEDGED DEPOSITS

Pledged deposits related to short-term deposits pledged by the Group to the banks as collateral for banking facilities and issuance of banking guarantees. The pledged deposits were mainly related to the projects that arose from the Group's operating activities. These pledged deposits were released by the banks during the current financial year.

The pledged deposits are placed for period of three months and earn interests ranging from 0.03% to 0.77% per annum in 2012.

Pledged deposits denominated in foreign currencies at 31 December are as follows:

	Group	
	2013	2012
	$	$
United States dollar	–	8,399,606

22. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Cash at banks and in hand	51,184,494	100,555,589	51,184,494	94,443,785
Short-term deposits	154,686,561	73,345,973	105,625,796	73,345,973
	205,871,055	173,901,562	156,810,290	167,789,758

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week to six months depending on the immediate cash requirements of the Group and Company, and earn interests at the respective short-term deposit rates ranging from 0.01% to 0.85% (2012: 0.01% to 0.41%) per annum.

22. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:-

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
United States dollar	58,615,645	661,274	37,640,863	262,541
Euro	8,880,291	3,585,421	504,298	–

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2013	2012
	$	$
Cash and short-term deposits	205,871,055	173,901,562
Less: Deposits with more than three months maturity	(4,000,000)	–
Cash and cash equivalents	201,871,055	173,901,562

23. LOANS AND BORROWINGS

This related to short-term bank borrowings, denominated in USD, drawn down by the Company's subsidiary for working capital purposes. These borrowings bear interest rates ranging from 1.93% to 2.33% per annum and are secured by the subsidiary's pledged deposits with the banks (Note 21). These bank borrowings were fully repaid during the current financial year.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Trade payables	3,455,244	6,993,743	–	–
Other payables	8,283,225	7,752,286	1,372,274	3,139,566
Total trade and other payables	11,738,469	14,746,029	1,372,274	3,139,566
Trade and other payables (excluding provision for warranty)	7,479,469	12,531,798	1,372,274	3,139,566
Loans and borrowings (Note 23)	–	3,678,049	–	–
Total financial liabilities carried at amortised cost	7,479,469	16,209,847	1,372,274	3,139,566

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

The Group's other payables includes a provision for warranty of approximately $4,259,000 (2012: $2,214,000). During the financial year, the Group provided an additional amount of approximately $2,045,000 (2012: $380,000). In line with the Group's policy as discussed in Note 2.15, the additional provision in 2013 and in 2012 for warranty were resulted from the annual revision.

Trade payables denominated in foreign currencies at 31 December are as follows :-

	Group	
	2013	2012
	$	$
United States dollar	780,195	4,138,180
Euro	67,721	413,164

25. RECOGNITION OF 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 PPL Holdings Pte Ltd ("PPLH"), a company which holds an aggregate of 15% interest in PPL Shipyard Pte Ltd ("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”).

SCM alleged that it had the right to purchase the shares of PPLS owned by PPLH for $59,433,522 and that the right had been triggered when the Company accepted the offer to dispose of PPLH. SCM also claimed that the shareholders' agreements between SCM and PPLH had been terminated.

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.

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). However, pending the outcome of the legal case, the Group had deferred the recognition of the gain on disposal on 31 December 2010 and 31 December 2011.

On 30 May 2012, the High Court ruled in PPLH’s favour and dismissed SCM’s claims in their entirety. Though SCM filed an appeal on 29 June 2012, the appeal did not affect the ownership of the 15% shareholdings of PPLH in PPLS and as a result the Group had fulfilled its obligation to QD under the amendment and novation agreement and the disposal of PPLH to QD was considered finalised.

As the legal case was concluded during financial year ended 31 December 2012, the deferred gain on disposal of subsidiary was recognised in that year.

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

	2012	
	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

26. SHARE CAPITAL

	Group and Company			
	2013		2012	
	No. of shares	$	No. of shares	$
Issued and fully paid :				
At 1 January	736,806,714	50,316,870	700,168,881	36,053,443
Issuance of new shares from conversion of warrants	135,334,130	36,533,755	36,637,833	11,720,257
Issuance of warrants	–	–	–	2,801,180
Warrant issue expenses	–	–	–	(258,010)
At 31 December	872,140,844	86,850,625	736,806,714	50,316,870

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. The ordinary shares have no par value.

As at 31 December, the Company has the following outstanding warrants:

			No. of warrants	
	Expiry date	Exercise price	2013	2012
2012 Warrants	5 June 2015	$0.185	144,706,822	280,040,952

In June 2012, the Company completed its renounceable non-underwritten rights issue of 280,117,952 warrants at an issue price of $0.01 for each warrant ("2012 Warrants"). Each warrant carries the rights to subscribe for 1 new ordinary share in the capital of the Company at an exercise price of $0.270 for each new share. The warrants were issued on the basis of 2 warrants for every 5 existing ordinary shares in the capital of the Company held by entitled shareholders as at book closure date.

At the Company's AGM held on 25 April 2013, the shareholders approved a first and final tax exempt (one-tier) dividend of $0.015 per ordinary share and a special tax exempt (one-tier) dividend of $0.085 per ordinary share for the year ended 31 December 2012. As the special dividend was distributed out of reserves which were attributable to profits or gains arising from the disposal of investments by the Company, the exercise price of the 2012 Warrants of $0.270 per share was adjusted to $0.185 per share on 13 May 2013, so as to reflect the lower intrinsic value of the Company's share after the special dividend.

During the year, 135,258,130 warrants and 76,000 warrants were exercised at $0.270 and $0.185 each respectively to subscribe for a total of 135,334,130 shares in the Company.

Further details regarding the exercise price of the 2012 warrants are disclosed in Note 35.

27. COMMITMENTS

(a) *Capital commitments*

Capital expenditure contracted for as at the end of the reporting period in respect of property, plant and equipment and unquoted equity securities contracted for but not recognised in the financial statements was $9,600,000 and $1,397,000 (2012: $3,000,000 and $Nil) respectively.

(b) *Operating lease commitment – as lessee*

The Group leases its properties and certain equipments under lease agreements that are non-cancellable within a year and contain provisions for rental adjustments. These leases have an average tenure of between five to twelve years with no contingent rent provision included in the contracts. There are restrictions placed on subleasing the leased equipments and properties to third party.

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows :

	Group	
	2013	**2012**
	$	$
Not later than one year	896,381	513,802
Later than one year but no later than five years	3,553,947	1,883,240
Later than five years	5,217,556	2,864,369
	9,667,884	5,261,411

28. RELATED PARTY TRANSACTIONS

An entity or individual is considered to be a related party of the Group 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*

During the financial year 2013, the amount of contract revenue earned from a company related to its directors was $Nil (2012: approximately $14,542,000).

There are no other significant transactions between the Group and related parties who are not members of the Group during the financial year.

28. RELATED PARTY TRANSACTIONS (CONT'D)

(b) *Compensation of key management personnel*

	Group	
	2013	2012
	$	$
Short-term employee benefits	3,895,053	5,257,065
Comprise amounts paid/payable to		
- Directors of the Company	1,698,938	3,176,710
- Other key management personnel	2,196,115	2,080,355
	3,892,053	5,257,065

29. DIRECTORS' AND EXECUTIVES' REMUNERATION

Directors' remuneration and fees amounted to $1,526,229 (2012: $3,014,210) and $172,709 (2012: $162,500) 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	
	2013	2012
$1,250,000 to $1,499,999	–	2
$500,000 to $999,999	1	–
$250,000 to $499,999	1	–
Below $250,000	7	4
Total	9	6

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk and foreign currency risk. The Group does not speculate in the currency markets or hold or issue derivatives financial instruments. The Board reviews and agrees policies and procedures for the management of these risks. The AC provides independent oversight to the effectiveness of the risk management process.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks for financial year 2013.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to movements in market interest rates relates 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. The Group has minimal interest rate risk hence no sensitivity analysis is prepared.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain sufficient level of cash and short-term deposits to meet its working capital requirements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

Group	2013 One year or less $	2012 One year or less $
Financial assets:		
Trade and other receivables (excluding tax recoverable)	12,848,152	19,121,183
Pledged deposits	–	11,067,427
Cash and short-term deposits	205,871,055	173,901,562
Total undiscounted financial assets	218,719,207	204,090,172
Financial liabilities:		
Trade and other payables (excluding provision for warranty)	7,479,469	12,531,798
Loans and borrowings	–	3,678,049
Total undiscounted financial liabilities	7,479,469	16,209,847
Total net undiscounted financial assets	211,239,738	187,880,325
Company		
Financial assets:		
Trade and other receivables	7,000	167,652
Amount due from subsidiaries	5,478,265	2,700,000
Cash and short-term deposits	156,810,290	167,789,758
Total undiscounted financial assets	162,295,555	170,657,410
Financial liabilities:		
Trade and other payables	1,372,274	3,139,566
Total undiscounted financial liabilities	1,372,274	3,139,566
Total net undiscounted financial assets	160,923,281	167,517,844

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
By country	**2013** $	**% of total**	**2012** $	**% of total**
Singapore	9,415,233	77	6,598,194	36
China	2,820,239	23	10,262,496	56
Middle East	39,530	–	172,424	1
Asia Pacific (excluding China and Singapore)	17,297	–	1,210,645	7
	12,292,299	100	18,243,759	100

At the end of the reporting period, approximately:

- 95% (2012: 97%) of the Group's trade receivables were due from 2 (2012: 5) major customers who are located in Singapore and China.

- A nominal amount of approximately $53,607,000 (2012: $39,040,000) relating to a corporate guarantee provided by the Company to banks for its subsidiaries' banking facilities.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19 (Trade and other receivables).

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than SGD. The foreign currencies in which these transactions are denominated are mainly US Dollars (USD) and Euro. Approximately 99% (2012: 99%) of the Group's sales are denominated in foreign currencies whilst about 65% (2012: 61%) of costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (mainly in USD and Euro) amount to approximately $67,496,000 (2012: $4,247,000) for the Group.

To minimise foreign exchange risks, the Group practises natural hedging as much as possible. The Group also monitors movement in foreign exchange closely so as to capitalise on favourable exchange rates to convert excess foreign currencies back to SGD where possible.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD and Euro exchange rates against SGD, with all other variables held constant.

		Group	
		2013	**2012**
		$'000	$'000
		Net profit	**Net profit**
USD/SGD	– strengthened 3% (2012: 3%)	+1,676	+457
	– weakened 3% (2012: 3%)	–1,676	–457
Euro/SGD	– strengthened 3% (2012: 3%)	+289	+333
	– weakened 3% (2012: 3%)	–289	–333

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of the trade receivables, deposits, amount due from/(to) subsidiaries, and trade and other payables are reasonable approximation of fair values, due to their short-term nature.

B. Fair value of financial instruments that are carried at fair value

	Group and Company	
	2013	2012
	$	$
Non-current:		
Available-for-sale financial assets		
- 4.15% p.a. SGD corporate bond due 27 October 2021 (quoted) - at fair value (Level 1)	2,117,444	–

Fair value hierarchy

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Determination of fair value

Quoted equity instruments: Fair value is determined directly by reference to their published market bid price at balance sheet date.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

C. Fair value of financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Group and Company	
	2013	**2012**
	$	$
Non-current:		
Available-for-sale financial assets		
- Equity securities (unquoted)	339,012	–

These equity instruments are not quoted on any market and do not have any comparable industry peer that is listed.

32. CAPITAL MANAGEMENT

The capital includes cash and loans borrowing which are disclosed in Note 22 and 23 respectively.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating, healthy cash flows and loans and borrowings at an acceptable level in order to support its business and maximise shareholder value.

The Group is not subject to any externally imposed capital requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

33. DIVIDEND

	Group and Company	
	2013	2012
	$	$
Declared and paid during the financial year:		
Dividend on ordinary shares:		
- First and final tax exempt (one-tier) dividend for 2012: 1.5 cents (2011: 1.0 cent) per share	13,080,973	7,002,949
- Special tax exempt (one-tier) dividend for 2012: 8.5 cents (2011: Nil)	74,125,513	–
	87,206,486	7,002,949
Proposed but not recognised as a liability as at 31 December:		
Dividend on ordinary shares, subject to shareholders' approval at the AGM:		
- First and final tax exempt (one-tier) dividend for 2013: 1.0 cent (2012: 1.5 cents) per share	8,721,408	11,052,101
- Special tax exempt (one-tier) dividend for 2013: 4.0 cents (2012: 8.5 cents) per share	34,885,634	62,628,570
	43,607,042	73,680,671

34. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain accounts in the 2012 financial statements have been reclassified as shown below. These classifications have no impact on the current year figures as the balance sheet as at 31 December 2012 was correct.

	As reclassified	As previously classified
	$	$
(a) Consolidated statement of comprehensive income		
Other operating income	11,721,139	69,958,287
Recognition of deferred gain on disposal of subsidiary	58,237,148	–

The "Recognition of deferred gain on disposal of subsidiary" is a one-off gain in FY 2012 and has no comparative figure for the current year. Hence this has been reclassified to be shown as a separate line item on the face of the consolidated statement of profit and loss.

34. RECLASSIFICATIONS AND COMPARATIVE FIGURES (CONT'D)

	As reclassified	As previously classified
	$	$
(b) Consolidated cash flow statement		
Effect of exchange rate changes on cash and cash equivalents	(288,627)	–
Cash flows used in operating activities	(23,068,913)	(23,357,540)

The "Effect of exchange rate changes on cash and cash equivalents" was shown separately in the consolidated cash flow statement to reflect the nature of the balances and to conform to the current year's presentation.

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 18 February 2014, the directors of the Company recommended a first and final tax exempt (one-tier) dividend of 1.0 cent and a special tax exempt (one-tier) dividend of 4.0 cents for each existing ordinary share in the capital of the Company in respect of financial year 2013. As the proposed special dividend, if declared, will be distributed out of reserves which are attributable to profits or gains arising from the disposal of investments by the Company, the Board is of the view that it is appropriate to adjust the exercise price of the 2012 Warrants of $0.185 per share to a lower exercise price of $0.145 per share so as to reflect the lower intrinsic value of the Company's shares after the proposed special dividend. The proposed adjustment to the exercise price of the 2012 Warrants will be effective from the commencement of the Market Day next following the record date of the proposed special dividend.

On 24 February 2014, the Company's subsidiary, Baker Engineering Pte. Ltd., incorporated BEL Design Pte. Ltd., a wholly-owned subsidiary with a paid-up capital of $1.

36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 10 March 2014.

Analysis of Shareholdings

AS AT 12 MARCH 2014

Number of Shares issued : 872,830,844
Class of Shares : Ordinary shares
Voting Rights : One vote per share

There are no treasury shares held in the issued share capital of the Company.

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	365	5.04	16,083	0.00
1,000 - 10,000	2,450	33.86	16,533,398	1.89
10,001 - 1,000,000	4,374	60.45	264,950,897	30.36
1,000,001 and above	47	0.65	591,330,466	67.75
Total	7,236	100.00	872,830,844	100.00

TWENTY LARGEST SHAREHOLDERS

Name		No. of Shares	%
1.	Benety Chang	345,516,348	39.58
2.	Heng Chin Ngor Doris	68,399,183	7.84
3.	OCBC Securities Private Limited	21,341,440	2.45
4.	Tan Yang Guan	20,642,770	2.37
5.	Aurol Anthony Sabastian	15,635,673	1.79
6.	DBS Nominees (Private) Limited	10,897,249	1.25
7.	Citibank Nominees Singapore Pte Ltd	10,213,000	1.17
8.	UOB Kay Hian Private Limited	7,688,000	0.88
9.	Chiam Toon Chew	6,194,000	0.71
10.	HSBC (Singapore) Nominees Pte Ltd	5,828,000	0.67
11.	United Overseas Bank Nominees (Private) Limited	5,700,723	0.65
12.	Pua Beng Soon	5,000,000	0.57
13.	Phillip Securities Pte Ltd	4,727,770	0.54
14.	Maybank Kim Eng Securities Pte. Ltd.	4,677,020	0.54
15.	OCBC Nominees Singapore Private Limited	3,886,009	0.45
16.	Raffles Nominees (Pte) Limited	3,662,000	0.42
17.	Ng Chai Hock	3,084,000	0.35
18.	Suthin Hannirankoor	3,052,000	0.35
19.	Citibank Consumer Nominees Pte Ltd	2,810,010	0.32
20.	Booi Pang Hin	2,328,000	0.27
	Total	551,283,195	63.18

Analysis of Shareholdings

AS AT 12 MARCH 2014

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

Based on the information available to the Company, as at 12 March 2014, approximately 48.21% 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

Name of Substantial Shareholders	Direct Interest No. of Shares	Direct Interest %	Deemed Interest No. of Shares	Deemed Interest %
Dr Benety Chang [1]	345,516,348	39.58	68,399,183	7.84
Dr Doris Heng Chin Ngor [2]	68,399,183	7.84	345,516,348	39.58

Notes:

[1] Dr Benety Chang's deemed interests include 68,399,183 shares held by his wife, Dr Doris Heng Chin Ngor.

[2] Dr Doris Heng Chin Ngor's deemed interests include 345,516,348 shares held by her husband, Dr Benety Chang.

Analysis of Warrantholdings (W150605)

AS AT 12 MARCH 2014

Warrants Issued on	: 6 June 2012
Expiry Date of Warrants	: 5 June 2015
Exercise Price	: S$0.185

DISTRIBUTION OF WARRANTHOLDINGS

Size of holdings	No. of Warrantholders	%	No. of Warrants	%
1 - 999	11	5.04	4,600	0.00
1,000 - 10,000	286	33.86	1,617,170	1.12
10,001 - 1,000,000	378	60.45	23,699,500	16.46
1,000,001 and above	8	0.65	118,695,552	82.42
Total	683	100.00	144,016,822	100.00

TWENTY LARGEST WARRANTHOLDERS

	Name	No. of Warrants	%
1.	Benety Chang	82,206,539	57.08
2.	Heng Chin Ngor Doris	27,359,673	19.00
3.	Phillip Securities Pte Ltd	2,706,000	1.88
4.	Maybank Kim Eng Securities Pte. Ltd.	1,425,140	0.99
5.	UOB Kay Hian Private Limited	1,365,200	0.95
6.	Citibank Nominees Singapore Pte Ltd	1,319,000	0.92
7.	OCBC Securities Private Limited	1,237,000	0.86
8.	Chiam Toon Chew	1,077,000	0.75
9.	Lee Yan Teck	850,600	0.59
10.	Jin Weihua	638,800	0.44
11.	Cheng Wa Sing	609,000	0.42
12.	Tan Boon Leng	507,000	0.35
13.	Citibank Consumer Nominees Pte Ltd	450,000	0.31
14.	DMG & Partners Securities Pte Ltd	420,200	0.29
15.	Low Chen Peng	369,000	0.26
16.	Ang Ah Lek @An Ah Lek	360,000	0.25
17.	Tan Seaco	350,000	0.24
18.	Tay Thiam Song	347,000	0.24
19.	Ang Theng Ho	330,000	0.23
20.	Chua Cher Yak	330,000	0.23
	Total	124,257,152	86.28

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 Friday, 25 April 2014 at 10.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial statements of the Company for the year ended 31 December 2013 together with the Auditors' Report thereon.
(Resolution 1)

2. To declare a first and final tax exempt (one-tier) dividend of 1 cent per ordinary share ("First and Final Dividend") and a special tax exempt (one-tier) dividend of 4 cents per ordinary share ("Special Dividend") for the year ended 31 December 2013.
(Resolution 2)

3. To approve the payment of Directors' fees of S$172,709 for the year ended 31 December 2013 (2012: S$162,500).
(Resolution 3)

4. To approve the payment of Directors' fees of S$275,596 for the year ending 31 December 2014 to be paid quarterly in arrears.
(Resolution 4)

5. (i) To re-elect Mr Wong Meng Yeng, a Director retiring pursuant to Article 104 of the Articles of Association of the Company.
(Resolution 5)

   (ii) To note that Mr Wong Kwan Seng Robert will be retiring pursuant to Article 104 of the Articles of Association of the Company and he will not be seeking re-election at this Annual General Meeting.

6. To re-elect the following Directors, retiring pursuant to Article 108 of the Articles of Association of the Company:

   a) Ms Jeanette Chang **(Resolution 6)**
   b) Mr Ang Miah Khiang **(Resolution 7)**
   c) Ms Han Sah Heok Vicky **(Resolution 8)**

7. To re-appoint Mr Lim Ho Seng, a Director retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.
(Resolution 9)

8. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.
(Resolution 10)

9. To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESS

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

10. **Authority to issue Shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), authority be and is hereby given to the Directors of the Company to:

a. i. issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

ii. make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

b. (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue 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.

(Resolution 11)

By Order of the Board

Nga Ko Nie
Company Secretary

Singapore, 8 April 2014

Books Closure Date and Payment Date for First and Final Dividend and Special Dividend

The First and Final Dividend and Special Dividend, if approved by the shareholders at the Annual General Meeting, will be paid on 22 May 2014.

The Share Transfer Books and Register of Members of the Company will be closed on 9 May 2014. Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 up to 5.00 p.m. on 8 May 2014 will be registered to determine shareholders' entitlement to the proposed First and Final Dividend and Special Dividend.

Explanatory Notes:

i. Ordinary Resolution 4 is to seek approval for the payment of Directors' fees of S$275,596 for the year ending 31 December 2014 to be paid quarterly in arrears. Further details of the Directors' fee framework are set out on page 60 of the Annual Report.

ii. Ordinary Resolution 5 is to re-elect Mr Wong Meng Yeng, who will upon re-election, remain as Lead Independent Director, Chairman of the Nominating Committee and a member of the Audit Committee. Mr Wong will be considered independent.

iii. Ordinary Resolution 6 is to re-elect Ms Jeanette Chang, who will upon re-election, remain as Executive Director and will be considered non-independent.

iv. Ordinary Resolution 7 is to re-elect Mr Ang Miah Khiang, who will upon re-election, remain as the Chairman of the Audit Committee and a member of the Remuneration Committee. Mr Ang will be considered independent.

v. Ordinary Resolution 8 is to re-elect Ms Han Sah Heok Vicky, who will upon re-election, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Ms Han will be considered independent.

vi. Ordinary Resolution 9 is to re-appoint Mr Lim Ho Seng, who will upon re-appointment, remain as the Chairman of the Board of Directors and a member of the Remuneration Committee. Mr Lim will be considered non-independent.

Explanatory Notes (cont'd):

vii. Ordinary Resolution 11 is to empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares, and to issue shares pursuant to such instruments, up to a number not exceeding in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. *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. A proxy need not be a member of the Company.*

2. *The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Jalan Samulun, Singapore 629124 not less than 48 hours before the time appointed for holding the Annual General Meeting.*

This page has been intentionally left blank

This page has been intentionally left blank

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

PROXY FORM

(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, the Annual 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, ____NRIC/ Passport No./Company Registration No.

______________________of____(Address)

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

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

and/or failing him/her, the Chairman of the Annual General Meeting (the "Meeting") as my/our proxy/proxies to vote for me/us on my/our behalf at the Meeting of the Company to be held at Nautica II, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on Friday, 25 April 2014 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/their discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(**Please indicate your vote "For" or "Against" with a [√] within the box provided.)**

No.	Resolutions relating to:	For	Against
	ORDINARY BUSINESS		
1.	Adoption of Directors' Report and Audited Financial Statements for the year ended 31 December 2013		
2.	Declaration of a First and Final Dividend and a Special Dividend		
3.	Approval of Directors' fees of S$172,709 for the year ended 31 December 2013		
4.	Approval of Directors' fees of S$275,596 for the year ending 31 December 2014		
5.	Re-election of Mr Wong Meng Yeng as a Director		
6.	Re-election of Ms Jeanette Chang as a Director		
7.	Re-election of Mr Ang Miah Khiang as a Director		
8.	Re-election of Ms Han Sah Heok Vicky as a Director		
9.	Re-appointment of Mr Lim Ho Seng as a Director		
10.	Re-appointment of Messrs Ernst & Young LLP as Auditors		
	SPECIAL BUSINESS		
11.	Authority to issue shares		

Signed this ____________ day of ____________________2014

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

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

Notes: See overleaf

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 of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. 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 a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his/her 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 10 Jalan Samulun, Singapore 629124 not less than 48 hours before the time set for the Meeting.

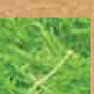
4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and any second named proxy shall be deemed to be an alternate to the first named.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her 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 an officer or attorney duly authorised.

6. Where an instrument appointing a proxy is signed by an attorney on behalf of the appointor, 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 Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

8. The Company shall be entitled to reject the instrument of proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any 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 Meeting, as certified by The Central Depository (Pte) Limited to the Company.



Design by Pinkocchio

BAKER
Technology
Limited

Unique Entity Number:
198100637D

10 Jalan Samulun, Singapore 629124

Tel: (65) 6262 1380 Fax: (65) 6262 2108
Email: enquiry@bakertech.com.sg
www.bakertech.com.sg