BAKER Technology limited

ENERGISED FOR GROWTH

ANNUAL REPORT 2008

2008 BAKER TECH ANNUAL REPORT

To be a leading provider of specialised equipment and services to the oil & gas sector, offering advanced products and innovative solutions for the diverse and specific needs of our worldwide customers.

ENERGISED FOR GROWTH

The New Baker

With sights set on the robust energy sector, Baker Technology Limited (Baker Tech) has taken steps in FY 2008 to further entrench our leadership position as a manufacturer and provider of specialised equipment and services for the oil and gas industry.

Accelerating our entry into the offshore marine oil and gas markets, the Group acquired Sea Deep Shipyard Pte. Ltd. (Sea Deep) for S$20 million. Our core business today is in the design and manufacture of an array of specialised equipment and components in the offshore environment, with complementary services in project management, engineering services, quality assurance, and construction supervision.

We continue to channel resources into research and development to sharpen our competitive edge in the industry, and to build a pool of skilled and experienced manpower, a critical component of the technology-heavy offshore engineering sector.

Today, with market presence in China, the Middle East, Asia and the USA, the new Baker Tech is poised and energised for greater growth.

FORGING WINNING PARTNERSHIPS

At the fore is our commitment to maintaining open and transparent communications with all our stakeholders and the investing community. Our corporate website, launched in 2008, enhances our timely financial disclosures with easy information access and contacts online. The way forward is our winning synergy with our partners as we continue to forge ahead in the true spirit of integrity and transparency.

ENGAGING OUR HUMAN CAPITAL

We are an equal opportunity employer with vested interest in seeing our people excel and succeed. By nurturing a culture of openness and responsibility, we engage our talents, empowering them to be the very best that they can be, to embrace lifelong learning and aspire to great heights.

EMPOWERED BY HIGH QUALITY AND SAFETY STANDARDS

Our quality management systems are a top priority. We address the risks, reinforce commitment, and share expertise to achieve high levels of performance and quality in all we do. Our robust Safety and Health Management System ensures low incidence of accidents, underpinning our commitment to workplace safety and health.

POWERING AHEAD WITH MARKET-CENTRIC SOLUTIONS

Our timely foray into the oil and gas sector has raised the profile of Baker Tech in the specialised field of marine offshore equipment and services in Asia. We expect the expanding markets in the region to further spur the Group's success in the next lap, fuelled by our market and customer-centric strategies for growth.

LETTER TO SHAREHOLDERS

Dear Shareholders,

FY 2008 has been an excellent year for the Group. Our timely transition from a manufacturer and distributor of trailer axles to becoming a manufacturer and service provider to the oil and gas industry has resulted in record revenue for the Group. On 30 April 2008, we completed the acquisition of Sea Deep Shipyard Pte. Ltd. (Sea Deep) and its subsidiary which are involved in the design and manufacture of steel components, as well as providing service and maintenance for the oil and gas industry.

I am pleased to report the Group's successful upgrade from the SGX Catalist Board to the SGX Mainboard on 6 October 2008. We are now better positioned to tap into a larger and more diversified pool of investors, particularly the institutional investors; it has also raised our profile among market and industry players.

The Group's turnover increased by S$23.7 million or 47% to S$74.3 million for the financial year ended 31 December 2008, compared to S$50.7 million in FY 2007. The newly acquired Sea Deep's impact on our financial performance has been sterling, having contributed more than 80% to our bottom line in the eight months that it had been part of the Group in FY 2008.

The Group's gross profit increased by 92% to S$21.9 million in FY 2008. Group profitability was further boosted by an interim dividend of US$3.75 million (S$5.3 million) from our 15% stake in PPL Shipyard Pte Ltd (PPL) as well as a foreign exchange gain of S$1.5 million due to the strengthening of the US$ against the S$. Earnings at our 49%-owned associate York Transport Equipment (Asia) Pte Ltd (York) was affected by lower demand and contributed a loss of S$0.5 million. Net profit however declined marginally by 6% to S$18.8 million due to the absence of exceptional gains which was recorded in the previous year.

The Group's financial position remains strong; we have available cash of S$31.1 million on hand and our gearing is low.

For shareholders, the Board has recommended a tax exempt first and final dividend of 0.5 Singapore cents per share, to be paid for the financial year under review.

Moving Forward

Overall, the operating environment for the offshore marine oil and gas industry in 2009 will be challenging given the global economic crisis and the sharp fall in oil prices. The Group has a secure order book of approximately US$57 million, the bulk of which is expected to be recognised over the next 12 to 18 months.

Longer term, we reiterate our confidence in the oil and gas sector as fundamentals of the industry remains strong due to rapid depletion of oil fields and the lack of viable sources of alternative energy to cope with the growing demand.

For York, the operating environment for the trailer axle business is expected to remain challenging and competitive in the coming year.

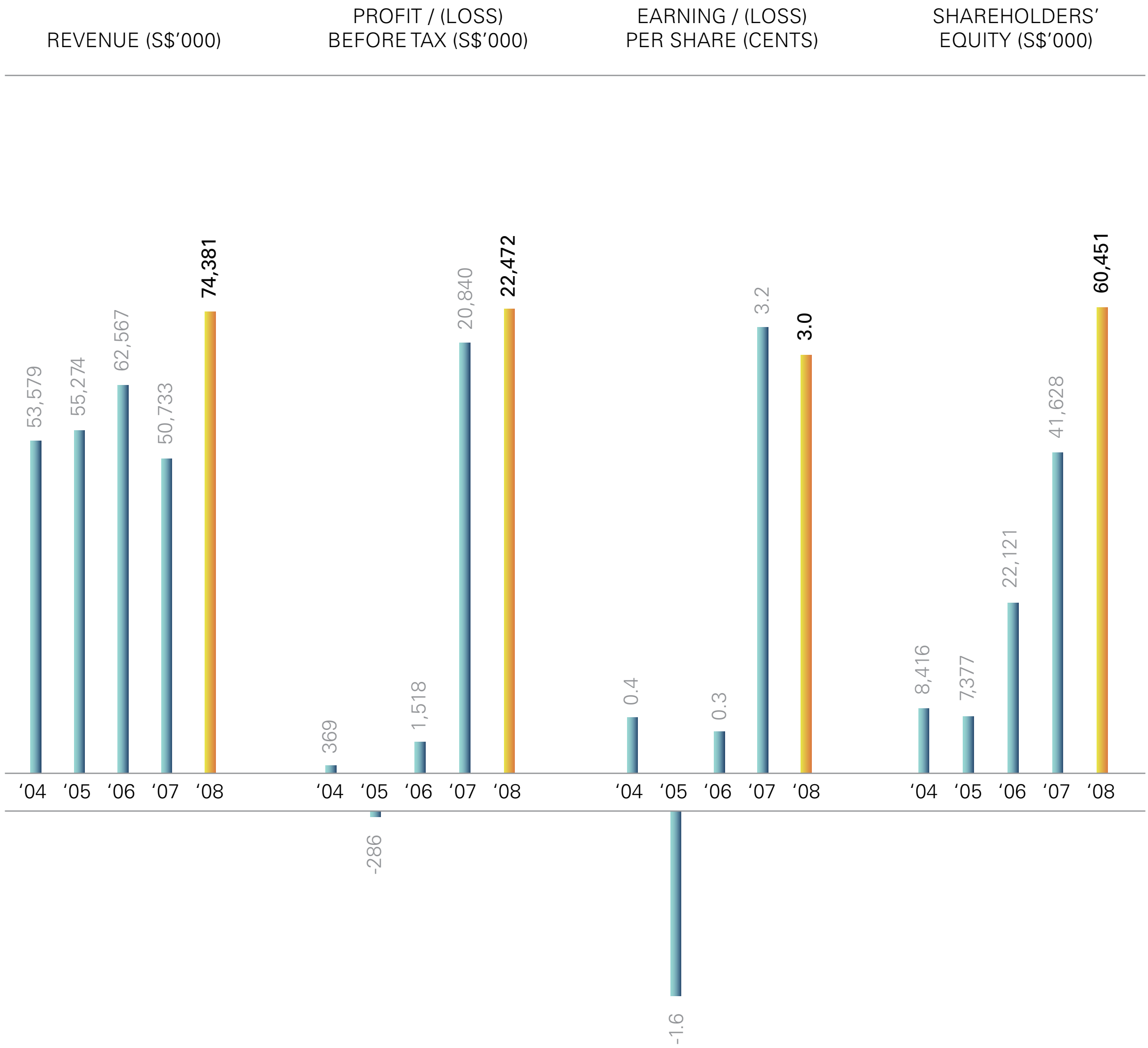
We remain committed to growth through geographical and product expansion. Our strong financial position will enable us to ride out this downturn and even capitalise on synergistic opportunities when they arise.

Appreciation

In FY 2008, the Group's management and employees have succeeded in delivering another strong year of performance. I thank each of them for their dedication, contribution and commitment. My appreciation is also extended to our customers, suppliers, shareholders, advisors and fellow directors for their unrelenting support and belief in Baker Tech.

Lim Ho Seng
Chairman

FINANCIAL HIGHLIGHTS



CORPORATE INFORMATION

DIRECTORS

Lim Ho Seng
Chairman

Dr Benety Chang
Chief Executive Officer

Anthony Sabastian Aurol
Chief Operating Officer

Tan Yang Guan

Wong Kwan Seng Robert

AUDIT COMMITTEE

Lim Ho Seng
Chairman

Tan Yang Guan

Wong Kwan Seng Robert

NOMINATING COMMITTEE

Wong Kwan Seng Robert
Chairman

Lim Ho Seng

Dr Benety Chang

REMUNERATION COMMITTEE

Lim Ho Seng
Chairman

Tan Yang Guan

Wong Kwan Seng Robert

COMPANY SECRETARY

Aw Seok Chin

PRINCIPAL OFFICER

Tan Kiang Kherng
Financial Controller

REGISTERED OFFICE

122 Pioneer Road
Singapore 639583
Tel: (65) 6262 1380
Fax: (65) 6262 2108

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in Charge:
Tan Chian Khong
(since financial year ended
31 December 2005)

SHARE REGISTRAR

Boardroom Corporate &
Advisory Services Pte. Ltd.
3 Church Street #08-01
Samsung Hub
Singapore 049483

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
21 Collyer Quay
#09-00 HSBC Building
Singapore 049320

ABN Amro Bank
One Raffles Quay
South Tower
Singapore 048583

DIRECTORS' PROFILES

Lim Ho Seng PBM
Chairman

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

Mr Lim also sits on the Board of several other listed companies in Singapore. He was the former Chief Executive Officer of NTUC Fairprice Co-operative Ltd.

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

Dr Benety Chang
Chief Executive Officer

Dr Benety Chang joined the Board on 5 May 2000. He was last re-elected on 29 April 2008. He is presently the Chief Executive Officer of Baker Technology Limited (Baker Tech).

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

Anthony Sabastian Aurol
Chief Operating Officer

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

Mr Aurol is also an Executive Director of PPL Shipyard Pte Ltd (PPL) which the Company has an indirect interest of 15%. PPL specialises in the construction and repair of oil rigs and other marine-related projects. He joined PPL in 1998. Mr Aurol is a law graduate.

Tan Yang Guan
Non Executive Director

Mr Tan Yang Guan joined the Board on 5 May 2000 as a Non Executive Director. He was last re-elected on 28 April 2006 and will be due for re-election at this coming Annual General Meeting. He is also a member of the Audit and Remuneration Committees of the Company.

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

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

Wong Kwan Seng Robert
Independent Director

Mr Wong Kwan Seng Robert joined the Board on 24 February 1998 as an Independent Director. He was last re-elected on 29 April 2008. Mr Wong is presently the Chairman of the Nominating Committee. He is also a member of the Audit and Remuneration Committees of the Company.

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

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

KEY EXECUTIVES' PROFILES

ONG THIAN WHEE ALBERT
Managing Director
Sea Deep Shipyard Pte. Ltd.

Mr Ong Thian Whee Albert is the Managing Director of Sea Deep Shipyard Pte. Ltd. and was appointed on 1 September 2006. He 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.

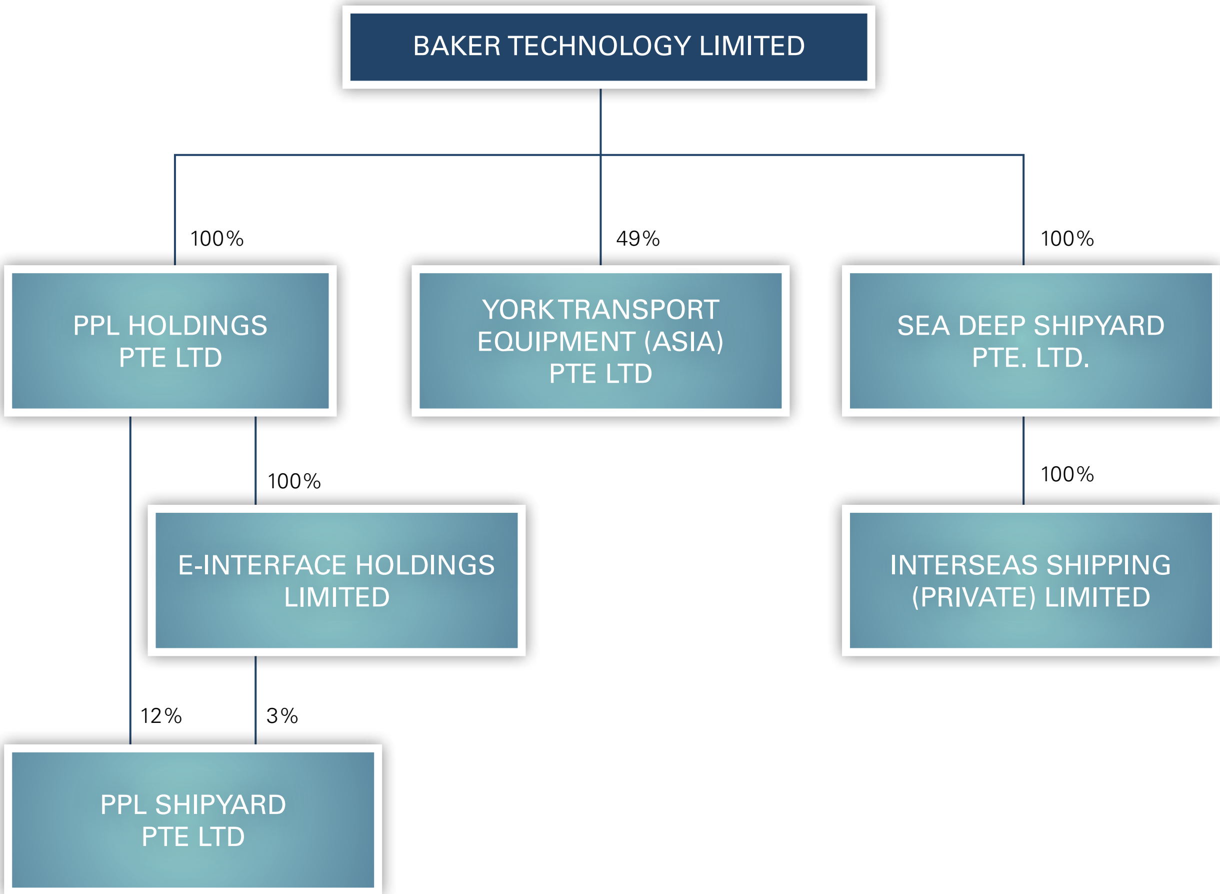
TAN KENG TIONG ALVIN
Senior Vice President
Baker Technology Limited

Mr Alvin Tan is the Senior Vice President – Business Development and is responsible for the overall business development for the Group. Prior to this appointment, he was Vice President – Sales & Marketing at York Transport Equipment (Asia) Pte Ltd and General Manager of Rednet Pte Ltd. Mr Tan started his career in the marine oil & gas industry and has held several senior management positions with various companies in the marine transport sector. He graduated from Curtin University of Technology in 1990 with a Bachelor of Business degree.

TAN KIANG KHERNG
Financial Controller
Baker Technology Limited

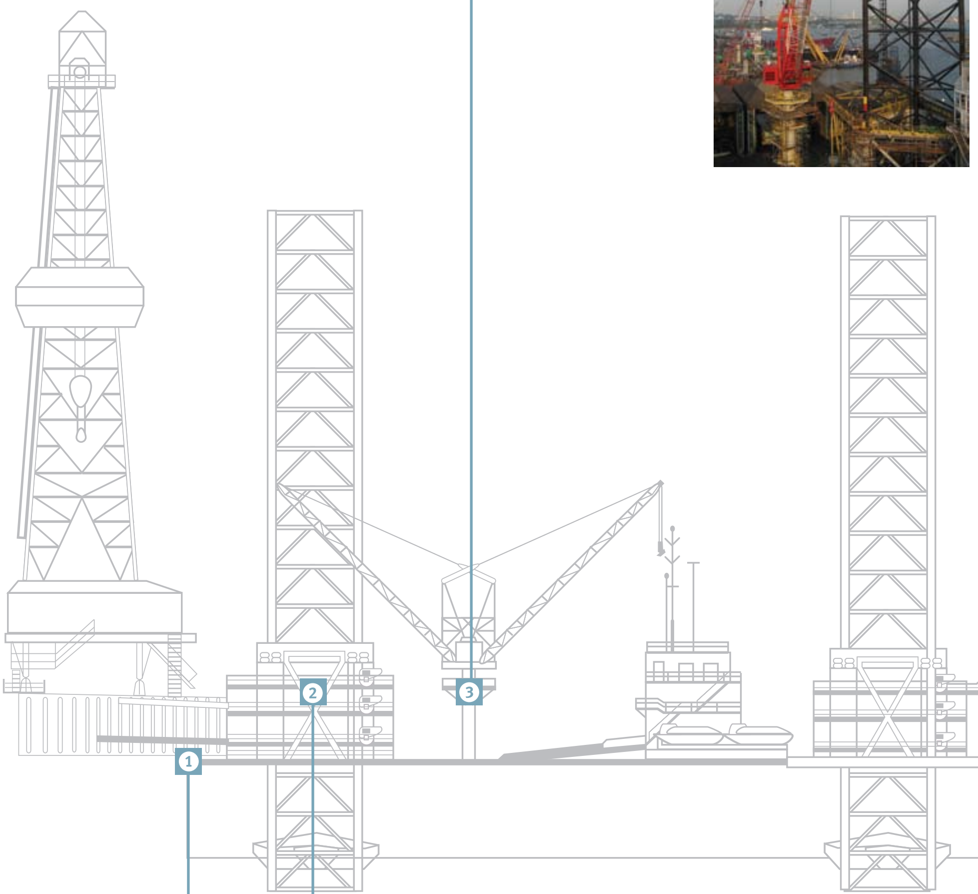
Mr Tan Kiang Kherng joined the Group in 2002 as a Financial Controller overseeing the Group's financial, accounting and administrative activities. Prior to joining the Company, Mr Tan was a Senior Audit Manager with Ernst and Young. He holds a Bachelor of Accountancy (Honours) degree from the Nanyang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

CORPORATE STRUCTURE



KEY BUSINESS PRODUCTS





1 *Products*

Skidding Systems

Our Skidding Systems are among the most respected custom built systems to classification approvals. We offer a variety of skidding systems including the Lift and Shift/ Roll systems, Claw Assembly with Hydraulic Cylinders as well as Rack and Pinion skidding units.

2 *Products*

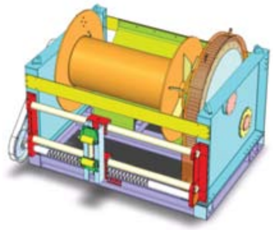
Conversion / Refurbishment of Jacking System

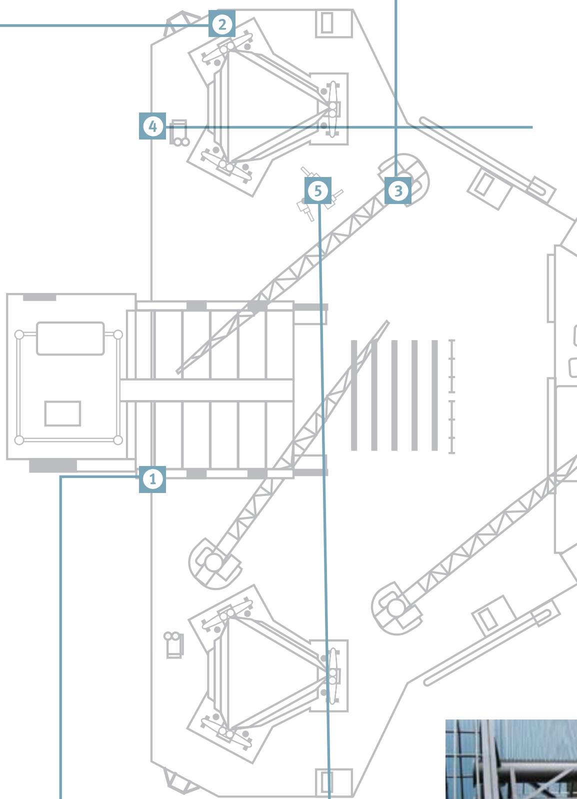
Our range of ABS-approved electric-driven elevating system offers units operating at advanced speeds with high pinion holding capacity. Each pinion has its own separate gear reduction train, and motor and brake system.

3 *Products*

Offshore Pedestal Cranes

We design, manufacture and market our very own proprietary range of 25 to 150-tonne offshore pedestal cranes. Reliable, low maintenance and user-friendly, each crane is engineered to customer's exacting needs and industry requirements.





4

Products

Anchor Winches

Of compact design, dynamic braking and high torque, our anchor winches are individually designed to cater to varied requests such as wire rope sizes. The winches are certified to ABS standards for Mobile Offshore Drilling Units (MODU).

5

Products

Raw Water Tower Structure Design

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' special needs.

6

Service

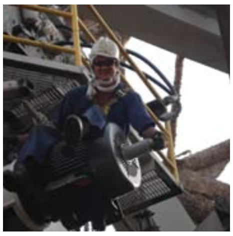
Customisation Engineering Works

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

Sea Deep Shipyard Pte. Ltd.

Acquired by Baker Technology Limited in 2008, Sea Deep Shipyard Pte. Ltd. (Sea Deep) is an international engineering company, a specialist in the manufacturing of offshore drilling rigs components, and the re-engineering, upgrading and modification of a variety of drilling rigs of various designs. Sea Deep manufactures and markets a range of Offshore Pedestal Cranes of its own proprietary design from its Singapore factory.

A catalyst of positive change, Sea Deep continues to meet the increasingly sophisticated requirements of the marketplace with products and systems designed for reliability, low maintenance cost and user-friendliness as top priority. The shipyard at the Southern Tuas Basin in Singapore houses a full facility workshop with a team of highly qualified and experienced design engineers.



Sea Deep Products

- offshore pedestal cranes
- anchor winches
- skidding systems
- steel products & component fabrication
- conversion / refurbishment of jacking system
- raw water tower structure design

Sea Deep Services

- project management
- engineering services
- proprietary designs
- turnkey conversions
- quality assurance
- construction supervision

Sea Deep Shipyard Pte. Ltd.
6 Pioneer Sector 1
Singapore 628418
Tel: (65) 6861 3255
Fax: (65) 6861 2516
Email: marketing@seadeep.com.sg

PPL Shipyard Pte Ltd

PPL Shipyard Pte Ltd (PPL) designs offshore drilling rigs completely in-house and each is unique as a proprietary product. A valued partner in quality and reliability in the building and servicing of jack-up and semi-submersible rigs, PPL is well sought-after for its unique Pacific Class 375 jack-up rigs worldwide.

PPL Products and Services

- construction of jack-up rigs, semi-submersibles and swamp barges
- proprietary design
- research & development

PPL Shipyard Pte Ltd
(A Subsidiary of Sembcorp Marine)
21 Pandan Road
Singapore 609273
Tel: (65) 6265 0477
Fax: (65) 6264 4130
Email: corporate@ppl.com.sg

York Transport Equipment (Asia) Pte Ltd (York)

York, a specialist in developing total suspension and axle solutions for the semi-trailer and road tanker industry, continues to expand its reach worldwide. With a current presence in 27 countries and a production facility in Singapore, the company plans to add a second facility in India. As an Original Equipment Manufacturer (OEM), it has the capability and flexibility to build equipment such as the extra wide axles.

York Products

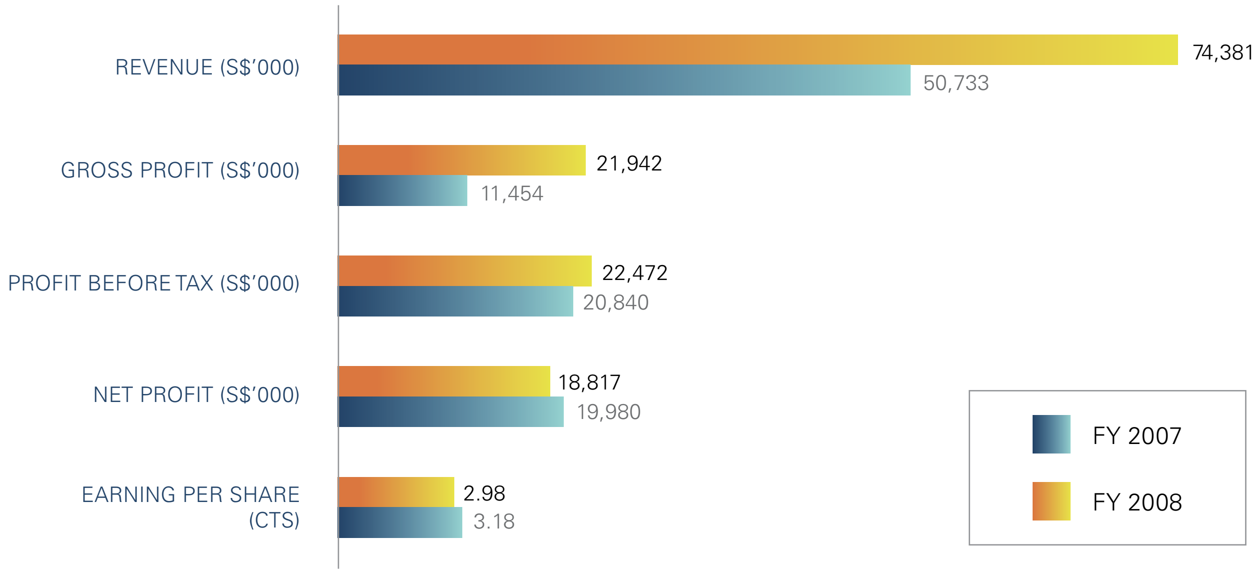
- trailer axle
- mechanical and air suspension
- landing gears
- fifth wheel coupler
- axle and suspension components
- trailer and brake accessories
- trailer ABS

York Transport Equipment (Asia) Pte Ltd
(A Tata Enterprise)
122 Pioneer Road
Singapore 639583
Tel: (65) 6897 8525
Fax: (65) 6987 8231
Email: enquiry@yorktpt.com.sg

OPERATING AND FINANCIAL REVIEW

Following the disposal of a majority stake of York Transport Equipment (Asia) Pte Ltd (York) in October 2007, Baker Technology Limited (the 'Group') acquired Sea Deep Shipyard Pte. Ltd. (Sea Deep) in April 2008. The Group has thus, effectively transformed itself into a manufacturer and provider of specialised equipment and services to the oil and gas industry.

Financial Review



In FY 2008, group revenue which represents eight months of contribution from newly acquired Sea Deep, rose 47% to S$74.4 million. The Group registered a gross profit of S$21.9 million which is 92% or S$10.5 million higher than FY 2007.

Profit before tax showed an improvement of 8% from S$20.8 million in FY 2007 to S$22.5 million in FY 2008. The Group's profitability was further boosted by the receipt of S$5.3 million of interim dividends from its 15% interest in PPL Shipyard Pte Ltd (PPL) and a foreign exchange gain of S$1.5 million. Share of losses of its 49%-owned associate, York, was S$0.5 million as a result of lower demand for its trailer axles and accessories. As part of the accounting for the acquisition of Sea Deep, the Group has identified pre-acquisition order book of S$0.7 million as an intangible asset and accordingly recorded an amortisation charge of S$0.4 million in this financial year.

Taxation expense rose S$2.8 million or 325% from FY 2007. This was mainly attributed to higher operating profits generated by Sea Deep.

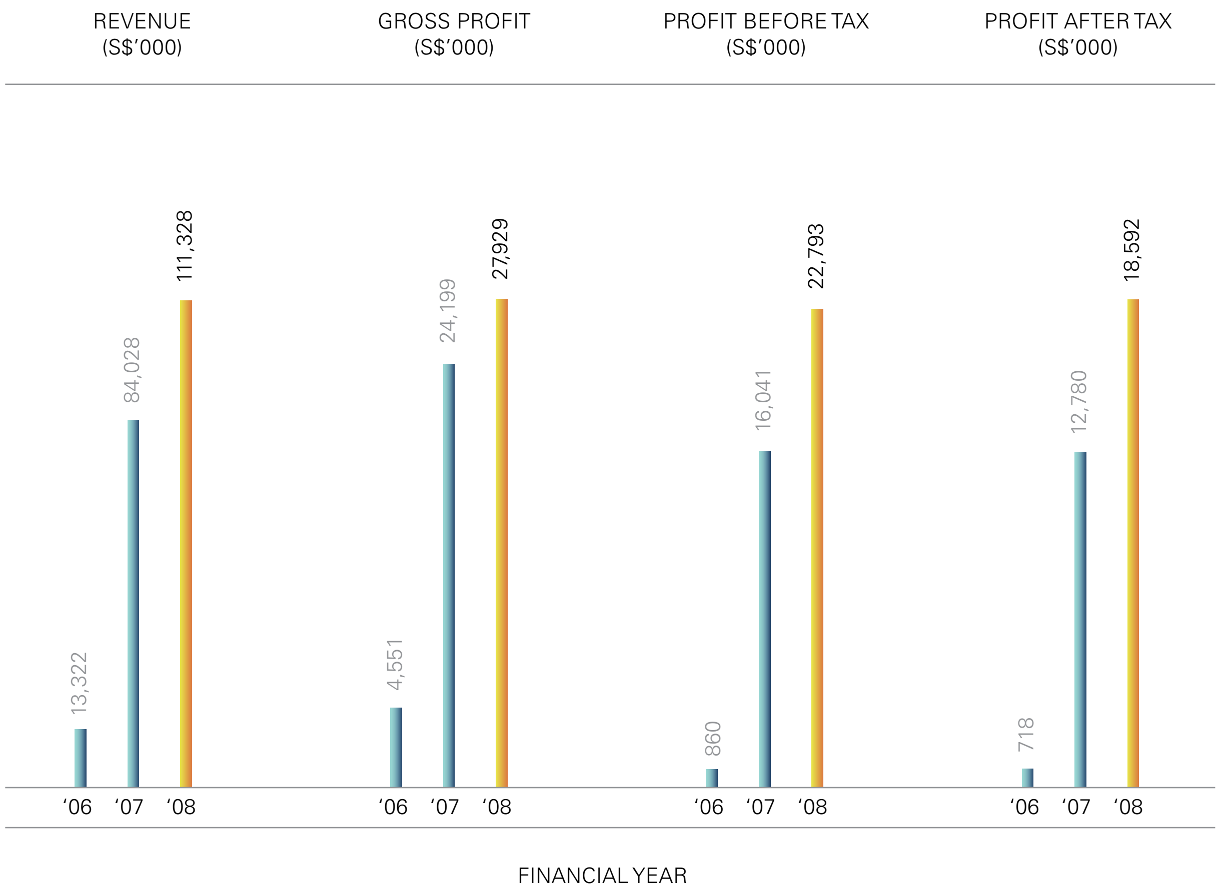
Net profit dropped marginally by 6% to S$18.8 million in FY 2008 due to the absence of S$17.9 million of exceptional gains from negative goodwill arising from the acquisition of PPL Holdings Pte Ltd and gains on disposal of York which were recorded in FY 2007.

FY 2008 earnings per share was 2.98 cts (FY 2007: 3.18 cts). Net tangible assets per share was 9.6 cts in FY 2008 (FY 2007: 6.6 cts).

The Group ended the year with available cash and cash equivalents of S$31.1 million and low gearing. Net operating cash flow surged from S$2.6 million in FY 2007 to S$27.4 million in FY 2008. Cash outflow from investing activities was S$18.1 million this year, mainly due to the acquisition of Sea Deep and expansion of Sea Deep's facilities, which was partially offset by dividends received from PPL and York. Net cash outflow from financing activities was S$5.4 million as a result of repayment of advances to a related company which funded Sea Deep's operations prior to its acquisition by the Group.

Operating Review

Sea Deep serves customers from China, Singapore and the Middle East from their 335,000 sq feet manufacturing facilities at Tuas, Singapore. In the eight months that Sea Deep has been part of the Group, it has contributed more than 80% or S$16.1 million towards the Group's reported net profit for FY 2008. The table below illustrates Sea Deep's financial performance in the last three years.



The offshore marine industry has boomed in the last few years. Soaring oil prices in FY 2008 has led national oil companies to increase capital expenditure for oil exploration and production activities. This also coincided with the replacement cycle of the industry, fuelling the demand for new rigs as well as the equipment and services provided by Sea Deep.

Risk Factors

Sea Deep's operations and performances are subjected to changes in the economic and business environment as well as other external factors. The Group recognises these risks and have taken steps to manage them. Some of these risks are discussed below:

As steel is the main raw material used in the manufacture of components for the oil and gas industry, Sea Deep is vulnerable to the fluctuation of steel prices. To manage such fluctuations, the company has built-in potential price changes in its contracts with customers. Sea Deep has also enjoyed close working relationships with suppliers in the past to ensure timely delivery of much needed steel to ensure smooth completion of projects.

Prevailing conditions in the offshore drilling industry, like fluctuation in oil and gas prices, cost of production, capital expenditure by national oil companies as well as discovery rates of oil and gas reserves in offshore areas affect Sea Deep. Besides providing products and services for new rigs, Sea Deep has another complementary business arm that caters to the refurbishment, replacement of parts and upgrading of existing rigs. This business arm mitigate potential negative impacts of unfavorable industry conditions which affect the demand for products and services for new rigs.

Sea Deep currently has an order book of US$57 million, to be recognised over the next 12 to 18 months. Customers pay Sea Deep on a progressive basis, depending on the completion of different milestones of the projects. There is, thus, no assurance that customers will pay on time and they will not default. However, Sea Deep collects deposits before starting on any project, moderating risks of potential defaults and thus far, Sea Deep has not recorded any bad debts.

In FY 2008, the Group reported a S$1.5 million foreign exchange gain arising from the strengthening US$. In order to reduce foreign exchange transaction risks, Sea Deep practises natural hedging, that is, to procure resources in the same currency as the sales' currency as much as possible. Currently, the sales are transacted in US dollars, however the expenses are denominated in a mixture of US dollars, Sing dollars and Euros.

Prospects

The global financial crisis which began in the third quarter of 2008 saw several large US based financial firms merging and being nationalised. Insolvency issues which started back in 2007 from the subprime mortgage crisis in US, have spread to other countries resulting in recessions in most nations. This coupled with the recent fall in oil prices have cast a pall over the outlook for the offshore marine oil and gas industry.

The Group, like most companies, will face challenging conditions in the coming year. However, with its healthy operating cash flows and sound balance sheet, the Group is well positioned to ride out this downturn.

Baker Tech is committed to growing through geographical and product expansions, and merger and acquisitions which are synergistic with its current products and services.

CORPORATE GOVERNANCE

Baker Technology Limited ("Baker Tech" or the "Company") is committed to maintain a high standard of corporate governance to protect shareholders' interests and promote investors' confidence.

The Company has put in place practices in accordance with the principles and guidelines of the Code of Corporate Governance 2005 (the "Code"). This report outlines the corporate governance principles applied by the Company with specific references to the Code.

BOARD MATTERS

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

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

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

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

The Board conducts meetings on a regular basis. The Board met five times in 2008. Ad hoc meetings were also convened when warranted. Meetings by means of conference calls or similar communication equipments are permitted in the Company's Articles of Association. To address the competing time commitments of directors who sit on multiple boards, meeting dates of Board and Board Committees were scheduled in advance.

Board committees comprising the Audit Committee, the Remuneration Committee and the Nominating Committee were established to assist the Board in the discharge of its duties. These Committees review and decide or make recommendations to the Board on matters within their specific terms of reference. The Directors' attendance at the Board and Board Committees' meetings during 2008 are set out as follows:

DIRECTORS' ATTENDANCE FOR YEAR 2008

Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings							
	held	attended	held	attended	held	attended	held	attended
Lim Ho Seng	5	5	5	5	1	1	2	2
Dr Benety Chang	5	4	5	4*	1	1	2	2*
Anthony Sabastian Aurol	5	5	5	5*	1	1*	2	2*
Tan Yang Guan	5	5	5	5	1	1*	2	2
Wong Kwan Seng Robert	5	5	5	5	1	1	2	2

**By Invitation*

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

Upon appointment to the Board, newly appointed Directors are briefed on the Company's business operations and group structure. They will be introduced to key personnel and essential information about the Group is provided. Regulatory requirements concerning disclosure of interests and restrictions on dealings in the Company's shares will be highlighted to the new Directors. The Company also provides a write-up on the directors' duties and obligations to assist the director in the exercise of his legal, fiduciary and statutory duties under the Singapore Companies Act, the Listing Manual, the Code, Singapore securities legislation and the internal guidelines on securities trading.

Board Composition and Balance (Principle 2)

There has been no change in the composition of the Board members which remains at 5 of which 2 are independent. This composition satisfies the independence requirement of the Code that independent directors should make up at least one-third of the Board. This enables the Board to exercise objective judgement on the business, directions and affairs of the Company. The independence of each Director is reviewed annually by the Nominating Committee. Nominating Committee adopts the Code's definition of what constitutes an independent director in its review. The Directors provide objective and independent inputs to the decision making of the Board. Whenever required, the non-executive directors would meet without the presence of Management.

The Board has a good mix of core competencies including accounting, compliance, finance, business and management experience. Given the scope and nature of the operations of the Company, the Board is of the view that its current size and composition are appropriate in facilitating effective decision making. A brief profile of each Director is disclosed in this Annual Report.

Chairman and Chief Executive Officer (Principle 3)

The Board is led by Mr Lim Ho Seng, the non-executive Chairman. The Chairman's role includes leading the Board, setting the Board Agenda in consultation with the Chief Executive Officer ("CEO") and ensuring that all Directors receive sufficient relevant information to enable them to participate and contribute effectively in Board discussions and decisions. The Chairman aims to promote constructive relations between the Board members, and between the Board and Management, and ensures effective communication with shareholders. The executive management of the Company is headed by the CEO, Dr Benety Chang. The CEO is responsible for implementing the Company's strategies and policies, financial planning, recommending new business initiatives and review of acquisitions or disposals. He also monitors the Group's performance and provides guidance to the management team.

Board Membership (Principle 4)

The Nominating Committee ("NC") comprises three members, Mr Wong Kwan Seng Robert, Mr Lim Ho Seng and Dr Benety Chang. Both Mr Wong and Mr Lim are independent and non-executive directors and Mr Wong, the Chairman, is neither a substantial shareholder nor directly associated with a substantial shareholder of the Company. The role and functions of the NC are set out in the Terms of Reference for the NC.

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

The NC had assessed and recommended to the Board, the re-election of Mr Anthony Sabastian Aurol and Mr Tan Yang Guan at the forthcoming AGM. Each NC member abstains from participating in deliberations regarding himself. The Board has accepted the NC's recommendations and the two Directors will be offering themselves for re-election.

Board Performance (Principle 5)

On an annual basis, the NC reviewed the overall Board composition and size, and assessed the performance and independence of each Director. Although all the Directors have multiple board representations, the NC was satisfied that these Directors have devoted sufficient time and attention to the Group's affairs. The NC has 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 attendance at meetings and his contributions outside and during meetings. Having regard to the nature and scope of the operations, the NC concluded that each individual Director has contributed to the effectiveness of the Board as a whole. The NC also evaluated the Board's performance as a whole. The assessment process adopted both quantitative and qualitative criteria, such as return on equity, return on assets, achievement of budget figures and performance of the Company's share price.

Access to Information (Principle 6)

Information and data are important to the Board's understanding of the Group's business and essential in preparing the Board members for effective meetings. The 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.

Before 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 enable the Directors to deliberate over the issues to be considered at the respective meetings. Management staff who can explain and provide insight into the matters may also be invited from time to time to attend such meetings.

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

The Directors have separate and independent access to the services of the company secretary, who is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with. The company secretary also assists the Chairman by ensuring good information flow within the Board and its committees, and between senior management and non-executive Directors. The company secretary attends all meetings of the Board as well as all Board Committee meetings and her appointment or removal is subject to the Board's approval. The directors are allowed to seek independent professional advice at the company's expense.

REMUNERATION MATTERS

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

The Remuneration Committee ("RC") comprises three non-executive directors namely, Mr Lim Ho Seng, Mr Wong Kwan Seng Robert and Mr Tan Yang Guan. Mr Lim and Mr Wong are independent directors. Mr Tan is a non-independent director.

The RC is guided by its Terms of Reference, which sets out its responsibilities. The RC reviews the framework of remuneration for Directors serving on the Board and Board Committees. In reviewing the remuneration of Directors and key executives, the RC considers the market conditions, salary scale within the industry as well as the Company's performance and the individual's performance. 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 two components. One component is fixed in the form of a base salary which includes the 13th month based AWS. The other component is the variable bonus dependent on the financial performance of the Group and the individual's performance as well as the salary scale within the industry. The independant directors are paid a standard fee. Annually, the Board submits directors' fees for non-executive directors as a lump sum for shareholders' approval at the AGM.

During FY 2008, there were no employees who were immediate family member of the directors or the CEO.

A breakdown showing the level and mix of the Directors' remuneration payable for FY 2008 is as follows:

DIRECTORS' REMUNERATION

Name of Director	Fees (S$)*	Salary (S$)#	Bonus (S$)#	Other Benefits (S$)**
Lim Ho Seng	$42,000	-	-	$10,500
Dr Benety Chang	-	$212,000	$21,000	-
Anthony Sabastian Aurol	-	$212,000	$21,000	-
Wong Kwan Seng Robert	$35,000	-	-	-
Tan Yang Guan	-	-	-	-

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

In order to preserve the confidentiality of the remuneration of the top three key executives who are not directors of the Company, the remuneration in FY 2008 of such key executives are reported in bands of S$150,000 as disclosed in this Annual Report.

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

Management of the Company provides the Directors with a balanced and meaningful account of the Company's performance, financial position and business prospects on a monthly basis.

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

During the year, Baker Tech is required to comply with the quarterly reporting of its financial results.

Audit Committee (Principle 11)

The Audit Committee ("AC") comprises Mr Lim Ho Seng (Committee Chairman), Mr Wong Kwan Seng Robert and Mr Tan Yang Guan, all of whom are non-executive directors. All members have relevant accounting or related financial management expertise and experience with the Chairman and Mr Tan Yang Guan being qualified accountants. The AC carries out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50 and other duties and responsibilities as set out in its Terms of Reference.

The AC has authority to investigate any matters within its terms of reference and has full access to and cooperation from Management, in addition to its direct access to the external auditors.

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

The AC has reviewed the non-audit services provided by the external auditors, Ernst & Young LLP, and is of the opinion that the provision of such services does not affect their independence. The AC has recommended the re-appointment of Ernst & Young LLP as auditors at the forthcoming AGM.

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

The Company has put in place a whistle blowing policy, which serves to encourage and provide a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up actions.

Internal Controls (Principle 12)

The AC ensures that there is periodic review of the effectiveness of the Company's internal controls, including financial, operational and administrative controls and risk managements. This review is conducted by the Company's internal auditors, who present their findings to the management and the AC. The AC also considers internal control findings reported by the external auditors, if any, as part of their review. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC has also reviewed the effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors in this respect.

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

Internal Audit (Principle 13)

The Company has out-sourced its internal audit function to Stone Forest Consulting Pte Ltd ("Stone Forest"). Members of Stone Forest are suitably qualified and have the relevant experience.

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 set by the Institute of Internal Auditors.

The internal auditors report directly to the AC on internal audit matters, and to Senior Management on administrative matters. The AC reviews the internal audit reports and activities periodically 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.

COMMUNICATION WITH SHAREHOLDERS

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

Baker Tech believes in regular and timely communication with investors. The Company is open to meetings with investors and analysts and in 2008, it has engaged NRA Capital Pte. Ltd. to handle matters relating to Investor Relations and has established its website. The website serves as a comprehensive and easy-to-use source of information to shareholders. Among other things, it contains the Company's publicly disclosed financial information, annual reports and announcements.

Baker Tech is in full support of the Code's principle to encourage active participation of shareholders. Its Articles of Association allow a member entitled to attend and vote to appoint a proxy to attend and vote instead of the member and also provide that a proxy need not be a member of the Company. Baker Tech also allows CPF Investors to attend General Meetings as observers. Members of the Board as well as the Financial Controller and external auditors will be present at General Meetings to answer questions raised by shareholders. Voting in absentia by mail, email and fax is currently not permitted to ensure proper authentication of the identity of shareholders and their voting intentions.

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

SECURITIES TRANSACTIONS

The Group has issued internal guidelines on dealings in the securities of the Company to the Directors and employees of the Company and its subsidiaries. The Directors and employees of the Group are reminded that they are prohibited from dealing in the Company's shares during the period beginning one month before the announcement of the Company's financial statements for each quarter of its financial year and ending on the date of such announcements.

Directors and employees are also reminded that they should not deal in the shares of the Company on short-term basis and/or while in possession of unpublished material price sensitive information relating to the Company's shares and to observe the law on insider trading at all times.

ADDITIONAL INFORMATION

INTERESTED PERSON TRANSACTIONS POLICY

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

For the financial year under review, the Company has obtained approval from its shareholders for the acquisition of the entire issued and paid-up share capital of Sea Deep from the Company's parent company, Saberon Investments Pte Ltd, for a consideration of S$20 million. This acquisition was deemed an Interested Person Transaction within the meaning defined in Chapter 9 of the Listing Manual.

MATERIAL CONTRACTS

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

MAJOR PROPERTY

The Company's subsidiary, Sea Deep, held the following property in Singapore.

LOCATION	DESCRIPTION	TENURE OF LAND	AREA (SQM)	OPEN MARKET VALUATION S$'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	10 years JTC lease from 16 March 2005	31,094	2,300

KEY EXECUTIVES' REMUNERATION

Remuneration band / Name of top three executives	Designation	Salary & CPF %	Bonus %	Allowance & other benefits %	Total %
Between $150,000 to $300,000					
Ong Thian Whee Albert *(for the period from 30 April 2008 to 31 Dec 2008)*	Managing Director (Sea Deep Shipyard Pte. Ltd.)	89	11	–	100
Tan Kiang Kherng	Financial Controller (Baker Technology Limited)	67	20	13	100
Below $150,000					
Tan Keng Tiong Alvin *(joined on 1 Nov 2008)*	Senior Vice President – Business Development (Baker Technology Limited)	83	6	11	100

FINANCIAL REPORT

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 2008.

Directors

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

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

In accordance with the Company's Articles of Association Anthony Sabastian Aurol and Tan Yang Guan retire and, being eligible, offer themselves for re-election.

Arrangements to enable Directors to acquire shares and debentures

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

Directors' interest in shares and debentures

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

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
The Holding Company Saberon Investments Pte Ltd				
Ordinary shares				
Dr Benety Chang	167,500	167,500	37,500	37,500
Anthony Sabastian Aurol	37,500	37,500	–	–
Tan Yang Guan	7,500	7,500	–	–
The Company Baker Technology Limited				
Ordinary shares				
Lim Ho Seng	540,000	540,000	–	–
Dr Benety Chang	–	–	436,168,700	436,168,700
Anthony Sabastian Aurol	–	–	436,168,700	436,168,700
Tan Yang Guan	400,000	1,000,000	436,168,700	436,168,700
Wong Kwan Seng Robert	–	200,000	–	–

Directors' Report

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

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
The Company ***Baker Technology Limited***				
Warrants				
Dr Benety Chang	–	–	19,825,850	19,825,850
Anthony Sabastian Aurol	–	–	19,825,850	19,825,850
Tan Yang Guan	15,000	65,000	19,825,850	19,825,850

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2009.

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

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

Directors' contractual benefits

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

Options

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

The Scheme is administered by the Remuneration Committee comprising three directors, Lim Ho Seng, Tan Yang Guan and Wong Kwan Seng Robert.

The Company does not have any outstanding options as at 31 December 2008.

Directors' Report

Audit Committee

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

1. reviewing the scope, changes, results and cost effectiveness of the external audit plan and process;
2. reviewing the Group's quarterly and full year results announcement, the accounting principles adopted and the external auditors' report on the financial statements of the Group before submitting such documents to the Board for approval;
3. reviewing the Group's annual budgets;
4. reviewing, with the internal auditors, the scope of the internal audit procedures and the results of the internal audit, monitoring the responses to their findings to ensure that appropriate follow-up measures are taken;
5. reviewing the independence and objectivity of the external auditors;
6. recommending the reappointment of the external auditors to the Board;
7. reviewing the assistance given by the Company's officers to the auditors; and
8. reports discussions and actions of the AC to the Board of Directors with such recommendations as the AC considers appropriate.

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

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

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

Auditors

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

On behalf of the Board of Directors :

Dr Benety Chang
Chief Executive Officer

Anthony Sabastian Aurol
Chief Operating Officer

Singapore
6 March 2009

Statement by Directors

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

(a) the accompanying balance sheets, consolidated income statement, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and

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

On behalf of the Board of Directors :

Dr Benety Chang
Chief Executive Officer

Anthony Sabastian Aurol
Chief Operating Officer

Singapore
6 March 2009

Independent Auditors' Report

To the Members of Baker Technology Limited

We have audited the accompanying financial statements of Baker Technology Limited (the "Company") and its subsidiaries (collectively, the "Group") which comprise the balance sheets of the Group and the Company as at 31 December 2008, the statements of changes in equity of the Group and the Company, and the income statement and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes 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 account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and 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 2008 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; and

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

Ernst & Young LLP
Public Accountants and Certified Public Accountants

Singapore
6 March 2009

Consolidated Income Statement

for the financial year ended 31 December 2008

	Note	Group 2008 $	Group 2007 $
Revenue	4	74,381,183	50,732,796
Cost of goods sold		(52,439,493)	(39,278,512)
Gross profit		21,941,690	11,454,284
Other operating income	5	7,713,197	625,978
Administrative expenses		(5,408,528)	(5,682,230)
Selling and distribution expenses		–	(3,418,344)
Finance costs		(6,322)	(161,042)
Other operating expenses	6	(1,229,913)	(99,827)
Share of results of associates		(537,805)	203,131
Exceptional items	7	–	17,918,306
Profit before tax	8	22,472,319	20,840,256
Income tax expense	9	(3,654,556)	(860,306)
Net profit attributable to equity holders of the Company		18,817,763	19,979,950
Earnings per share	10		
Basic (in cents)		3.0	3.2
Diluted (in cents)		2.9	3.1

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

Balance Sheets

as at 31 December 2008

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Non-current assets					
Property, plant and equipment	11	8,646,752	4,582	6,407	4,582
Intangible assets	12	7,868,331	–	–	–
Investment in subsidiaries	13	–	–	23,600,000	3,600,000
Investment in associates	14	10,568,916	11,712,361	9,616,388	9,616,388
Other investment	15	5,066,000	5,066,000	–	–
		32,149,999	16,782,943	33,222,795	13,220,970
Current assets					
Work-in-progress	16	8,571,305	–	–	–
Inventories	17	4,512,667	–	–	–
Trade receivables	18	36,304,513	–	–	–
Other receivables	19	887,057	32,241	13,501	32,241
Amounts due from subsidiaries	20	–	–	1,872,000	–
Cash and cash equivalents	21	37,644,883	27,205,546	25,130	15,203,320
		87,920,425	27,237,787	1,910,631	15,235,561
Less : Current liabilities					
Excess of progress billings over work-in-progress	16	40,291,905	–	–	–
Loans and borrowings	22	38,855	–	–	–
Trade payables	23	7,904,641	–	–	–
Other liabilities	24	6,820,231	196,681	237,360	150,642
Amounts due to subsidiaries	25	–	–	7,408,560	–
Amounts due to vendors	26	–	2,000,000	–	2,000,000
Tax payable		4,357,318	195,950	8,000	–
		59,412,950	2,392,631	7,653,920	2,150,642
Net current assets		28,507,475	24,845,156	(5,743,289)	13,084,919
Non-current liabilities					
Loans and borrowings	22	206,502	–	–	–
Net assets		60,450,972	41,628,099	27,479,506	26,305,889
Equity attributable to equity holders of the Company					
Share capital	28	18,115,259	18,110,149	18,115,259	18,110,149
Reserves		42,335,713	23,517,950	9,364,247	8,195,740
Total equity		60,450,972	41,628,099	27,479,506	26,305,889

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 2008

	Attributable to equity holders of the Group					Total equity
Group	Share capital (Note 28) $	Capital reserve(1) $	Foreign currency translation reserve $	Retained earnings $	Total reserves $	$
2008						
At 1 January 2008	18,110,149	2,344,269	–	21,173,681	23,517,950	41,628,099
Profit for the year	–	–	–	18,817,763	18,817,763	18,817,763
Total recognised income and expenses for the year	–	–	–	18,817,763	18,817,763	18,817,763
Issuance of new shares from conversion of warrants	5,110	–	–	–	–	5,110
At 31 December 2008	18,115,259	2,344,269	–	39,991,444	42,335,713	60,450,972
2007						
At 1 January 2007	18,005,795	1,927,948	993,397	1,193,731	4,115,076	22,120,871
Profit for the year	–	–	–	19,979,950	19,979,950	19,979,950
Total recognised income and expenses for the year	–	–	–	19,979,950	19,979,950	19,979,950
Disposal of subsidiaries	–	416,321	(993,397)	–	(577,076)	(577,076)
Issuance of new shares from conversion of warrants	104,354	–	–	–	–	104,354
At 31 December 2007	18,110,149	2,344,269	–	21,173,681	23,517,950	41,628,099

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 2008

Company	Attributable to equity holders of the Company				Total equity
	Share capital (Note 28) $	Capital reserve[1] $	Retained earnings $	Total reserves $	$
2008					
At 1 January 2008	18,110,149	2,344,269	5,851,471	8,195,740	26,305,889
Profit for the year	–	–	1,168,507	1,168,507	1,168,507
Total recognised income and expenses for the year	–	–	1,168,507	1,168,507	1,168,507
Issuance of new shares from conversion of warrants	5,110	–	–	–	5,110
At 31 December 2008	18,115,259	2,344,269	7,019,978	9,364,247	27,479,506
2007					
At 1 January 2007	18,005,795	2,344,269	256,410	2,600,679	20,606,474
Profit for the year	–	–	5,595,061	5,595,061	5,595,061
Total recognised income and expenses for the year	–	–	5,595,061	5,595,061	5,595,061
Issuance of new shares from conversion of warrants	104,354	–	–	–	104,354
At 31 December 2007	18,110,149	2,344,269	5,851,471	8,195,740	26,305,889

[1] Capital reserve arose from the acquisition of subsidiary companies and restructuring exercise in prior years.

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 2008

	2008 $	2007 $
Cash flows from operating activities :		
Profit before tax	22,472,319	20,840,256
Adjustments for :		
Depreciation	900,998	499,519
Amortisation of intangible assets	421,000	–
Negative goodwill arising on acquisition	–	(13,360,037)
Gain on disposal of subsidiaries	–	(4,596,006)
Gain on disposal of property, plant and equipment	–	(91,221)
Dividend income	(5,310,000)	–
Interest income	(134,660)	(118,832)
Interest expense	6,322	161,042
Share of results of associates	537,805	(203,131)
Operating cash flows before working capital changes	18,893,784	3,131,590
Decrease in inventories	1,611,822	227,904
Increase in progress billings in excess of work-in-progress	17,132,752	–
Increase in trade receivables	(10,464,390)	(4,036,665)
Decrease/(increase) in other receivables	672,970	(1,728,136)
Increase in pledged deposits	555,202	–
(Decrease)/increase in trade payables	(875,627)	5,030,558
Increase in other liabilities	2,986,508	654,795
Cash flows from operations	30,513,021	3,280,046
Interest paid	(6,322)	(161,042)
Interest received	134,660	108,591
Income tax paid	(3,230,504)	(642,506)
Net cash flows from operating activities	27,410,855	2,585,089

Consolidated Cash Flow Statement (Cont'd)

for the financial year ended 31 December 2008

	2008 $	2007 $
Cash flows from investing activities :		
Repayment to vendors	(2,000,000)	–
Dividends received on pre-acquisition profits	–	11,322,300
Dividend income	5,915,640	–
Proceeds from disposal of property, plant and equipment	–	175,457
Purchase of property, plant and equipment	(3,076,002)	(271,329)
Net cash outflow on acquisition of subsidiaries, Note (a)	(18,924,480)	(842,212)
Net cash inflow on disposal of subsidiaries	–	13,873,727
Net cash flows (used in)/from investing activities	(18,084,842)	24,257,943
Cash flows from financing activities :		
Net proceeds from conversion of warrants	5,110	104,354
Repayment of loans and borrowings	–	(989,277)
Repayment of advance from a related company	(5,403,261)	–
Repayment of obligations under finance leases	(23,998)	(149,641)
Net cash flows used in financing activities	(5,422,149)	(1,034,564)
Net increase in cash and cash equivalents	3,903,864	25,808,468
Cash and cash equivalents at beginning of financial year	27,205,546	1,568,667
Effect of exchange rate changes on cash and cash equivalents	–	(171,589)
Cash and cash equivalents at end of financial year (Note 21)	31,109,410	27,205,546

Consolidated Cash Flow Statement (Cont'd)

for the financial year ended 31 December 2008

(a) Acquisition of subsidiaries

On 30 April 2008, the Company acquired 100% of the issued and paid-up share capital of Sea Deep Shipyard Pte. Ltd. and its subsidiary for $20,000,000.

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

	2008 $
Property, plant and equipment	6,467,166
Intangible assets	738,000
Current assets	41,658,593
Current liabilities	(36,160,452)
Non-current liabilities	(254,638)
Net assets acquired	12,448,669
Goodwill arising on consolidation	7,551,331
Total purchase consideration paid	20,000,000
Less : Cash and cash equivalents of the subsidiaries	(1,075,520)
Net cash outflow from acquisition of subsidiaries	18,924,480

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 2008

1. Corporate information

Baker Technology Limited (the "Company") is a limited liability company incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The holding company is Saberon Investments Pte Ltd.

The registered office of the Company is located at No. 122 Pioneer Road, Singapore 639583. The principal place of business is at No. 6, Pioneer Sector 1, Singapore 628418.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries and associates are disclosed in Notes 13 and 14 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

With effect from 1 January 2008, the Group and the Company adopted the following new or revised FRS and interpretation to FRS ("INT FRS") that are mandatory for annual financial periods beginning on or after 1 January 2008.

INT FRS 111, FRS 102	Group and Treasury Share Transactions
INT FRS 112	Service Concession Arrangements
INT FRS 114, FRS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above FRS and INT FRS did not result in any significant changes to the Group's and the Company's accounting policies.

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.2 *Future changes in accounting policies*

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

REFERENCE	DESCRIPTION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
FRS 1	Amendment of FRS 1 (revised), – Presentation of Financial Statements – Revised presentation – Presentation of Financial Statements – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 32	Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	Financial Instruments: Recognition and Measurement – Amendments relating to eligible hedged items	1 July 2009
FRS 101	First-time Adoption of Financial Reporting Standard – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 102	Share-based payment – Vesting conditions and cancellations	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 113	Customer Loyalty Programmes	1 July 2008
INT FRS 116	Hedges of a Net Investment in a Foreign Operations	1 October 2008
INT FRS 117	Distribution of Non-cash Assets to Owners	1 July 2009

The Directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial applications, except for FRS 1 and FRS 108 as indicated below.

FRS 1 Presentation of Financial Statements – Revised presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.2 *Future changes in accounting policies (cont'd)*

FRS 108 Operating Segments

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

2.3 *Significant accounting judgements and estimates*

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

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

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

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

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

(b) ***Income taxes***

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables as at 31 December 2008 was $4,357,318 (2007: $195,950).

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.3 *Significant accounting judgements and estimates (cont'd)*

(c) ***Revenue recognition***

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the balance sheet date, 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. The carrying amounts of assets and liabilities arising from construction contracts at the balance sheet date are disclosed in Note 16 to the financial statements.

2.4 *Functional and foreign currency*

(a) ***Functional currency***

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

(b) ***Foreign currency***

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

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

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their income statements 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 income statement.

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.5 *Subsidiaries and basis of consolidation*

(a) ***Subsidiaries***

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

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

(b) ***Basis of consolidation***

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

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

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

2.6 *Associates*

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

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

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.6 *Associates (cont'd)*

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

The financial statements of the associate are prepared as of the same reporting date as the Company 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 into line with those of the Group.

2.7 *Property, plant and equipment*

Cost

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

Depreciation

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

Freehold building	20 years
Leasehold land and buildings	over remaining terms of lease
Leasehold improvements	5 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.

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.7 *Property, plant and equipment (cont'd)*

Depreciation (cont'd)

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

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

2.8 *Intangible assets*

(a) ***Goodwill***

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

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

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

Where goodwill forms part of a cash-generating unit and part of the operation within that 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.

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

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

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.8 *Intangible assets (cont'd)*

(b) ***Other intangible assets (cont'd)***

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

2.9 *Impairment of non-financial assets*

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

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

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

2.10 *Financial assets*

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

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

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

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.10 *Financial assets (cont'd)*

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.

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.11 *Impairment of financial assets*

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.12 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 *Inventories*

Inventories, which are made up mainly materials, components and spares, are valued at the lower of cost and net realizable value. Cost is determined principally on a weighted average method. In arriving at net realizable value, due allowance is made for all obsolete and slow moving items.

2.14 *Financial liabilities*

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

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

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

2.15 *Borrowing costs*

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

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

2.16 *Provisions*

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

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.17 ***Financial guarantee***

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

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

2.18 ***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 schemes 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. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

2.19 ***Leases***

Finance leases

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

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

Operating lease

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

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

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

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.20 *Revenue*

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

(a) ***Contract revenue***

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 balance sheet date, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised 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.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The stage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

(b) ***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 customer, which generally coincides with delivery and acceptance of goods sold.

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

(c) ***Interest income***

Interest income is recognised using the effective interest method.

(d) ***Dividend income***

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

(e) ***Sales of goods***

Rental income is recognised on a time proportion basis unless collectability is in doubt.

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.21 *Income taxes*

(a) ***Current tax***

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

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

(b) ***Deferred tax***

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

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

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

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

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

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

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

2.21 *Income 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.

2.22 *Segment reporting*

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

2.23 *Share capital and share issue expenses*

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

2.24 *Contingencies*

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

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

Notes to the Financial Statements
for the financial year ended 31 December 2008

3. Segment information

(a) ***By business activity :***

The Group's principal business activity in 2008 consists wholly of the manufacture of steel components and service and maintenance for the offshore oil and gas industry. The Group's previous principal business activity was wholly of the manufacture and distribution of trailer axles and related components, which was disposed in October 2007. The Group has no operating subsidiaries until the acquisition of Sea Deep Shipyard Pte. Ltd. in April 2008. Therefore no segmental reporting on business activity is appropriate.

(b) ***By geographical locations :***

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

(c) ***Allocation basis and transfer pricing :***

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

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

	Segment revenue		Segment result	
	2008 $	2007 $	2008 $	2007 $
China	35,731,433	1,428,449	12,234,692	145,856
Singapore	22,130,429	605,908	3,881,632	213,644
Middle East	16,130,453	8,087,486	2,695,798	(204,471)
Asia Pacific (excluding China and Singapore)	388,868	35,997,436	202,021	3,664,313
Africa	–	4,296,664	–	17,742
Others	–	316,853	–	31,690
Consolidated	74,381,183	50,732,796	19,014,143	3,868,774
Unallocated expenses			(1,520,757)	(988,913)
Operating profit			17,493,386	2,879,861
Dividend, rental and interest income			5,523,060	–
Finance costs			(6,322)	(161,042)
Share of results of associates			(537,805)	203,131
Exceptional items			–	17,918,306
Profit before tax			22,472,319	20,840,256
Income tax expense			(3,654,556)	(860,306)
Net profit for the financial year			18,817,763	19,979,950

Notes to the Financial Statements
for the financial year ended 31 December 2008

3. Segment information (cont'd)

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

	China		Singapore		Middle East		Asia Pacific (excluding China and Singapore)		Consolidated	
	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $
Segment assets	38,253,971	–	23,692,775	–	17,269,217	–	416,321	–	79,632,284	–
Unallocated assets									40,438,140	44,020,730
									120,070,424	44,020,730
Segment liabilities	26,430,547	–	16,369,882	–	11,931,699	–	287,646	–	55,019,774	–
Unallocated liabilities									4,599,678	2,392,631
									59,619,452	2,392,631
Capital expenditure	–	–	3,076,002	271,329	–	–	–	–	3,076,002	271,329
Depreciation and amortisation	–	–	1,321,998	499,519	–	–	–	–	1,321,998	499,519

Certain comparative figures have been reclassified to conform to the current year segmental disclosures.

Notes to the Financial Statements
for the financial year ended 31 December 2008

4. Revenue

	Group	
	2008	2007
	$	$
Contract revenue	74,381,183	–
Sale of goods	–	50,732,796
	74,381,183	50,732,796

5. Other operating income

	Group	
	2008	2007
	$	$
Dividend income (Note 15)	5,310,000	–
Rental income	78,400	–
Interest income	134,660	118,832
Royalty income	–	171,125
Foreign exchange gain - realised	2,190,137	336,021
	7,713,197	625,978

6. Other operating expenses

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

	Group	
	2008	2007
	$	$
Foreign exchange loss		
- Realised	–	54,708
- Unrealised	674,588	–
Amortisation of intangible assets	421,000	–

Notes to the Financial Statements
for the financial year ended 31 December 2008

7. Exceptional items

	Group	
	2008 $	2007 $
Gain on disposal of subsidiaries	–	4,596,006
Negative goodwill arising on acquisition recognised under FRS 103 (Note 15)	–	13,322,300
	–	17,918,306

8. Profit before tax

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

	Group	
	2008 $	2007 $
Depreciation expense	900,998	499,519
Fees paid to a firm in which a director of the Company is a director	34,555	81,640
Consultancy service fee paid to a director	10,500	–
Finance costs :		
Interest expense on loans and borrowings (including bank overdrafts)	–	152,439
Finance charges payable under finance leases	6,322	8,603
Gain on disposal of property, plant and equipment	–	(91,221)
Operating lease charges	427,456	81,217
Employee benefit expense (including executive directors):		
- Contributions to defined contribution plans	271,234	391,542
- Salaries, wages, bonuses and other costs	2,898,112	3,084,508
Non-audit fees paid to :		
- Auditors of the Company	19,200	18,799
- Other auditors	28,442	5,393

Notes to the Financial Statements
for the financial year ended 31 December 2008

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	
	2008	**2007**
	$	**$**
Income statement :		
Current income tax		
Current income taxation	3,589,000	842,169
Underprovision in respect of prior years	281,339	18,137
	3,870,339	860,306
Deferred income tax		
Origination and reversal of timing difference	(215,783)	–
Income tax expense recognised in the income statement	3,654,556	860,306

(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 is as follows:

	Group	
	2008	**2007**
	$	**$**
Accounting profit before income tax	22,472,319	20,840,256
Income tax expense at the applicable tax rate of 18% (2007: 18%)	4,045,017	3,751,246
Unrecognised deferred tax assets	–	100,583
Tax effect of income not subject to tax	(688,259)	(3,144,781)
Tax effect of expenses not deductible in determining taxable profit	195,895	210,254
Tax effect of different tax rates in other countries	–	11,766
Tax effect of utilisation of tax losses carried forward	–	(19,734)
Underprovision in respect of prior years	281,339	18,137
Tax exemption	(3,330)	(27,450)
Reversal of deferred tax charges	(215,783)	–
Others, net	39,677	(39,715)
	3,654,556	860,306

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

Notes to the Financial Statements
for the financial year ended 31 December 2008

10. Earnings per share

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

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

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

	Group	
	2008	**2007**
	$	**$**
Profit for the financial year attributable to ordinary Equity holders of the Company used in computation of basic and diluted earnings per ordinary share	18,817,763	19,979,950
Weighted average number of ordinary shares for basic earnings per share computation	631,324,221	628,910,254
Dilutive effect of warrants	24,121,243	24,325,631
Weighted average number of ordinary shares adjusted for the effect of dilution	655,445,464	653,235,885

Notes to the Financial Statements
for the financial year ended 31 December 2008

11. Property, plant and equipment

Group	Freehold land and building	Leasehold land and buildings	Leasehold improve-ments	Assets under con-struction	Furniture and fittings	Office equipment	Motor vehicles	Plant and equipment	Total
	$	$	$		$	$	$	$	$
Cost or valuation:									
At 1 January 2007	2,762,732	3,204,848	608,499	–	318,871	1,865,395	915,744	2,729,512	12,405,601
Disposals of subsidiaries	(2,968,225)	(3,204,848)	(759,775)	–	(344,866)	(1,926,449)	(533,520)	(2,837,802)	(12,575,485)
Additions	–	–	134,435	–	25,431	56,006	12,982	42,475	271,329
Disposals/write-off	–	–	–	–	–	–	(423,780)	–	(423,780)
Net exchange differences	205,493	–	16,841	–	564	77,915	28,574	65,815	395,202
At 31 December 2007 and 1 January 2008	–	–	–	–	–	72,867	–	–	72,867
Acquisition of subsidiaries	–	7,166,856	–	847,099	18,446	194,906	308,988	3,456,992	11,993,287
Additions	–	–	1,915,997	–	–	34,755	–	1,125,250	3,076,002
Disposals/write-off	–	–	–	–	–	(67,329)	–	–	(67,329)
Reclassification	–	–	644,505	(644,505)	–	–	–	–	–
At 31 December 2008	–	7,166,856	2,560,502	202,594	18,446	235,199	308,988	4,582,242	15,074,827
Accumulated depreciation and Impairment loss									
At 1 January 2007	710,675	809,038	351,744	–	276,740	1,700,414	704,080	2,364,296	6,916,987
Disposals of subsidiaries	(829,231)	(916,032)	(431,555)	–	(295,391)	(1,780,708)	(464,252)	(2,522,022)	(7,239,191)
Depreciation charge for the year	63,169	106,994	66,265	–	18,219	74,073	69,826	100,973	499,519
Disposals/write-off	–	–	–	–	–	–	(339,544)	–	(339,544)
Net exchange differences	55,387	–	13,546	–	432	74,506	29,890	56,753	230,514
At 31 December 2007 and 1 January 2008	–	–	–	–	–	68,285	–	–	68,285
Acquisition of subsidiaries	–	4,649,737	–	–	9,308	96,194	4,100	766,782	5,526,121
Depreciation charge for the year	–	224,265	67,382	–	1,519	43,010	42,913	521,909	900,998
Disposals/write-off	–	–	–	–	–	(67,329)	–	–	(67,329)
At 31 December 2008	–	4,874,002	67,382	–	10,827	140,160	47,013	1,288,691	6,428,075
Net carrying amount :									
At 31 December 2007	–	–	–	–	–	4,582	–	–	4,582
At 31 December 2008	–	2,292,854	2,493,120	202,594	7,619	95,039	261,975	3,293,551	8,646,752

Notes to the Financial Statements
for the financial year ended 31 December 2008

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

(a) The carrying amount of assets held under finance leases as at 31 December 2008 was $261,975 (2007: $Nil). Leased assets are pledged as security for the related finance lease liabilities.

(b) The Group's leasehold land and building with carrying amount of approximately $2,292,854 (2007: $Nil) is mortgaged to secure the subsidiaries' banking facilities.

(c) The Group's leasehold land and building is located at No. 6, Pioneer Sector 1, Singapore 628418.

(d) Depreciation charge of $748,645 (2007: $Nil) has been included in the Group's cost of goods sold.

Company	**Office equipment $**
Cost :	
At 1 January 2007	67,254
Additions	5,538
At 31 December 2007 and 1 January 2008	72,792
Additions	3,886
Write-off	(67,254)
At 31 December 2008	9,424
Accumulated depreciation :	
At 1 January 2007	66,803
Depreciation charge for the year	1,407
At 31 December 2007 and 1 January 2008	68,210
Depreciation charge for the year	2,061
Write-off	(67,254)
At 31 December 2008	3,017
Net carrying amount :	
At 31 December 2007	4,582
At 31 December 2008	6,407

Notes to the Financial Statements
for the financial year ended 31 December 2008

12. Intangible assets

Group	Goodwill $	Order book	Distribution rights $	Design licences $	Trademark $	Total $
Group						
Cost :						
At 1 January 2007	31,191	–	788,601	345,731	41,419	1,206,942
Disposal of subsidiaries	(31,191)	–	(803,361)	(371,447)	(41,419)	(1,247,418)
Net exchange differences	–	–	14,760	25,716	–	40,476
At 31 December 2007 and 1 January 2008	–	–	–	–	–	–
Acquisition of subsidiaries (Note 13)	7,551,331	738,000	–	–	–	8,289,331
At 31 December 2008	7,551,331	738,000	–	–	–	8,289,331
Accumulated amortisation and impairment :						
At 1 January 2007	31,191	–	788,596	252,957	41,419	1,114,163
Disposal of subsidiaries	(31,191)	–	(803,361)	(271,767)	(41,419)	(1,147,738)
Net exchange differences	–	–	14,765	18,810	–	33,575
At 31 December 2007 and 1 January 2008	–	–	–	–	–	–
Amortisation charge for the year	–	421,000	–	–	–	421,000
At 31 December 2008	–	421,000	–	–	–	421,000
Net carrying amount :						
31 December 2007	–	–	–	–	–	–
31 December 2008	7,551,331	317,000	–	–	–	7,868,331

Notes to the Financial Statements
for the financial year ended 31 December 2008

12. Intangible assets (cont'd)

Order book

Order book relates to the valuation ascribed for the pre-acquisition construction contracts entered into by Sea Deep Shipyard Pte. Ltd. and its wholly-owned subsidiary, Interseas Shipping (Private) Limited with external customers prior to their being acquired by the Group on 30 April 2008.

The order book is regarded as having definite useful life and is amortised over a 14-month period from the date of acquisition.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the Group's cash-generating unit ("CGU") identified according to each individual business unit for impairment testing.

	Group	
	2008 $	2007 $
Sea Deep Shipyard Pte. Ltd.	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 five year period. Management have considered and determined the factors applied in these financial budgets.

A pre-tax discount rate of 12%, which is commonly adopted within the industry, was applied to the cash flow projections.

No impairment loss was required for the carrying amount of goodwill assessed as at 31 December 2008 as the recoverable amount of the CGU was in excess of the carrying value.

Amortisation expense

The amortisation of the order book is included in "Other operating expenses" line item in the income statement.

Notes to the Financial Statements
for the financial year ended 31 December 2008

13. Investment in subsidiaries

	Group	
	2008 $	2007 $
Shares, at cost	23,600,000	3,600,000

The subsidiaries for the financial year ended 31 December are :

Subsidiaries (Country of incorporation)	Cost of investment		Precentage of equity held by the Group		Principal activities (Place of business)
	2008 $	2007 $	2008 %	2007 %	
(1) PPL Holdings Pte Ltd (Singapore)	3,600,000	3,600,000	100	100	Investment holding
(2) Sea Deep Shipyard Pte. Ltd. (Singapore)	20,000,000	–	100	–	Manufacture of steel components and service and maintenance for the offshore oil and gas industry
	23,600,000	3,600,000			
The subsidiary of PPL Holdings Pte Ltd is :					
(1) E-Interface Holdings Limited (British Virgin Island)	666,000	666,000	100	100	Investment holding (British Virgin Island)
The subsidiary of Sea Deep Shipyard Pte. Ltd. is :					
(2) Interseas Shipping (Private) Limited (Singapore)	200,000	–	100	–	Manufacture of steel components and service and maintenance for the offshore oil and gas industry

(1) Audited by Paul Go & Co.

(2) Audited by Ernst & Young LLP, Singapore

13. Investment in subsidiaries (cont'd)

Acquisition of subsidiary

On 30 April 2008, the Group acquired the entire 100% equity interest in Sea Deep Shipyard Pte. Ltd. (Sea Deep) and its subsidiary, Interseas Shipping (Private) Limited from the Group's parent company, Saberon Investments Pte Ltd for a cash consideration of $20,000,000. The Group incurred $270,888 as professional fees in relation to this acquisition.

The fair values of the identifiable assets and liabilities of Sea Deep as at the date of acquisition were:

	Recognised on date of acquisition $	Carrying amount before combination $
Property, plant and equipment	6,467,166	4,667,166
Intangible assets – order book	738,000	–
Trade and other receivables	27,367,909	27,367,909
Inventories	6,124,489	6,124,489
Cash and cash equivalents	8,166,195	8,166,195
	48,863,759	46,325,759
Progress billings in excess of work-in-progress	14,587,848	14,587,848
Trade and other payables	12,417,310	12,417,310
Loans and borrowings	269,355	269,355
Amounts due to a related company	5,403,261	5,403,261
Income tax payable	3,521,533	3,521,533
Deferred tax liabilities	215,783	215,783
	36,415,090	36,415,090
Net identifiable assets	12,448,669	9,910,669

Impact of acquisition on income statement:

From the date of acquisition, Sea Deep has contributed $16,130,984 to the Group's profit net of tax. If the combination had taken place at the beginning of the financial year, the Group's net profit would have been $18,592,382 and revenue would have been $111,328,455.

Goodwill arising on acquisition:

The acquisition of Sea Deep had resulted in a goodwill of $7,551,331 and is attributable to fair value of the future prospect of the offshore oil and gas industry.

Accounting of acquisition:

The Group has identified acquired order book as an intangible asset arising from acquisition. The Group has valued this at $738,000 as at the date of acquisition.

Notes to the Financial Statements
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14. Investment in associates

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Shares, at cost	9,616,388	9,616,388	9,616,388	9,616,388
Share of post-acquisition reserves	952,528	2,095,973	–	–
	10,568,916	11,712,361	9,616,388	9,616,388

Associate (Country of incorporation)	Percentage of equity held by the Group		Principal activities
	2008 %	2007 %	
[(1)] York Transport Equipment (Asia) Pte Ltd (Singapore)	49	49	Production and distribution of axles and related components

(1) Audited by Ernst & Young LLP, Singapore

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

	Group	
	2008	2007
	$	$
Assets and liabilities :		
Total assets	46,991,709	38,173,850
Total liabilities	24,148,764	13,537,051
Results :		
Revenue	71,298,096	65,951,299
(Loss)/profit for the year	(1,097,562)	3,531,640

Notes to the Financial Statements
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15. Other investment

	Company	
	2008	2007
	$	$
15% equity stake on PPL Shipyard Pte Ltd (unquoted)	5,066,000	5,066,000

This investment is designated as an available-for-sale financial assets.

This minority stake was originally recorded at cost of $3,066,000 through the acquisition of 100% of PPL Holdings Pte Ltd in May 2007. In accordance with FRS 103, the fair value of this investment was determined to be $16,388,300 and a negative goodwill of $13,322,300 was credited to the income statement in 2007 (Note 7).

Subsequent to the acquisition of PPL Holdings Pte Ltd, the Group received interim dividends of $11,322,300 from PPL Shipyard Pte Ltd in 2007, which was deemed to be declared from pre-acquisition profits, and accordingly the carrying value of the investment was reduced from $16,388,300 to $5,066,000.

In 2008, the Group received interim dividends of $5,310,000 from PPL Shipyard Pte Ltd, which was recorded as dividend income (Note 5).

16. Work-in-progress/progress billings

	Group	
	2008	2007
	$	$
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	101,681,861	–
Less: Progress billings	(133,402,461)	–
	(31,720,600)	
Presented as:		
Gross amount due from customers for contract work	8,571,305	–
Gross amount due to customers for contract work	(40,291,905)	–
	(31,720,600)	–
Retention sums on construction contract included in trade receivables	3,308,423	–

17. Inventories

	Group	
	2008	2007
	$	$
Materials, components and spares, at cost	4,512,667	–

Notes to the Financial Statements
for the financial year ended 31 December 2008

18. Trade receivables

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Gross trade receivables	36,304,513	–	–	–
Allowance for impairment	–	–	–	–
Total trade receivables	36,304,513	–	–	–
Add:				
- Deposits (Note 19)	263,951	–	–	–
- Tax recoverable (Note 19)	551,403	16,759	–	16,759
- Sundry receivables (Note 19)	23,202	–	–	–
- Interest receivables (Note 19)	–	10,241	–	10,241
- Amount due from subsidiaries (Note 20)	–	–	1,872,000	–
- Cash and cash equivalents (Note 21)	37,644,883	27,205,546	25,130	15,203,320
Total loans and receivables	74,787,952	27,232,546	1,897,130	15,230,320

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 are denominated in US dollars.

As at 31 December 2008, trade receivable amounting to $7,863,763 (2007: $Nil) was arranged to be settled via letter of credits issued by reputable bank in country where the customer was based.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $8,902,868 (2007: $Nil) that are past due but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows :

	Group	
	2008	2007
	$	$
Trade receivables past due :		
Lesser than 30 days	2,168,301	–
30 to 60 days	1,510,755	–
61 to 90 days	1,862,192	–
More than 90 days	3,361,620	–
	8,902,868	–

Of the trade receivables of $3,361,620 which was past due for more than 90 days, $3,308,423 relates to retention sums on construction contracts (2007: $Nil).

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

Notes to the Financial Statements
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19. Other receivables

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Advance	5,800	–	–	–
Deposits	263,951	–	–	–
Prepayments	42,701	5,241	13,501	5,241
Tax recoverable	551,403	16,759	–	16,759
Sundry receivables	23,202	–	–	–
Interest receivables	–	10,241	–	10,241
	887,057	32,241	13,501	32,241

20. Amounts due from subsidiaries

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Amount receivable on current account:				
Subsidiaries	–	–	1,872,000	–

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

21. Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Cash at banks and in hand	2,864,694	333,981	25,130	203,320
Short term deposits	34,780,189	26,871,565	–	15,000,000
	37,644,883	27,205,546	25,130	15,203,320

Short-term deposits are made for varying periods of between one week to 1 year depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates ranges from 0.13% to 3.90% (2007: 1.78% to 5.10%) per annum.

Notes to the Financial Statements
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21. Cash and cash equivalents (cont'd)

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the balance sheet date:

	Group	
	2008 $	2007 $
Cash and short-term deposits	37,644,883	27,205,546
Less: Pledged deposits	(6,535,473)	–
	31,109,410	27,205,546

Pledged deposits relate to short-term deposits pledged by the Group's subsidiaries to the banks as collateral for banking facilities and issuance of banking guarantees.

The Company has also provided a corporate guarantee for the subsidiaries' banking facilities.

22. Loans and borrowings

	Group	
	2008 $	2007 $
Current :		
Obligations under finance leases		
- secured (Note 27)	38,855	–
Non-current :		
Obligations under finance leases		
- secured (Note 27)	206,502	–
Total loans and borrowings	245,357	–

Obligations under finance leases

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

Notes to the Financial Statements
for the financial year ended 31 December 2008

23. Trade payables

	Group		Company	
	2008 $	2007 $	2008 $	2007 $
Trade:				
External parties	7,904,641	–	–	–
Add:				
- Loans and borrowings (Note 22)	245,357	–	–	–
- Other liabilities (Note 24)	6,820,231	196,681	237,360	150,642
- Amounts due to subsidiaries (Note 25)	–	–	7,408,560	–
- Amount due to vendors (Note 26)	–	2,000,000	–	2,000,000
Total financial liabilities carried at amortised cost	14,970,229	2,196,681	7,645,920	2,150,642

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

Included in trade payables of the Group as at 31 December 2008 was an amount of approximately $2,290,831 (2007: $Nil) denominated in US dollars.

24. Other liabilities

	Group		Company	
	2008 $	2007 $	2008 $	2007 $
Accrued operating expenses	6,716,594	119,681	133,723	73,642
Directors' fees	77,000	77,000	77,000	77,000
Other payables	26,637	–	26,637	–
	6,820,231	196,681	237,360	150,642

Notes to the Financial Statements
for the financial year ended 31 December 2008

25. Amounts due to subsidiaries

	Group		Company	
	2008 $	2007 $	2008 $	2007 $
Amounts payable on current account:				
Subsidiaries	–	–	7,408,560	–

Amounts payable to subsidiaries are unsecured, non-interest bearing and repayable on demand.

26. Amounts due to vendors

	Group		Company	
	2008 $	2007 $	2008 $	2007 $
Amounts payable on current account:				
Vendors	–	2,000,000	–	2,000,000

Amounts payable to vendors are unsecured, non-interest bearing and repayable on demand.

27. Finance leases

The Group's motor vehicles are under leased facilities. The average discount implicit in the leases 2.08% to 2.99% per annum. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	2008 $	2008 $	2007 $	2007 $
Not later than one year (Note 22)	46,272	38,855	–	–
Later than one year but not later than five years	231,360	194,275	–	–
Later than five years	14,452	12,227	–	–
Total minimum lease payments	292,084	245,357	–	–
Less : Amounts representing finance charges	(46,727)	–	–	–
Present value of minimum lease payments	245,357	245,357	–	–

Notes to the Financial Statements
for the financial year ended 31 December 2008

28. Share capital

	Group and Company			
	No. of shares	2008 $	No. of shares	2007 $
Issued and fully paid :				
At 1 January	631,174,188	18,110,149	627,000,000	18,005,795
Issuance of new shares from conversion of warrants	204,388	5,110	4,174,188	104,354
At 31 December	631,378,576	18,115,259	631,174,188	18,110,149

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.

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value.

As at 31 December 2008, 24,121,243 (2007: 24,325,631) warrants remained outstanding.

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

29. Commitments

The Group leases its property and certain equipments under lease agreements that are non-cancellable within a year and contain provisions for rental adjustments. One of the leases was to expire on 15 March 2015.

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

	Group	
	2008 $	2007 $
Not later than one year	337,618	–
Later than one year but no later than five years	1,671,727	–
Later than five years	82,203	–
	2,091,548	–

Notes to the Financial Statements
for the financial year ended 31 December 2008

30. Related party disclosures

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

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

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

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

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

(b) **Compensation of key management personnel**

	Group	
	2008	**2007**
	$	**$**
Short-term employee benefits	963,737	957,543
Comprise amounts paid to		
- Directors of the Company	554,252	241,100
- Other key management personnel	409,485	716,443
	963,737	957,543

31. Directors' and executives' remuneration

Directors' remuneration (including directors of subsidiaries) and fees amounted to $477,252 (2007: $164,100) and $77,000 (2007: $77,000) respectively.

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

	Group	
	2008	**2007**
	$	**$**
$500,000 and above	–	–
$250,000 to $499,999	–	–
Below $250,000	4	4
Total	4	4

Notes to the Financial Statements

for the financial year ended 31 December 2008

32. Financial instruments

(a) Financial risk management objectives and policies

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

Cash flow and fair value interest rate risk

The Group'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.

Liquidity risk

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

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. 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 at the balance sheet date is as follows:

By Country	Group			
	2008 $	% of total	2007 $	% of total
Singapore	14,349,629	39	–	–
China	7,863,763	22	–	–
Middle East	14,057,807	39	–	–
Asia Pacific (excluding China and Singapore)	33,314	–	–	–
	36,304,513	100	–	–

Notes to the Financial Statements
for the financial year ended 31 December 2008

32. Financial instruments (cont'd)

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

Credit risk (cont'd)

At the balance sheet date, approximately:

– 97% (2007 : Nil%) of the Group's trade receivables were due from 3 major customers who are located in Singapore, Middle East and China.

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 cash equivalents 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 18 (Trade and other receivables) and Note 19 (other receivables)

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). Approximately 99% (2007: 99%) of the Group's sales are denominated in foreign currencies whilst about 70% (2007: 85%) of costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances (mainly in USD) amount to approximately $31,900,000 for the Group.

The Group does not use forward currency contracts to eliminate its currency exposures.

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 exchange rates against SGD, with all other variables held constant.

	Group	
	2008 S$'000 Net profit	**2007 S$'000 Net profit**
USD/SGD – strengthened 3% (2007 : 3%)	+1,992	+140
– weakened 3% (2007 : 3%)	-1,992	-140

Notes to the Financial Statements
for the financial year ended 31 December 2008

32. Financial instruments (cont'd)

(b) **Fair value**

Recognised financial instruments

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

33. Capital management

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 maximises shareholder value.

34. Dividend

	Group and Company	
	2008	**2007**
	$	**$**
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 exempt (one-tier) dividend for 2008: 0.5 cents (2007: $Nil) per share	3,156,893	–

35. Subsequent events

On 22 January 2009, the Singapore Finance Minister announced the revision in the Singapore corporate tax rate from 18% to 17% with effect from Year of Assessment 2010. In accordance with FRS 12, Income taxes and FRS 10 Events After the Balance Sheet Date, this is a non-adjusting event and the financial effect of the reduced tax rate will be reflected in the 31 December 2009 financial year.

36. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 6 March 2009.

Analysis of Shareholdings
as at 3 March 2009

Number of Shares : **631,378,576**
Class of Shares : **Ordinary shares**
Voting Rights : **One vote per ordinary share**

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 999	107	3.49	7,327	0.00
1,000 - 10,000	1,427	46.54	7,255,265	1.15
10,001 - 1,000,000	1,503	49.02	103,391,500	16.38
1,000,001 and above	29	0.95	520,724,484	82.47
Total	3,066	100.00	631,378,576	100.00

TWENTY LARGEST SHAREHOLDERS

	Name	No. of shares	%
1.	Saberon Investments Pte Ltd	436,168,700	69.08
2.	OCBC Securities Private Ltd	19,752,008	3.13
3.	United Overseas Bank Nominees Pte Ltd	7,235,000	1.15
4.	Citibank Nominees Singapore Pte Ltd	5,106,000	0.81
5.	Low Yoke Ming	4,684,000	0.74
6.	Goh Boon Chye	4,246,000	0.67
7.	DMG & Partners Securities Pte Ltd	3,817,000	0.60
8.	Lim Lay Kheng Alicia	3,380,000	0.54
9.	HSBC (Singapore) Nominees Pte Ltd	3,210,000	0.51
10.	Seah Kheng Lun	2,690,000	0.43
11.	UOB Kay Hian Private Limited	2,591,000	0.41
12.	Yeo Kok Hiong	2,507,000	0.40
13.	Booi Pang Hin	2,188,000	0.35
14.	DBS Nominees (Private) Limited	2,036,010	0.32
15.	Ho Huat Heng Darryl (He Faxing Darryl)	1,990,000	0.32
16.	Tang Chong Sim	1,900,000	0.30
17.	Lee Yan Teck	1,864,500	0.30
18.	Sng Siew Lin	1,812,000	0.29
19.	OCBC Nominees Singapore Pte Ltd	1,685,000	0.27
20.	Khoo Aik Peng	1,360,000	0.22
	Total	510,222,218	80.84

Analysis of Shareholdings
as at 3 March 2009

Public float

Based on the information available to the Company, as at 3 March 2009, approximately 29% 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		Deemed interest	
	No. of Shares	%	No. of Shares	%
Saberon Investments Pte Ltd	436,168,700	69.08	-	-
Dr Benety Chang*	-	-	436,168,700	69.08
Dr Doris Heng Chin Ngor*	-	-	436,168,700	69.08
Anthony Sabastian Aurol*	-	-	436,168,700	69.08
Tan Yang Guan*	1,000,000	0.16	436,168,700	69.08

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

Analysis of Warrantholdings
as at 3 March 2009

DISTRIBUTION OF WARRANTHOLDINGS

Range of warrantholdings	No. of warrantholders	%	No. of warrants	%
1 - 999	66	29.47	31,845	0.13
1,000 - 10,000	125	55.80	416,289	1.73
10,001 - 1,000,000	31	13.84	2,226,509	9.23
1,000,001 and above	2	0.89	21,446,600	88.91
Total	224	100.00	24,121,243	100.00

TWENTY LARGEST WARRANTHOLDERS

	Name	No. of Warrants	%
1.	Saberon Investments Pte Ltd	19,825,850	82.19
2.	Yeap Lam Kang	1,620,750	6.72
3.	Alex Anthony	500,000	2.07
4.	Tang Song Hee	424,750	1.76
5.	Saw Joo Suan	213,750	0.89
6.	Yeap Lam Wah	148,000	0.61
7.	Ong Swee Whatt	135,000	0.56
8.	Booi Pang Hin	100,000	0.41
9.	Tan Yang Guan	65,000	0.27
10.	Tan Yee Lee	60,250	0.25
11.	Han Ai Wah	52,000	0.22
12.	Phillip Securities Pte Ltd	46,126	0.19
13.	Lim Kwee Siah	44,250	0.18
14.	Neo Chin Leong	35,250	0.15
15.	Chua Chai Tiang	34,250	0.14
16.	Ong Sim Whee	29,500	0.12
17.	Goh Gek Lee	26,979	0.11
18.	Kim Eng Securities Pte. Ltd.	26,495	0.11
19.	Goh Cheay Hwa	25,000	0.10
20.	Lee Chiew Eng	25,000	0.10
	Total	23,438,200	97.15

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 Thursday, 23 April 2009 at 2.30 p.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Financial Statements of the Company for the year ended 31 December 2008 together with the Auditors' Report thereon.

2. To declare a first and final dividend of 0.5 cents per ordinary share one-tier tax exempt for the financial year ended 31 December 2008.

3. To approve Directors' fees of $77,000/- for the year ended 31 December 2008 (2007: $77,000/-).

4. To re-elect Mr Anthony Sabastian Aurol who retires in accordance with the Articles of Association of the Company. [See Explanatory Note (i)]

5. To re-elect Mr Tan Yang Guan who retires in accordance with the Articles of Association of the Company. [See Explanatory Note (ii)]

6. To re-appoint Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without amendments the following Ordinary Resolutions:

7. That pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Companies Act**") 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) 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.

Notice of Annual General Meeting

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) does 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 to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does 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 percentage of issued 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 or consolidated 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 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. [See Explanatory Note (iii)]

8. That authority be and is hereby given to the Directors of the Company to:

a. offer and grant options in accordance with the provisions of the Baker Group Share Option Scheme 2002 (the “Scheme”); and

b. allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of the options under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15% of the issued shares (excluding treasury shares) in the capital of the Company from time to time. [See Explanatory Note (iv)]

9. To transact any other ordinary business.

By Order of the Board
Aw Seok Chin
Company Secretary
1 April 2009

Notice of Annual General Meeting

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 No. 122 Pioneer Road, Singapore 639583 not less than 48 hours before the time appointed for holding the Annual General Meeting.

Explanatory Notes:

i. Mr Anthony Sabastian Aurol, is a non-independent Director.

ii. Mr Tan Yang Guan, a member of the Company's Audit and Remuneration Committees, is a non-independent Director.

iii. The Ordinary Resolution proposed in item 7, if passed, will authorise the Directors from the date of the Meeting until the next Annual General Meeting, to issue Shares and/or make or grant Instruments, during the validity period of this Resolution, and to issue Shares in pursuance of such Instruments subject to specified limits.

iv. The Ordinary Resolution proposed in item 8, if passed, will empower the Directors of the Company to grant options and to issue shares on the exercise of options granted under the Baker Group Share Option Scheme 2002. The aggregate number of shares to be issued pursuant to the Scheme which was approved by the shareholders at an Extraordinary General Meeting of the Company held on 22 May 2002 shall not exceed 15% of the issued shares (excluding treasury shares) in the capital of the Company from time to time.

NOTICE OF BOOK CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 30 April 2009 for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares in the capital of the Company ("Shares") received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street, #08-01, Samsung Hub, Singapore 049483 up to 5.00 p.m. on 29 April 2009 will be registered to determine members' entitlement to the proposed first and final dividend ("Dividend"). Members whose Securites Accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on 29 April 2009 will be entitled to the proposed Dividend.

The proposed Dividend, if approved by the members at the Annual General Meeting to be held on 23 April 2009, will be paid on 12 May 2009.

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

PROXY FORM
For Annual General Meeting
(Please read notes overleaf before completing this Form)

IMPORTANT
1. For investors who have used their CPF monies to buy shares in Baker Technology Limited, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ______________________________ 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.	No. of Shares Represented

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	No. of Shares Represented

and/or failing him/her, the Chairman of the Annual General Meeting ("AGM") as my/our proxies to vote on my/our behalf at the AGM of the Company to be held at Nautica II, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on 23 April 2009 at 2.30 p.m and at any adjournment thereof. I/We direct my/our proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

		To be used on a show of hands		**To be used in the event of a poll**	
No.	Resolutions Relating to:	**For***	**Against***	**For****	**Against****
	ORDINARY BUSINESS				
1.	Adoption of Director's Report and Financial Statements for the year ended 31 December 2008				
2.	Payment of proposed first and final dividend				
3.	Approval of Directors' fees				
4.	Re-election of Mr Anthony Sabastian Aurol				
5.	Re-election of Mr Tan Yang Guan				
6.	Re-appointment of Ernst & Young LLP as Auditors				
	SPECIAL BUSINESS				
7.	Authority for Directors to issue new Shares and to make or grant Instruments				
8.	Authority for Directors to offer and grant options and to allot and issue shares in accordance with the provisions of the Share Option Scheme				

* Please indicate your vote "For" or "Against".
** If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes.

Dated this day of 2009

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

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

NOTES:

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

2. A member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at No. 122 Pioneer Road Singapore 639583 not less than 48 hours before the time set for the AGM.

4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the number of shares to be represented by each proxy.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50, of Singapore.

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

Design | Production
Flava Design Boutique

Baker Technology Limited
(Company Registration No.198100637D)

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