BAKER Technology Limited

ANNUAL REPORT 2009

A RENEWED ENERGY
Foraying Into the Oil & Gas Sector

DELIVERING GROWTH
Robust Results in 2009

LOOKING BACK, LOOKING FORWARD
Get an in-depth look at our 2009 performance and an inside track on our forward strategies

SIGHTS SET ON OPPORTUNITIES:
Exploring Our Future Prospects

The Spirit of Excellence

How Excellence Thrives in Every Aspect of Our Business

BAKER Technology Limited

Unique Entity Number: 198100637D

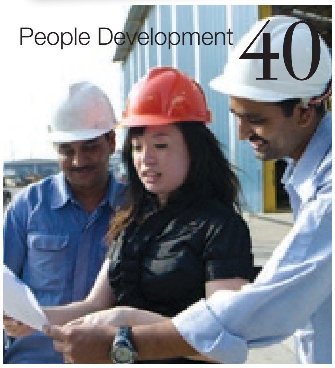
+ PLUS:
THE HEART OF BAKER TECHNOLOGY:
OUR CORPORATE SOCIAL RESPONSIBILITY

Baker Technology Limited

OUR PASSION FOR EXCELLENCE IS EVIDENT

IN THE RESULTS WE RECORDED
IN THE HEIGHTS WE REACHED
IN THE TRANSFORMATION WE ACHIEVED

For more information
please visit www.bakertech.com.sg



annual report **2009**

contents

Baker
TECHNOLOGY LIMITED COMPANY OVERVIEW

1 **From 2000 to 2009, market capitalisation has grown** from S$24.2 million to S$212.8 million

2 **From 2000 to 2009, revenue has grown** from S$23.5 million to S$79.2 million.

The results we recorded and the progress we made in 2009 are reflective of this thrust. Excellence is something we aspire to, from our daily operations to the lengths we will go to for our customers.

2000 to 2008 – A Company In Transition

Baker Technology Limited ("Baker Tech") was previously known as Wassall Asia Pacific Limited. It was primarily in the business of manufacturing trailer axles, when it was acquired by current major shareholders Saberon Investments Pte Ltd in May 2000.

In May 2007, the Group started to shift its focus to the buoyant offshore marine sector by acquiring PPL Holdings Pte Ltd, an investment company that owns a 15% stake in PPL Shipyard Pte Ltd ("PPL"). Subsequently, it also sold a 51% stake in York Transport Equipment (Asia) Pte Ltd ("York") to TRF Singapore Pte. Ltd. in October that year.

Most significantly, the Group acquired Sea Deep Shipyard Pte. Ltd. ("Sea Deep") in April 2008, marking its foray into the offshore oil and gas market.

Today – An Innovative Leader in Offshore Equipment

Baker Tech is, today, a leading manufacturer and provider of specialised equipment and services for the global oil and gas industry. We design and manufacture specialised equipment and components for use in the offshore environment. We also offer complementary services in project management, engineering services, quality assurance, and construction supervision.

Baker Tech is a company built on an excellent reputation for innovation, quality and reliability. We are committed to growing further in the offshore oil and gas sector, always guided by the highest standards of corporate governance and our desire to do our part as a responsible corporate citizen.

Our Growth Strategy

Since acquiring Sea Deep in 2008, Baker Tech has secured a strong foothold in the offshore oil and gas industry, with a growing market presence in China, the Middle East, Asia and the USA. As we continue to forge valuable partnerships globally, we will also continue to invest in research and development and create innovative new products that augment our market reach.

We plan to fortify our market position by expanding our core portfolio of products and businesses, through new product research and development, market expansion, and development of new related businesses. Of particular interest to the group are products in the upstream and downstream sectors for the marine oil and gas sector.

Baker Tech is committed to enhancing shareholder value through excellence in all areas. We seek to deliver sustainable and quality returns by constantly looking out for new opportunities for growth while maintaining a strong core business portfolio. BTL

CORPORATE MILESTONES

May 2000

Saberon Investments Pte Ltd acquired a controlling stake in Wassall Asia Pacific Limited.

July 2000

Name changed to Baker Technology Limited.

September 2004

Ranked First in Singapore Corporate Governance Awards (SESDAQ).

October 2005

Awarded Merit Award in Singapore Corporate Governance Awards (SESDAQ).

June 2006

Raised S$14.3 million from a renounceable non-underwritten Rights Issue with free detachable warrants.

Completed capital reduction exercise to write off $12.0 million of accumulated losses as at 31 Dec 2005 so as to better reflect the financial position and share capital of the company and better position it for the future.

May 2007

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

October 2007

Invited partner TRF Singapore Pte. Ltd. to take up 51% stake in York Transport Equipment (Asia) Pte Ltd.

April 2008

Acquired 100% stake in Sea Deep Shipyard Pte. Ltd..

October 2008

Upgraded to SGX-ST Mainboard.

April 2009

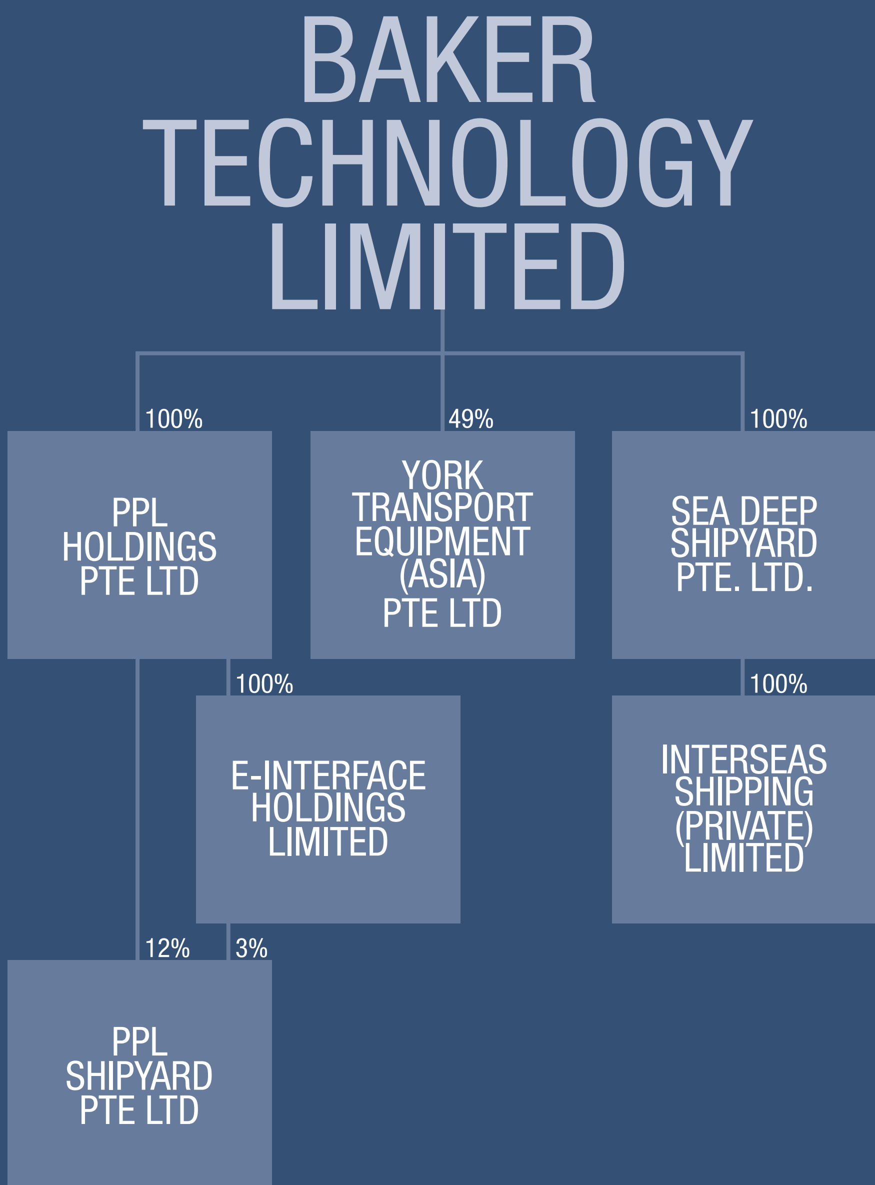
Won Merit Award for Best Managed Board (for companies with market capitalisation of less than S$300 million) in the Singapore Corporate Awards.

November 2009

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

The spirit of excellence continues ...

CORPORATE STRUCTURE



LETTER TO SHAREHOLDERS

Spirit of Excellence at the Heart of Baker Tech

Our Chairman, Mr Lim Ho Seng, looks back at our performance in 2009 and offers an insight into the future of Baker Tech.

Year 2009 was extraordinary. In the beginning, it looked like the global economy was heading off to an abyss but within months, much of the fears were soon forgotten. Never before have we witnessed such a concerted effort amongst global governments to resuscitate the global economy through monetary and fiscal policies, and unprecedented stimulus packages. By the third quarter of 2009, many of the economies have posted positive growth, commodities and oil prices have surged and stock markets worldwide have soared!

Still, the oil and gas sector suffered much. It was a roller coaster ride as oil prices capitulated from their 2008 highs of more than US$140 per barrel to less than US$40 per barrel in February 2009 and back up to above US$80 per barrel recently. Compounding the issue was the lack of credit availability as banks withheld credit. This was particularly felt by the capital-intensive oil and gas sector. As a result, global upstream, oil and gas budgets were reportedly cut by 15-20% with more than 20 planned large projects being postponed last year.

For Baker Tech, 2009 was an excellent year. We reported record profits and our share price rose 160%, outperforming the Straits Times Index. For the year ended 31 Dec 2009, although Group revenue rose only 7%, gross profit surged 134% to S$51.3 million. This was due to the completion of several high-value projects for the fabrication of specialised steel structures. Pre-tax profit was up 105% to S$46.1 million, boosted by a S$5.4 million dividend from our 15% investment in PPL Shipyard. Net profit more than doubled from S$18.8 million to a record S$38.6 million.

I am therefore delighted to announce that the Board has proposed a first and final tax-exempt dividend of 2.25 cents per share, more than four times the dividend of 0.5 cents per share announced in 2008.

In November 2009, Baker Tech successfully completed a renounceable 1-for-2 rights issue of warrants. We believe that the warrants issue will provide shareholders with the opportunity to obtain further equity participation in Baker Tech by subscribing for new shares through the exercise of the warrants. Proceeds from the exercise of warrants will also provide additional financial flexibility to the Group.

Looking ahead, we welcome the new financial year with heartened expectations, predicated on our long-held belief and confidence in the positive long term fundamentals in the oil and gas sector.

According to a March 2010 "Outlook for Energy" study by Exxon Mobil, oil will remain the world's largest energy source from now till 2030.

The improving global economic outlook will underpin oil demand fundamentals while decreasing supply of crude oil will support oil prices. Oil prices have already recovered and stabilised at above US$70 per barrel in the last eight months. Global upstream spending is also expected to rise again by 11% from US$395 billion to US$438 billion according to a study by Barclays Capital (*The Original E&P Spending Survey, Dec 2009*). Most of this increase will be driven by national oil companies.

We also start the year with an excellent balance sheet: debt free and available cash holdings of S$76.4 million. We want to build a portfolio of quality value accretive assets in the oil and gas sector. The acquisition of our 15% stake in PPL Shipyard, a leading rigbuilder, in 2007 and the 100% stake in Sea Deep Shipyard in 2008 were the outworking of this strategic vision. Both investments generated tremendous returns. Since the acquisition of our stake in PPL Shipyard, we have received a total of S$22 million in dividends compared to the investment cost of S$3.6 million. Baker Tech acquired Sea Deep Shipyard for S$20 million in April 2008 and since then, we have realised pre-tax earnings contribution of S$19.4 million in 2008 and S$42.8 million in 2009.

Due to the slow order intake last year, our order book currently stands at US$7 million. We are nonetheless encouraged by potential new orders in the pipeline and the rise in enquiries from our traditional markets in recent months. We have been increasing our R&D and marketing efforts while pursuing new opportunities during this period.

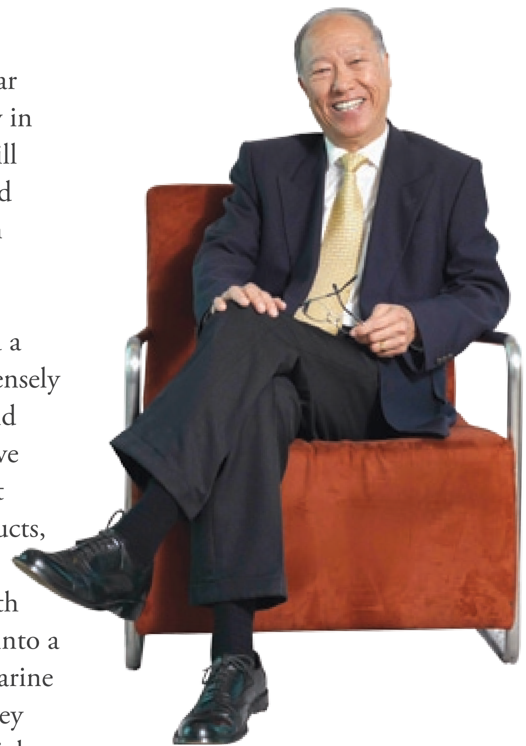
The Group expects to remain profitable in 2010. We are confident that this will be a year of opportunities for us to grow in complementary areas which will bolster our market position and presence, and bring us back on the growth trajectory.

As Chairman of the Board and a shareholder myself, I am immensely grateful to the management and staff of the company. They have worked relentlessly throughout the year, developing new products, exploring new markets and new business opportunities with a view to growing Baker Tech into a major player in the offshore marine industry. At the same time, they have continued to run a very tight ship, keeping a keen eye on costs and risk management.

I would also like to thank the Board for their invaluable guidance to the management and their steadfast commitment to the highest standards of corporate governance. In recognition of our commitment and best practices, Baker Tech was awarded a Merit Award for "Best Managed Board" at the Singapore Corporate Awards in 2009.

Most of all, our dear shareholders, all of us at Baker Tech thank you for your unwavering support and confidence, especially in the support of the rights issue of warrants.

The spirit of excellence lives on at Baker Tech!



Mr Lim Ho Seng
Chairman

BOARD OF DIRECTORS

Mr Lim Ho Seng
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 and will be due for re-election at this coming Annual General Meeting. 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 Kian Ann Engineering Ltd, KS Energy Services Limited and Lippo-Mapletree Indonesia Retail Trust Management Ltd, all of which are 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.


Mr Lim Ho Seng


Dr Benety Chang

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 and will be due for re-election at this coming Annual General Meeting. He is presently the Chief Executive Officer of Baker Technology Limited ("Baker Tech") and is also a member of the Nominating Committee.

Dr Chang is also the Deputy Chairman of PPL Shipyard Pte Ltd ("PPL"), which Baker Tech has an indirect interest of 15%, and is a subsidiary of Sembcorp Marine Ltd, a public listed company on the Singapore Exchange Limited. 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 a MBBS degree from the University of Singapore.

Mr 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 23 April 2009. 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") in which the Company holds an indirect interest of 15% of its share capital. PPL specialises in the construction and repair of oil rigs and other marine-related projects and is a subsidiary of Sembcorp Marine Ltd, a public listed company on the Singapore Exchange Limited. Mr Aurol is a law graduate.

Mr Anthony Sabastian Aurol

Mr 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 23 April 2009. 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"), which the Company holds an indirect interest of 15% of its share capital.

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.

Mr 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 Tan Yang Guan

Mr Wong Kwan Seng Robert

Mr Wong is currently an Independent Director of four other public listed companies namely Aqua-Terra Supply Co. Limited, Darco Water Technologies Limited, Wee Hur Holdings Ltd and Willas-Array Electronics (Holdings) Limited. Mr Wong is able to share a significant amount of his legal experience and knowledge with the Company.

KEY EXECUTIVES

Mr 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.

Mr Tan Keng Tiong Alvin
Senior Vice President
Baker Technology Limited

Mr Tan Keng Tiong Alvin 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 and 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.

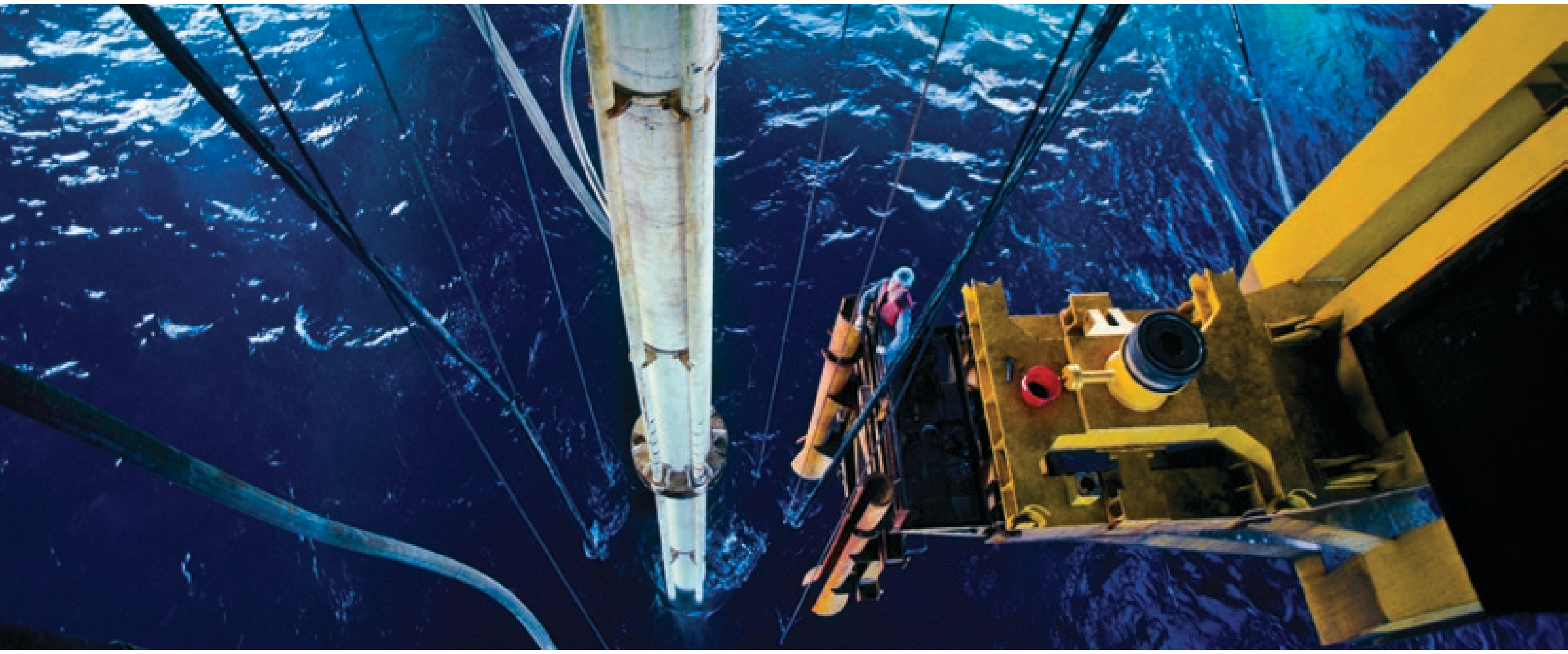
Mr Tan Kiang Kherng
Financial Controller
Baker Technology Limited

Mr Tan Kiang Kherng is the Financial Controller and he oversees the Group's financial, accounting and administrative activities.

Mr Tan graduated from Nanyang Technological University with a Bachelor of Accountancy (Hons) degree and is a non-practicing member of the Institute of Certified Public Accountants of Singapore. Prior to joining the Group in 2002, Mr Tan was formerly a Senior Audit Manager with Ernst and Young.


EXCELLENCE
IN PRACTICE
Delivering focused performance across all our business segments.
Sea Deep Shipyard Pte.Ltd.
PPL Shipyard Pte Ltd
York Transport Equipment (Asia) Pte Ltd
Baker Technology Limited
For more information, please visit www.bakertech.com.sg

OUR PORTFOLIO - SEA DEEP SHIPYARD PTE. LTD.



"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."

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, with low maintenance cost and user-friendliness as its 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. BTL

Our Products

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

Our 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
Website: www.seadeep.com.sg

OUR PORTFOLIO - PPL SHIPYARD PTE LTD

"A valued partner in quality and reliability in the building and servicing of jack-up and semi-submersible rigs."

PPL Shipyard Pte Ltd ("PPL") designs offshore drilling rigs completely in-house and each is a distinct 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.

Our 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
Website: www.ppl.com.sg

OUR PORTFOLIO - YORK TRANSPORT EQUIPMENT (ASIA) PTE LTD

"A specialist in developing total suspension and axle solutions for the semi-trailer and road tanker industry."

York Transport Equipment (Asia) Pte Ltd ("York") is a specialist in developing total suspension and axle solutions for the semi-trailer and road tanker industry.

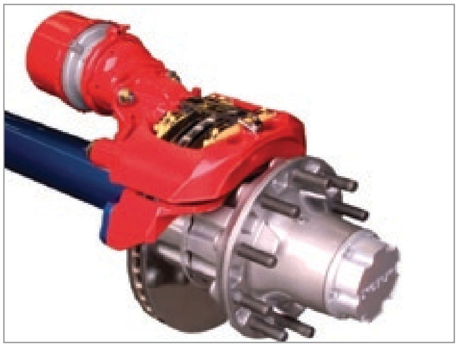
Serving the needs of over 300 customers worldwide, the company has production facilities that are strategically located in Singapore and India.

As an Original Equipment Manufacturer (OEM), it has the capability and flexibility to customise to clients' requirements.

Our Products

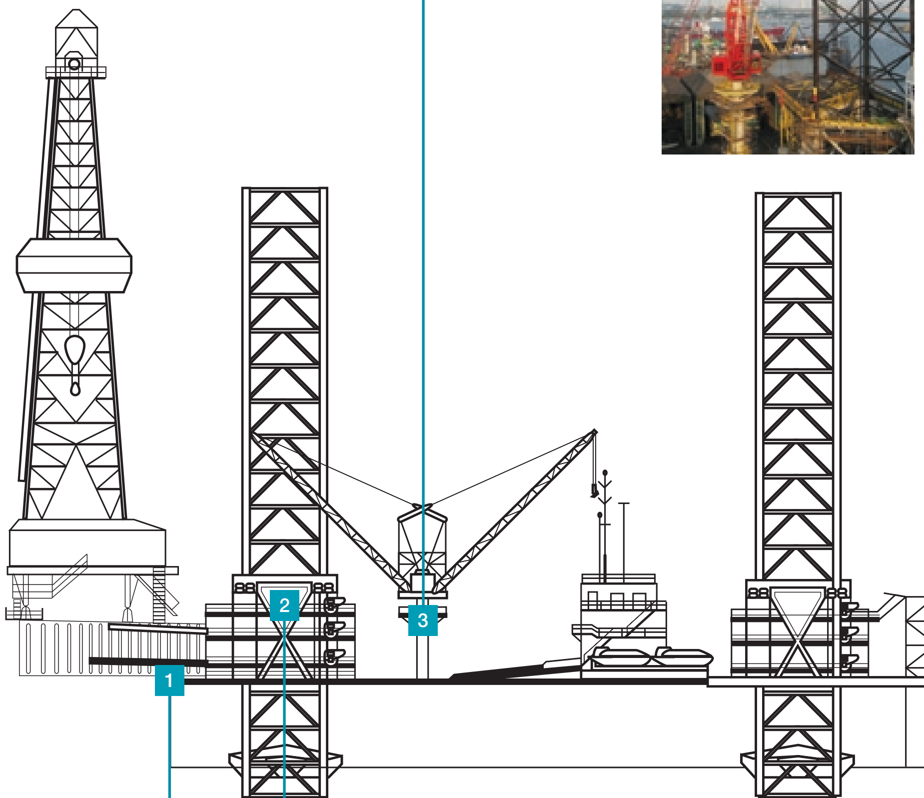
- trailer axle
- mechanical and air suspension
- landing gears
- fifth wheel coupler
- axle and suspension components
- trailer and brake accessories
- trailer ABS

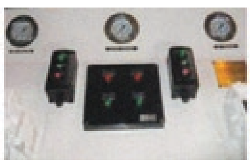
York Transport Equipment (Asia) Pte Ltd
(A Tata Enterprise)
122 Pioneer Road
Singapore 639583
Tel: (65) 6897 8525
Fax: (65) 6897 8231
Email: enquiry@yorktpt.com.sg
Website: www.yorktransport.com




solutions

KEY BUSINESS PRODUCTS





01 *PRODUCTS*

SKIDDING SYSTEMS

Our Skidding Systems are among the most respected and custom built to classification standards. 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.

02 *PRODUCTS*

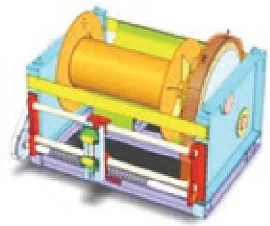
CONVERSION/ REFURBISHMENT OF JACKING SYSTEMS

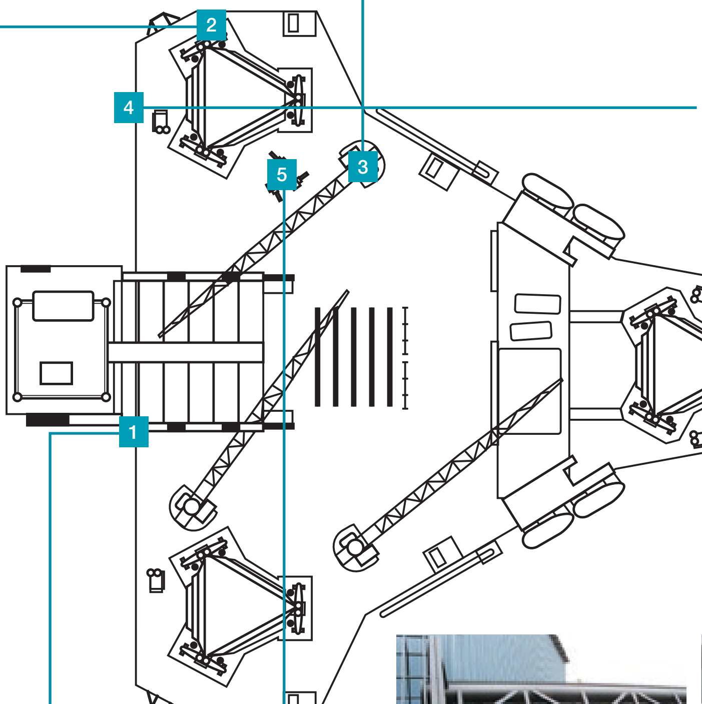
Our range of ABS-approved electric-driven elevating systems offers advanced speeds with high pinion holding capacity. Each pinion has its own separate gear reduction train, motor and brake system.

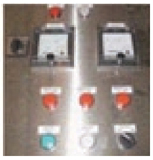
03 *PRODUCTS*

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 customers' exacting needs and industry requirements.







04 *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).

05 *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.

06 *SERVICES*
CUSTOMISATION & ENGINEERING WORKS

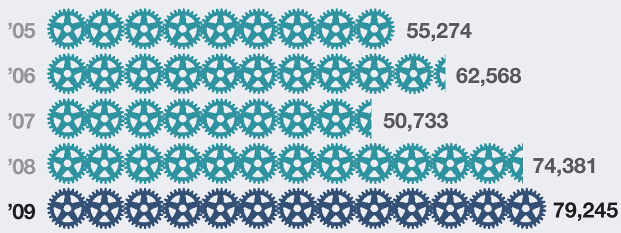
Our engineering works adhere to exacting specifications, exceeding customers' expectations, and meeting applicable international design codes and classification society requirements. We offer custom fabrication of high tensile components, including rack & pinions, machine tool manufacturing, and bridge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

FIVE-YEAR FINANCIAL PERFORMANCE

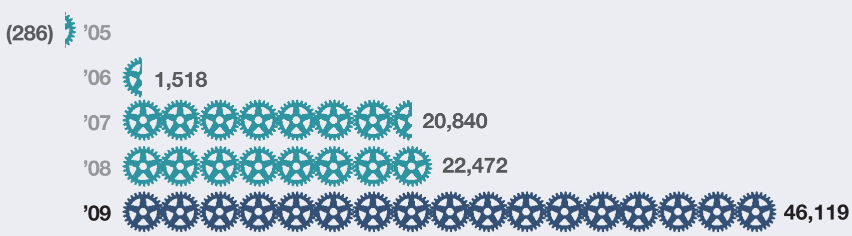
	2009	2008	2007	2006	2005
FINANCIAL PERFORMANCE (S$'000)					
Revenue	79,245	74,381	50,733	62,568	55,274
Exceptional items	-	-	17,918	-	-
EBITDA	48,229	23,800	21,501	2,793	966
Profit before tax (PBT)	46,119	22,472	20,840	1,518	(286)
Profit after tax (PAT)	38,569	18,818	19,980	937	(925)
FINANCIAL STRENGTH (S$'000)					
Total assets	131,485	120,070	44,021	36,804	36,028
Cash and cash equivalents	76,428	31,109	27,206	1,569	80
Loans & borrowings	145	245	-	4,427	12,571
Net current assets	69,787	28,507	24,845	17,782	3,114
Shareholders' equity	99,471	60,451	41,628	22,121	7,377
CASH FLOWS (S$'000)					
Operating cash flow	39,703	27,411	2,585	(2,361)	(1,487)
Investing cash flow	5,264	(18,085)	24,258	(501)	(217)
Financing cash flow	352	(5,422)	(1,035)	4,485	928
PER SHARE DATA (CENTS)					
Earnings per share - Basic	6.0	3.0	3.2	0.3	(1.6)
Earnings per share - Diluted	6.0	2.9	3.1	0.2	(1.6)
Net assets per share	15.2	9.6	6.6	3.5	12.9
Dividend per share	2.25	0.5	-	-	-
RATIOS					
Return on shareholders' equity	39%	31%	48%	4%	-13%
Return on assets	35%	19%	47%	5%	-1%
STOCK INFORMATION					
Number of shares on issue ('000)	654,768	631,379	631,174	627,000	57,000
Highest/Lowest price (cents)	37.5/10.0	38.0/9.5	53.0/3.0	7.3/1.6*	3.0/1.7*
Year-end share price (cents)	32.5	12.5	35.5	3.0*	1.9*
Year-end market capitalisation (S$'m)	212.8	78.9	224.1	25.1	5.7

* Share prices adjusted for rights issue in June 2006.

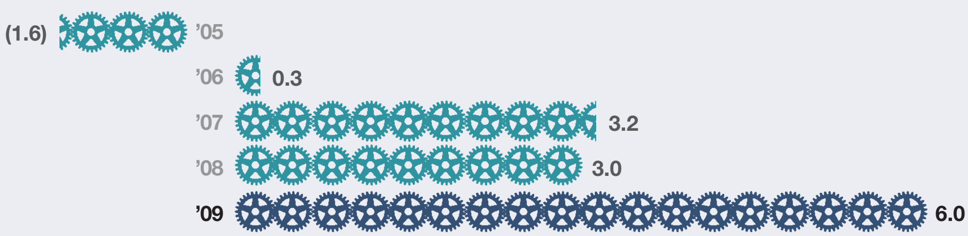
REVENUE (S$'000)



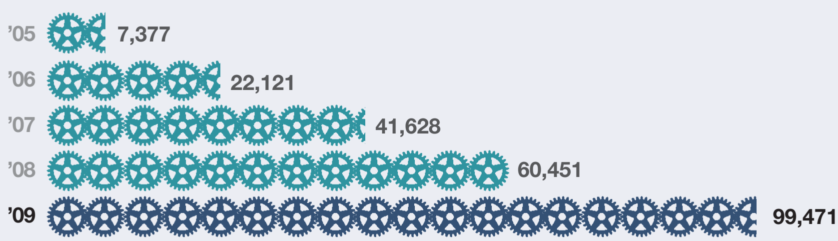
PROFIT/(LOSS) BEFORE TAX (S$'000)



EARNING/(LOSS) PER SHARE (CENTS)



SHAREHOLDERS' EQUITY (S$'000)



OPERATING & FINANCIAL REVIEW

FINANCIAL PERFORMANCE OF THE GROUP

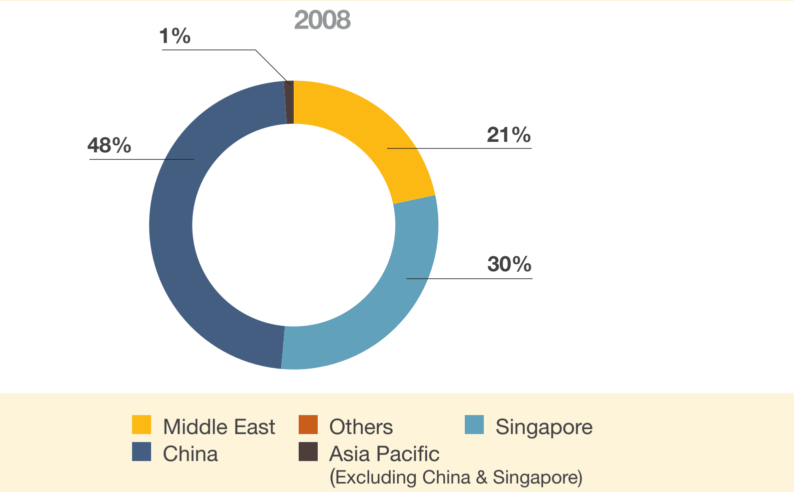
INCOME STATEMENT	2009 S$'000	2008 S$'000	CHANGE %
REVENUE	**79,245**	**74,381**	**7**
Cost of goods sold	(27,946)	(52,439)	(47)
GROSS PROFIT	**51,299**	**21,942**	**134**
Other operating income/ (expenses), net	2,341	6,483	(64)
Administrative expenses	(7,261)	(5,409)	34
Finance costs	(9)	(6)	50
Share of results of associates	(251)	(538)	(53)
PROFIT BEFORE INCOME TAX	**46,119**	**22,472**	**105**
Income tax expense	(7,550)	(3,655)	107
PROFIT AFTER TAX	**38,569**	**18,817**	**105**

The Group, through its wholly owned subsidiary, Sea Deep, is a manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry. As the acquisition of Sea Deep was completed on 30 April 2008, accordingly, only eight months of Sea Deep's results were included in the 2008 comparative figures.

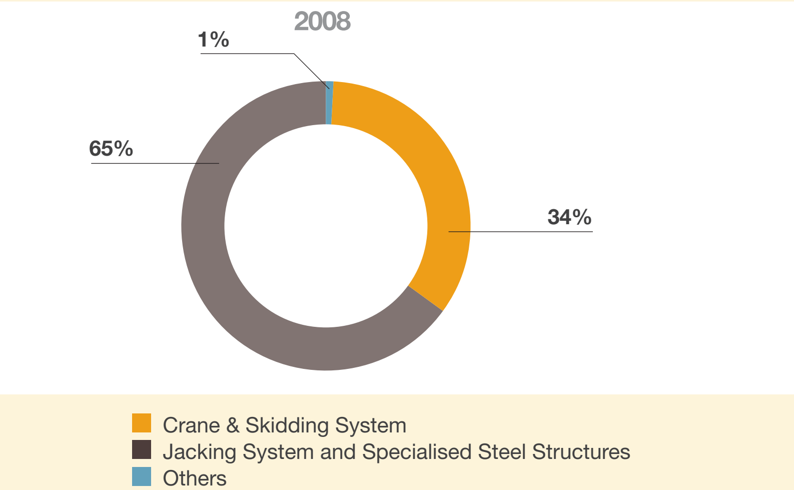
REVENUE

Despite a full 12-month contribution from Sea Deep in 2009, group revenue increased marginally from S$74.4 million in 2008 to S$79.2 million due to the slowdown of activities in the marine offshore industry. Credit availability had been affected by the global credit crunch, leading to the delay in the finalisation of a number of offshore projects. As a result, the Group had a slower order intake in 2009. The Group currently has an order book of US$7 million, which is expected to be completed within the next 12 months.

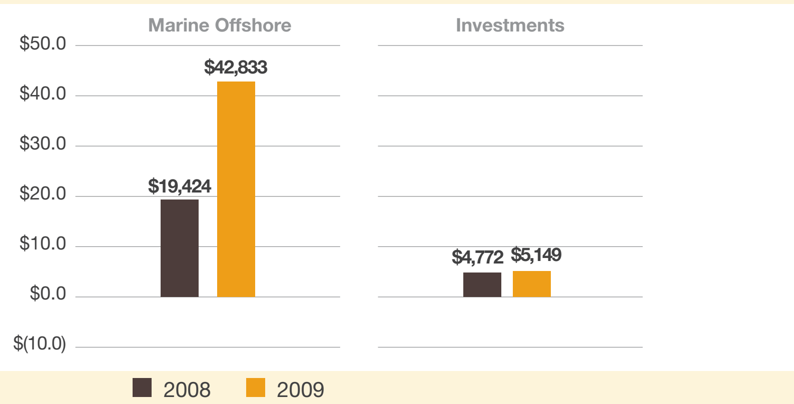
REVENUE BREAKDOWN BY GEOGRAPHICAL AREA

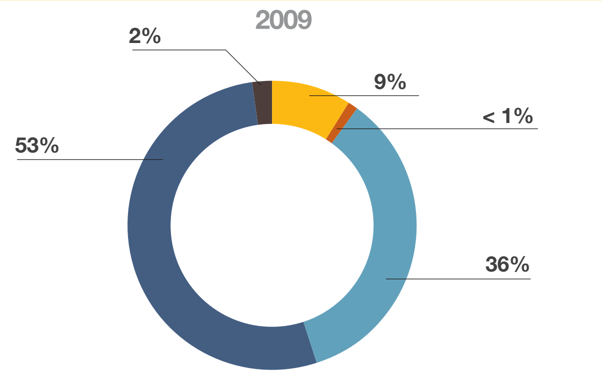


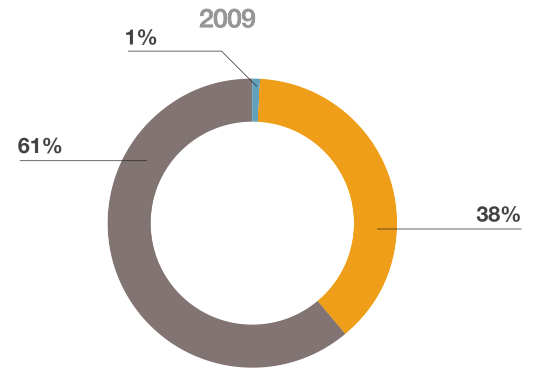
REVENUE BREAKDOWN BY PRODUCT

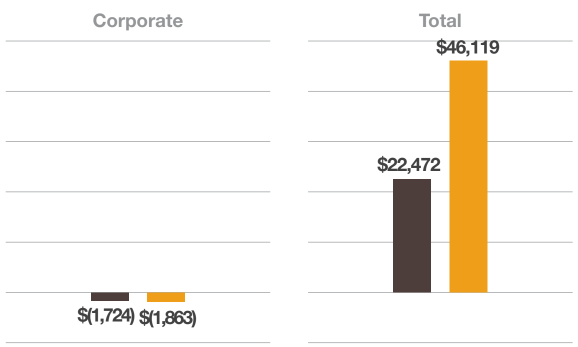


SEGMENT PROFIT/(LOSS) BEFORE TAX (S$'000)









Revenue mix by geographical area and by product in 2009 was consistent with that reported in 2008. The Group's revenue was mainly derived from customers in China and our key products are jacking systems and specialised steel structures.

EARNINGS

For the year ended 31 December 2009, gross profit surged 134% to S$51.3 million due to a number of higher value contracts for the fabrication of specialised steel structures being completed or nearing completion. Higher margins were recognised towards the final stages of these projects.

Pre-tax profit for 2009 was S$46.1 million, an increase of 105%, or S$23.6 million, from S$22.5 million in 2008 mainly due to the surge in gross profit in the current year. However, the increase in profitability was partly offset by a foreign exchange loss of S$3.0 million, resulting from the weakening of US$ against S$ during the year, and higher administrative expenses due to a full 12-month impact from Sea Deep in 2009.

Sea Deep's operations contributed to more than 90% of the pre-tax profit in 2009. The balance was derived from the Group's investments in PPL and York, net of corporate expenses.

In 2009, the Group received one-tier tax-exempt interim dividends of S$5.4 million (2008: S$5.3 million) from its 15% stake in PPL.

Share of results from its 49%-owned associate, York, was an overall loss of S$251,000 in 2009, as compared to an overall share of loss of S$538,000 in the previous year. The demand for York's trailer axles and components was adversely affected by the global recession, which started in late 2008. However, York is beginning to see an improvement

OPERATING & FINANCIAL REVIEW

in demand for trailer axles and components in recent months.

In view of the higher profit, income tax expense rose by S$3.9 million in 2009. Effective tax rate remained at about 16%.

Net profit after tax for 2009 was at a record high of S$38.6 million, an increase of 105% from the reported net profit of S$18.8 million in 2008. Earnings per share were 6.0 cents (2008: 3.0 cents).

QUARTERLY PERFORMANCE

	REVENUE		PROFIT BEFORE TAX	
	2009 S$'000	2008 S$'000	2009 S$'000	2008 S$'000
Q1	18,465	-	7,536	78
Q2	16,446	16,613	6,712	4,162
Q3	28,777	26,273	21,556	9,275
Q4	15,557	31,495	10,315	8,957
FY	79,245	74,381	46,119	22,472

Since its acquisition in Q2 2008, Sea Deep has contributed significantly to the Group's financial performance. The Group's revenue in both 2008 and 2009 were solely contributed by Sea Deep. Of the Group's pre-tax profit of S$22.5 million and S$46.1 million for 2008 and 2009, S$19.4 million (or 86%) and S$42.8m (or 93%) were contributed by Sea Deep respectively.

FINANCIAL POSITION

BALANCE SHEET	2009 S$'000	2008 S$'000	CHANGE %
Non-current assets	29,902	32,150	(7)
Current assets	101,583	87,919	16
Current liabilities	(31,796)	(59,413)	(46)
Net current assets	69,787	28,506	145
Non-current liabilities	(218)	(206)	6
Net assets	99,471	60,450	65
Share capital	21,726	18,115	20
Reserves	77,745	42,335	84
Shareholders' equity	99,471	60,450	65

The Group has strengthened its financial position further during 2009. Group shareholders' equity improved by 65% to S$99.5 million, mainly attributable to retained profits for the year.

Net current assets increased by 145% from S$28.5 million in 2008 to S$69.8 million in 2009 mainly due to strong operating cash flows.

In November 2009, the Group also successfully completed its renounceable non-underwritten 1-for-2 rights issue of 327 million warrants. Net proceeds of S$3.0 million were raised from this warrant issue exercise. These warrants could be converted into ordinary shares in the company at an exercise price of 32 cents each before November 2012. Proceeds from the exercise of these warrants will also provide additional financial flexibility to the Group.

Net asset value per share was 15.2 cents (2008: 9.6 cents).

CASH FLOWS

	2009 S$'000	2008 S$'000	CHANGE %
Cash generated from operating activities	39,703	27,411	45
Cash generated/ (used) in investing activities	5,264	(18,086)	NM
Cash generated/ (used) in financing activities	352	(5,422)	NM
Net increase in cash & cash equivalents	45,319	3,903	1,061
Cash & cash equivalents as at end of year*	76,428	31,109	146

* Excluding pledged deposits of S$5.4 million for 2009 (2008: S$6.5 million). These pledged deposits are pledged to the banks as collateral for banking facilities and issuance of bank guarantees.

Cash generated from operation activities was S$39.7 million in 2009, an improvement of 45% from 2008, mainly due to higher operating profits and better collection of trade receivables during 2009.

For the year ended 31 December 2009, cash of S$5.3 million, mainly due to the S$5.4 million one-tier tax-exempt interim dividends from PPL, was generated from the Group's investing activities. For the similar period in 2008, interim dividends from PPL and York were S$5.3 million and S$0.6 million respectively. However, the Group paid net cash of S$18.9 million for the acquisition of Sea Deep, resulting in an overall net outflow from investing activities of S$18.1 million.

Cash from financing activities in 2009 consisted of proceeds from conversion of warrants and warrant issue of S$3.6 million, partly offset by the payment of first and final dividend for 2008 of S$3.2 million. For 2008, 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.

With the improved operating cash flows, the Group's available cash and cash equivalents stood at S$76.4 million as at end of 2009, more than double the S$31.1 million a year ago.

OUTLOOK

The global economy and particularly the oil and gas sector in which the Group operates, is reported to be recovering gradually but expected to remain volatile. With the current oil price stabilising at above US$70 per barrel, global spending on oil and gas exploration and production is expected to rise, driven mainly by national oil companies. With these, the Group is encouraged by potential new orders in the pipeline and an increase in inquiries lately from our traditional markets.

Furthermore, the Group has been increasing its research and development and marketing efforts and actively pursuing new opportunities during this slow period. Besides developing new and innovative products, the Group also wants to build a portfolio of value accretive businesses in the oil and gas sector. With a healthy balance sheet and cash balance, the Group is well positioned to take advantage of opportunities as and when they unfold during the anticipated economic recovery.

The Group expects to remain profitable in 2010.

CORPORATE GOVERNANCE

Baker Technology Limited ("Baker Tech" or the "Company") and its subsidiaries (the "Group") are committed to ensuring high standards of corporate governance, both in its processes and its practices. The Board reviews the corporate governance framework annually to ensure that its processes and practices allow the Group to achieve greater corporate accountability to its shareholders.

In 2009, Baker Tech was awarded a Merit Award for Best Managed Board (for companies with market capitalisation of less than S$300 million) in recognition of its good practices in corporate governance. The "Best Managed Boards" 2009 award is part of the Singapore Corporate Awards organised by The Business Times and The Singapore Exchange Limited. Baker Tech was also ranked 62nd in the Governance and Transparency Index (GTI), which is co-published by The Business Times and the NUS Corporate Governance and Financial Reporting Centre. Our GTI score improved by nine points, from 35 to 44 in the twelve-month period under review.

This report describes the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance 2005 (the "Code"), except as otherwise explained in the report.

BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

(Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with the management to achieve this and the management remains accountable to the Board.)

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

Besides the above, the Board also approves the Group's appointment of Board members and senior management staff, key business initiatives, major investments and funding decisions, and interested person transactions. These functions are carried out by the Board directly and through its committees.

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 meets five times a year on regular intervals. Ad hoc meetings are convened when circumstances require. Meetings by means of conference calls or similar communication equipment 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 are 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 number of Directors' meetings (including committee meetings) held and the number of meetings attended by each member of the respective meetings during the year were:

DIRECTORS' ATTENDANCE FOR YEAR 2009

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	100	5	5	100	1	1	100	2	2	100
Dr Benety Chang	5	4	80	5	4*	80	1	1	100	2	2*	100
Anthony Sabastian Aurol	5	4	80	5	4*	80	1	1*	100	2	2*	100
Tan Yang Guan	5	5	100	5	5	100	1	1*	100	2	2	100
Wong Kwan Seng Robert	5	5	100	5	5	100	1	1	100	2	2	100

** 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 keep pace with regulatory changes, where such changes have a material bearing on the Group.

Newly appointed Directors will be provided with information on the corporate background, the key personnel, the core businesses, the group structure and financial statements of the Group. 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 should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board's decision making.)

The Board comprises:

Mr Lim Ho Seng (*Chairman, Independent Non-Executive Director*)
Dr Benety Chang (*Chief Executive Officer*)
Mr Anthony Sabastian Aurol (*Chief Operating Officer*)
Mr Tan Yang Guan (*Non-Executive Director*)
Mr Wong Kwan Seng Robert (*Independent Non-Executive Director*)

CORPORATE GOVERNANCE

There has been no change in the composition of the Board members which remains at 5 of which 2 are independent. Although the Articles of Association of the Company does not provide for any maximum of Directors, the Board considers the current board size to be appropriate, taking into account the nature and scope of the Board's decision-making. The current Board has a good mix of core competencies including accounting, compliance, legal, finance, business and management experience. Moreover, the three non-independent directors also possess strong industry knowledge and experience. A brief profile of each Director is disclosed in this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

(Principle 3: There should be clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.)

The Company has a separate Chairman and Chief Executive Officer ("CEO"). The Chairman is an independent non-executive director and has no familial relationship with the CEO. The CEO has the executive responsibility for the day-to-day operations of the Group. On the other hand, the Chairman provides leadership to the Board. He sets the meeting agenda in consultation with the CEO and ensures that Directors are provided with accurate, timely and clear information.

BOARD MEMBERSHIP

(Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.)

The Nominating Committee ("NC") currently comprises three members. The NC members are:

Mr Wong Kwan Seng Robert, Chairman
Mr Lim Ho Seng
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 independence of the Board is also reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review.

The Articles of Association of the Company provides for every director including the CEO to retire at least once in every three years by rotation at the AGM. The retiring directors are eligible to offer themselves for re-election. In addition, a Director appointed by the Board to fill a casual vacancy, or appointed as an additional Director, may only hold office until the next AGM, during which he/she will be eligible for re-election by shareholders. The NC had assessed and recommended to the Board, the re-election of Mr Lim Ho Seng and Dr Benety Chang at the forthcoming AGM. In recommending to the Board, the NC takes into consideration the

Directors' contribution and performance at Board meetings, including attendance, preparedness, participation and candour. 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.

The NC will make recommendations to the Board on appointment of new directors based on the criteria set by the Board.

BOARD PERFORMANCE

(Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.)

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.

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: Full access to Information and Resources.)

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.

Prior to each Board and Board Committee meeting, management will provide the Directors with the meeting agenda and the relevant materials relating to the matters to be discussed during the meeting, so as to enable the Directors to deliberate over the issues to be considered at the respective meetings. During the regular board meetings, key management staff who are able to explain and provide insights to the matters to be discussed at the Board meetings are invited to make the appropriate presentations and answer any queries from the Directors.

Where a physical Board meeting is not possible, timely communication with members of the Board is effected through electronic means, which include electronic mail and teleconferencing. Alternatively, management will arrange to personally meet and

CORPORATE GOVERNANCE

brief each Director before seeking the Board's approval on a particular issue.

The independent directors have direct and independent access to senior management for support in the discharge of their responsibilities. The Directors have separate and independent access to the services of the company secretary and may, either individually or as a group, in the furtherance of their duties and where necessary, obtain independent professional advice at the Company's expense.

The company secretary attends all meetings of the Board as well as all Board Committee meetings. The company secretary, together with the management, is also responsible for ensuring the compliance with the Companies Act, Cap. 50, the SGX-ST Listing Manual and all relevant rules and regulations which are applicable to the Group.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

(Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.)

LEVEL AND MIX OF REMUNERATION

(Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.)

DISCLOSURE ON REMUNERATION

(Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.)

The Remuneration Committee ("RC") comprises three non-executive directors namely, Mr Lim Ho Seng (Committee Chairman), 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, pay conditions 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. All independent non-executive directors are paid Directors' fees which are subject to approval at AGMs. The non-executive Chairman of the Board is paid a consultancy fee of $18,000 for his involvement in matters relating to Investor Relations.

During FY2009, there were no employees who were immediate family members of the directors or the CEO.

During FY2009, a consultation fee was initiated for Mr Tan Yang Guan by RC for his contributions to the Group. During the year, the RC also recommended to the Board the adjustments to the salaries of the two executive directors as shown in the table below.

A breakdown showing the level and mix of the Directors' remuneration payable for FY2009 is as follows:

DIRECTORS' REMUNERATION

NAME OF DIRECTOR	FEES*	SALARY#	BONUS#	OTHER BENEFITS**	TOTAL
Lim Ho Seng	$42,000	-	-	$18,000	$60,000
Dr Benety Chang	-	$205,530	$114,055	-	$319,585
Anthony Sabastian Aurol	-	$242,100	$120,150	-	$362,250
Wong Kwan Seng Robert	$35,000	-	-	-	$35,000
Tan Yang Guan	-	-	-	$106,770	$106,770

** these fees are subject to approval by shareholders as a lump sum at the forthcoming AGM.*

*** this relates to consultancy fees paid/payable 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 FY2009 of such key executives are reported in bands of S$100,000 as disclosed in this Annual Report.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY
(Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.)

CORPORATE GOVERNANCE

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

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

AUDIT COMMITTEE

(Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.)

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 meets at least five times a year to carry out its role of reviewing the financial reporting process, the system of internal controls, enterprise risk management, budget and the audit process.

The AC has the 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 submission 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.

During the financial year, the AC reviewed the Standard Operating Procedures of its subsidiaries. The AC also reviewed the Code of Conduct and Conflict of Interest Policy for implementation by the Group. The Company has also a whistle-blowing policy, which serves to encourage and provide a channel for 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 Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.)

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 the findings of internal control as 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 Company has also adopted an enterprise-wide risk management framework to enhance its risk management capabilities. It has identified the key risks facing the Group and action plans are in place to mitigate these risks.

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 controls 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 practices, and the identification and containment of business risk.

INTERNAL AUDIT

(Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.)

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. 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: Companies should engage in regular, effective and fair communication with shareholders.)

The Company is committed to regular, fair and timely communication with members of the investing community and investing public as such practices help to uphold our guiding principles of transparency and accountability. We have engaged NRA Capital Pte Ltd as our external Investor Relations ("IR") agency

CORPORATE GOVERNANCE

to support us in the communication process. The IR team regularly meets with investors through face-to-face meetings and email communications to address investor queries and to update them on the latest corporate developments. (For details on the Group's IR activities, please refer to the Investor Relations page in the Annual Report)

All material information, including our quarterly financial performance, position and prospects as well as materials from briefings, is disclosed and released regularly and in a timely manner via SGXNet onto the SGX-ST website before dissemination to the financial media. This information is also uploaded on the Investor Relations page on the Company's website at www.bakertech.com.sg. The Company's 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.

GREATER SHAREHOLDER PARTICIPATION (Principle 15: Companies should encourage greater shareholder participation at AGMs and allow shareholders the opportunity to communicate their views on various matters affecting the company.)

The Company is in full support of the Code's principle to encourage shareholder participation. 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. 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.

To promote a better understanding of the Company and to encourage active participation of minority shareholders during AGMs, the Company will be informing shareholders to refer to two online investor guides (in English and Chinese) available on the Singapore Exchange website when disseminating the Annual Report 2009. These guides, namely "*An Investor's Guide to Reading Annual Reports*" and "*An Investor's Guide To Preparing For Annual General Meetings*" will help shareholders prepare questions and allow for more meaningful dialogue with the Board and management at AGMs.

Board members always endeavour to attend general meetings to address questions by shareholders. Management, as well as the external auditors, is present at AGMs to assist the Board in addressing queries from shareholders.

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 AC.

For the financial year under review, there were no interested person transactions.

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 CEO, Directors or controlling shareholders and no such material contract subsists at the end of the financial year.

MAJOR PROPERTY

The Company's subsidiary, Sea Deep Shipyard Pte. Ltd., holds 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 paintblasting/open fabricating	10 years JTC lease from 16 March 2005	31,094	2,300

UASGE OF PROCEEDS FROM WARRANT ISSUE

In November 2009, the Company completed its renounceable non-underwritten rights issue of 327,384,008 warrants ("Warrant Issue") at an issue price of $0.01 for each warrant, each warrant carrying the right to subscribe for 1 new ordinary share in the capital of the Company at an exercise price of $0.32, on the basis of 1 warrant for every 2 existing ordinary shares each held by the shareholders. The Company received gross proceeds of $3.3 million from the Warrant Issue, which was utilised in the following manner:

- $0.2 million for expenses incurred in relation to the Warrant Issue; and
- $3.1 million as working capital for the Group.

ADDITIONAL INFORMATION

KEY EXECUTIVES' REMUNERATION

REMUNERATION BAND NAME OF TOP THREE EXECUTIVES	DESIGNATION	SALARY & CPF %	BONUS[1] %	ALLOWANCE & OTHER BENEFITS %	TOTAL %
Between $3,700,000 to $3,800,000					
Ong Thian Whee Albert	Managing Director *(Sea Deep Shipyard Pte. Ltd.)*	7	93	–	100
Between $200,000 to $300,000					
Tan Keng Tiong Alvin	Senior Vice President – Business Development *(Baker Technology Limited)*	58	34	8	100
Tan Kiang Kherng	Financial Controller *(Baker Technology Limited)*	58	31	11	100

[1] With effect from this financial year ended 31 December 2009, the bonus figures are based on an accrual basis and are accrued for the performance of the same year. Previously, bonuses were disclosed based on payments made in the financial year and those payments were for bonuses awarded for the performance of past years, and not for that financial year. Accordingly, due to such changes in the presentation basis, the remuneration bands for 2008 for the Group's top 3 key executives were: between $1,700,000 to $1,800,000 (Ong Thian Whee Albert); between $100,000 to $200,000 (Tan Kiang Kherng); and below $100,000 (Tan Keng Tiong Alvin, who joined on 1 November 2008).

MAKING A DIFFERENCE

At Baker Tech, excellence means going the extra mile in providing a sound environment for our people.

Baker Technology Limited

For more information, please visit www.bakertech.com.sg

RISK MANAGEMENT & MITIGATION STRATEGIES

The Group's operations and performance are subject to changes in the economic and business environments, operating risks and other external factors. The Group recognises and evaluates these risks and actively manages them through its Enterprise Risk Management Framework. Some of the key risks and steps taken to manage them are discussed below.

INDUSTRY-RELATED RISKS

Baker Tech, through its wholly owned subsidiary – Sea Deep, is a manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry. Hence the Group's business and operations depend primarily on prevailing conditions which affect the level of activities in the offshore drilling industry.

Affected by the global economic crisis in 2008, banks became more cautious and held back on credit facilities for the oil and gas industry which requires large capital outlay. The plunge of oil prices from their high of US$140 per barrel in 2008 to less than US$40 per barrel in February 2009 has also disincentivised companies from spending money for oil and gas exploration. It was reported that more than 20 planned large projects were postponed and global planned budgets for oil and gas explorations were slashed by 15-20% in 2009. Accordingly, demand for our products and services to cater to new offshore rigs were inevitably affected.
As the Group also provides refurbishment, replacement of parts and upgrading services for existing offshore rigs, we are able to mitigate these negative impacts on our business due to unfavourable industry conditions which affect the demand of products and services related to new offshore rigs.

AVAILABILITY AND PRICE OF RAW MATERIALS

As steel is the main raw material used in the manufacturing of components for the oil and gas industry, the Group is exposed to changes in steel prices and availability. The Group builds in price changes in materials for its contracts with customers to manage fluctuations in steel prices while maintaining close, amiable working relationships with suppliers to ensure timely delivery of essential steel for smooth completion of projects.

CREDIT RISK AND DEFAULT IN PAYMENTS

As most of the Group's operations are project-based and carried out over a period of time, payments are made upon the completion of different stages or milestones of each project. This progressive mode of payment may expose the Group to credit risks and defaults in payments by customers. To minimise the risk of defaults, the Group has established a policy whereby customers who wish to trade on credit terms are subject to credit verifications. The Group also minimises credit risks by dealing with counterparties with high credit rating. In most instances, the Group also collects up-front non-refundable deposits from customers before commencing on the projects. In addition, receivable balances are monitored on an ongoing basis, thus the Group's exposure to bad debts is not significant.

FOREIGN EXCHANGE RISK

As the Group's revenue is mainly denominated in US$ while its expenses are denominated in US$, S$ and EUR, foreign exchange risks arise as a result of the mismatch between the currency of sales and the currency of expenses. Significant fluctuations in foreign exchange rates, in particular the US$, will affect the financial performance of the Group. Currently, the Group does not have any formal hedging policy. However to minimise foreign exchange risks, the Group practises natural hedging, that is, to procure resources in the same currency as the sales' currency as much as possible, and also to convert excess US$ back to S$ where possible.

OPERATING RISKS

In the day-to-day operations of the Group, we face a significant number of risks which threatens the continuity of our operations. In a shipyard environment that our wholly owned key subsidiary – Sea Deep operates in, accidents or deaths do occur. However, the Group has in place a number of initiatives to minimise workplace injuries and ensure compliance with government safety regulations. These include:

- Having a Safety and Health Management system with clearly defined roles and responsibilities in relation to safety;
- In-house risk assessment exercises to be carried out prior to the commencement of any production activity;
- Regular safety committee meetings to discuss all safety issues, near-miss incidents and remedial actions; and
- Provision of adequate training to enhance work safety and competency in equipment handling.

Potential threats and disruptions to the Group's operations can also arise from unforeseen circumstances such as an outbreak of a widespread epidemic like Severe Acute Respiratory Syndrome (SARS) or the more recent 2009 Influenza A (H1N1). The Group has devised a list of response measures based on Ministry Of Health's guidelines. This ensures that the Group continues to run as smoothly as possible in the event of an unfortunate outbreak of communicable disease and also prevents the spread of a potential pandemic.

The Group will continually review and improve its enterprise risk management system, policies and processes to ensure relevance and effectiveness towards achieving its business objectives.

THE HEART OF BAKER TECHNOLOGY: OUR CORPORATE SOCIAL RESPONSIBILITY

HEALTH & SAFETY

Baker Tech is committed to delivering high quality products and observing high safety standards in our processes. We have in place quality management systems that address risks, reinforce commitment and promote sharing of knowledge and expertise.

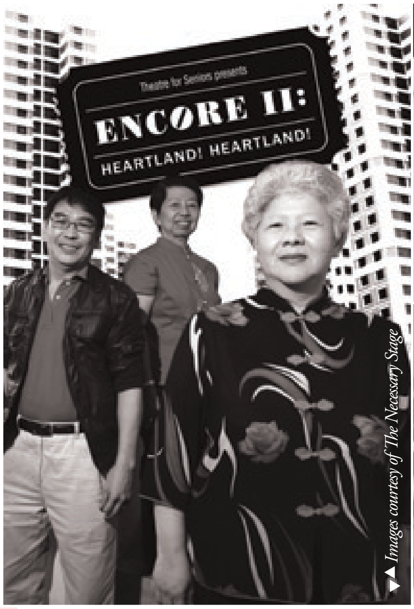
Our people are integral to our daily operations. Providing and ensuring a safe place of work for them is a top priority. In addition to complying with the requirements under the Workplace Safety and Health Act, we also have a rigorous system to protect the safety of our people. By clearly defining roles and responsibilities in relation to safety, our Safety and Health Management system ensures a low incidence of accidents. We strive to do everything within our means to prevent workplace accidents, exemplifying our dedication to paramount standards of health and safety.

Our Safety Committee meets regularly to review safety issues while daily toolbox meetings are conducted by our production supervisors to reinforce the importance of safety to all workers. In-house risk assessment exercises are carried out prior to the commencement of any production activity to further ensure that our workers will not be at risk. To enhance work safety and competency in equipment handling, our people are given training on safety protocols. All workers are required to undergo the Shipyard Safety Instruction Course while selected personnel are chosen to undergo various training courses depending on their respective job scopes. On top of that, our production departmental heads go through additional programmes to broaden their knowledge and expertise.

We are also mindful of the health of our people and have put in place a set of stringent precautionary measures in the event of a pandemic:

- We take and record the temperatures and travel history of all visitors or employees before entry into our premises.
- For those who show symptoms of being unwell, quarantine procedures are undertaken to protect both themselves and others around them.
- Employees who return from affected countries are quarantined at home to ascertain their physical condition before returning to work.

Paddlers in the Pink, BCF



▲ *Images courtesy of The Necessary Stage* ▼

Breast Cancer Foundation (BCF)

Showcasing the efforts of Theatre for Seniors (TFS)

COMMUNITY INITIATIVES

In 2009, Baker Tech made a commitment to give back to the community by pledging our support for two meaningful causes.

Breast Cancer Foundation (BCF)

BCF is a non-profit charity organisation that strives to increase awareness of breast cancer detection and treatment of the disease. It also provides both emotional and financial support services to women affected by breast cancer. Breast cancer continues to be the most commonly occurring cancer amongst women in Singapore, affecting around 1000 women a year.

Last year, Baker Tech provided financial support for the Pink Paddlers, a dragon boat team organised by BCF. In 2010, we will be increasing our financial support to BCF as they work towards their goal of eradicating breast cancer one day. Through early detection and greater awareness, many more lives of women and men, around the world, can be saved.

Theatre for Seniors (TFS)

We also support "Theatre for Seniors" – an initiative by The Necessary Stage. TFS aims to promote active ageing by equipping seniors aged 50 and above with the skills and knowledge for theatre and drama. Their production, *"Encore II: Heartland! Heartland!"* was a culmination of the seniors' efforts and a chance for them to showcase their newfound skills.

We believe in lifelong learning and hope that our financial support to TFS will help engage more seniors in our community to stay relevant and active in their silver years.

PEOPLE DEVELOPMENT

"At Baker Tech, we value our human capital and are committed to their growth and well-being."

Our people are the heart of our business. At Baker Tech, we value our human capital and are committed to their growth and well-being. We believe in engaging our talents, empowering them to their fullest potential by cultivating responsibility and openness. By encouraging lifelong learning, we help our people aspire to and attain greater heights.

We actively identify and nurture potential talent amongst our staff who can help strengthen the group. Through a rigorous selection system, we groom leaders by sending them for external courses and providing opportunities for them to realise their full potential.

We believe in providing comfortable accommodation for our foreign workers to ensure that their needs and well-being are taken care of. The dormitories that our workers are housed at not only provide pleasant living quarters, but are also equipped with excellent amenities. These include an internet room, games room, gymnasium, barber services and more.

We also provide transport from the dormitories and from various convenient pick-up locations to help our workers and employees get to work with ease. Air-conditioned coach buses ferry our workers and employees to and from the company each day, enabling them to travel in safety and comfort.

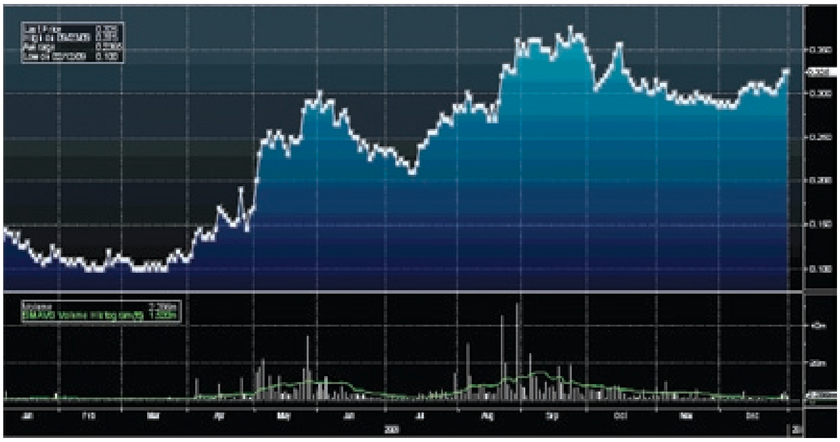
On special occasions, such as the company's anniversary and New Year's Eve, staff across all levels get together to enjoy a celebratory meal. Events like these help to foster a deeper sense of belonging to the company and encourage interaction between workers. We want to cultivate an amiable and cordial environment that our people can enjoy working in.

RESEARCH & DEVELOPMENT

Baker Tech continually strives to keep ahead of the industry through cutting-edge product design and development. Over the years, we have developed a valuable portfolio of proprietary designs.

In 2009, we embarked on a technology development project, collaborating with local technological institutions, to develop a new series of offshore cranes suitable for installation onboard semi-submersibles, FPSOs, drill ships and floating vessels. With support from Spring Singapore, the production of this new series of cranes will enhance our technical capabilities, extend our range of products and expand our market share for offshore and marine cranes. Our commitment to research and development will strengthen our position as a leading innovative manufacturer in the offshore marine oil and gas industry.

INVESTOR RELATIONS



For the period 1 January to 31 December 2009. Source: Bloomberg.

37.5 cents

HIGHEST SHARE PRICE
23 SEPTEMBER 2009

S$212.8 million

MARKET CAPITALISATION
AS AT 31 DECEMBER 2009

Baker Tech is committed to regular, timely and fair communication with shareholders and maintains open dialogue with the investment community and media. The Group's Investor Relations (IR) Team, led by our Chairman of the Board, Mr Lim Ho Seng and actively supported by our Senior VP – Business Development, Financial Controller and our external IR agency (NRA Capital Pte Ltd) proactively engaged the investment community. The team held two half-yearly briefings with analysts, together with the media, to update them on its 6-months' and full year's financial results. Throughout the year, the team availed itself to investor enquiries and also met up with the local financial media, fund managers and analysts.

Our website, www.bakertech.com.sg, serves as a comprehensive and easy-to-use source of information for shareholders and the investment community. Among other things, it contains the Company's publicly disclosed financial information, annual reports and announcements. All material information, including our quarterly financial performance, position and prospects and materials from briefings, is disclosed and released regularly and in a timely manner via SGXNet onto the SGX-ST website before dissemination to the financial media. This information is also available on the Investor Relations (IR) page on the Company's website.

Baker Tech's shares outperformed the Straits Times Index in 2009. Our share price closed at 32.5 cents on 31 December 2009, up 160% for the year compared to the Straits Times' return of 58%.

The highest share price achieved for the year was 37.5 cents on 23 September 2009 and the lowest price was 10.0 cents on 12 February 2009. Trading activity in our shares also improved; the average daily turnover was 1.5 million shares in 2009 compared to 0.3 million shares in 2008.

As at 31 December 2009, the market capitalisation of the Group was S$212.8 million.

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

6 Pioneer Sector 1
Singapore 628418
Tel: (65) 6262 1380
Fax: (65) 6262 2108

AUDITORS

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

Tan Chian Khong
Partner-in-Charge
(since financial year ended
31 December 2005)

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

PRINCIPAL BANKERS

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

The Royal Bank of Scotland N.V.
One Raffles Quay
South Tower
Singapore 048583

Standard Chartered Bank
6 Battery Road
Singapore 049909

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 2009.

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 Lim Ho Seng and Dr Benety Chang 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:

	DIRECT INTEREST		DEEMED INTEREST	
NAME OF DIRECTOR	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	–	–

DIRECTORS' REPORT

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

NAME OF DIRECTOR	DIRECT INTEREST AT THE BEGINNING OF FINANCIAL YEAR	DIRECT INTEREST AT THE END OF FINANCIAL YEAR	DEEMED INTEREST AT THE BEGINNING OF FINANCIAL YEAR	DEEMED INTEREST AT THE END OF FINANCIAL YEAR
The Company				
Baker Technology Limited				
Ordinary shares				
Lim Ho Seng	540,000	540,000	–	–
Dr Benety Chang	–	–	436,168,700	455,994,550
Anthony Sabastian Aurol	–	–	436,168,700	455,994,550
Tan Yang Guan	1,000,000	1,065,000	436,168,700	455,994,550
Wong Kwan Seng Robert	200,000	200,000	–	–
The Company				
Baker Technology Limited				
Warrants – W110613				
Dr Benety Chang	–	–	19,825,850	–
Anthony Sabastian Aurol	–	–	19,825,850	–
Tan Yang Guan	65,000	–	19,825,850	–
Warrants – W121116				
Lim Ho Seng	–	270,000	–	–
Dr Benety Chang	–	–	–	227,997,275
Anthony Sabastian Aurol	–	–	–	227,997,275
Tan Yang Guan	–	532,500	–	227,997,275
Wong Kwan Seng Robert	–	100,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2010.

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' REPORT

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 2009.

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;
8. reports discussions and actions of the AC to the Board of directors with such recommendations as the AC considers appropriate; and
9. reviewing the interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external 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
5 March 2010

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 statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results of the business, 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
5 March 2010

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 2009, the statements of changes in equity of the Group and the Company, and the statement of comprehensive income and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory 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.

INDEPENDENT AUDITORS' REPORT

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 2009 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
5 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2009

	NOTE	GROUP 2009 $	2008 $
REVENUE	4	**79,244,811**	74,381,183
Cost of goods sold		**(27,945,576)**	(52,439,493)
GROSS PROFIT		**51,299,235**	21,941,690
Other operating income	5	**5,673,449**	7,713,197
Administrative expenses		**(7,260,618)**	(5,408,528)
Finance costs		**(9,258)**	(6,322)
Other operating expenses	6	**(3,332,291)**	(1,229,913)
Share of results of associates		**(251,136)**	(537,805)
PROFIT BEFORE TAX	7	**46,119,381**	22,472,319
Income tax expense	8	**(7,549,973)**	(3,654,556)
PROFIT NET OF TAX		**38,569,408**	18,817,763
OTHER COMPREHENSIVE INCOME, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**38,569,408**	18,817,763
EARNINGS PER SHARE	9		
Basic (in cents)		**6.0**	3.0
Basic (in cents)		**6.0**	3.0

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

BALANCE SHEETS

as at 31 December 2009

	NOTE	GROUP 2009 $	GROUP 2008 $	COMPANY 2009 $	COMPANY 2008 $
NON-CURRENT ASSETS					
Property, plant and equipment	10	**6,966,716**	8,646,752	**3,510**	6,407
Intangible assets	11	**7,551,331**	7,868,331	**–**	–
Investment in subsidiaries	12	**–**	–	**23,600,000**	23,600,000
Investment in associates	13	**10,317,780**	10,568,916	**9,616,388**	9,616,388
Other investment	14	**5,066,000**	5,066,000	**–**	–
		29,901,827	32,149,999	**33,219,898**	33,222,795
CURRENT ASSETS					
Work-in-progress	15	**1,782,764**	8,571,305	**–**	–
Inventories	16	**10,813,591**	4,512,667	**–**	–
Trade receivables	17	**6,188,762**	36,304,513	**–**	–
Other receivables	18	**974,116**	887,057	**12,143**	13,501
Amounts due from subsidiaries	19	**–**	–	**4,200,000**	1,872,000
Cash and cash equivalents	20	**81,824,686**	37,644,883	**34,826,668**	25,130
		101,583,919	87,920,425	**39,038,811**	1,910,631
LESS : CURRENT LIABILITIES					
Excess of progress billings over work-in-progress	15	**9,849,530**	40,291,905	**–**	–
Loans and borrowings	21	**27,417**	38,855	**–**	–
Trade payables	23	**4,308,025**	7,904,641	**–**	–
Other liabilities	24	**9,716,077**	6,820,231	**333,837**	237,360
Amounts due to subsidiaries	25	**–**	–	**71,316**	7,408,560
Tax payable		**7,895,119**	4,357,318	**7,358**	8,000
		31,796,168	59,412,950	**412,511**	7,653,920
NET CURRENT ASSETS		**69,787,751**	28,507,475	**38,626,300**	(5,743,289)
NON-CURRENT LIABILITIES					
Loans and borrowings	21	**118,048**	206,502	**–**	–
Deferred tax liabilities	22	**100,000**	–	**–**	–
NET ASSETS		**99,471,530**	60,450,972	**71,846,198**	27,479,506
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	27	**21,725,689**	18,115,259	**21,725,689**	18,115,259
Reserves		**77,745,841**	42,335,713	**50,120,509**	9,364,247
TOTAL EQUITY		**99,471,530**	**60,450,972**	**71,846,198**	27,479,506

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 2009

GROUP	ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP				
	SHARE CAPITAL (NOTE 27) $	CAPITAL RESERVE [1] $	RETAINED EARNINGS $	TOTAL RESERVES $	TOTAL EQUITY $
2009					
AT 1 JANUARY 2009	18,115,259	2,344,269	39,991,444	42,335,713	60,450,972
Profit net of tax	–	–	38,569,408	38,569,408	38,569,408
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	38,569,408	38,569,408	38,569,408
Dividends on ordinary shares	–	–	(3,159,280)	(3,159,280)	(3,159,280)
Issuance of warrants	3,273,840	–	–	–	3,273,840
Warrant issue expenses	(248,146)	–	–	–	(248,146)
Issuance of new shares from conversion of warrants	584,736	–	–	–	584,736
AT 31 DECEMBER 2009	21,725,689	2,344,269	75,401,572	77,745,841	99,471,530
2008					
AT 1 JANUARY 2008	18,110,149	2,344,269	21,173,681	23,517,950	41,628,099
Profit net of tax	–	–	18,817,763	18,817,763	18,817,763
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income 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

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 2009

COMPANY	SHARE CAPITAL (NOTE 27) $	CAPITAL RESERVE [1] $	RETAINED EARNINGS $	TOTAL RESERVES $	TOTAL EQUITY $
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
2009					
AT 1 JANUARY 2009	18,115,259	2,344,269	7,019,978	9,364,247	27,479,506
Profit net of tax	–	–	43,915,542	43,915,542	43,915,542
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	43,915,542	43,915,542	43,915,542
Dividends on ordinary shares	–	–	(3,159,280)	(3,159,280)	(3,159,280)
Issuance of warrants	3,273,840	–	–	–	3,273,840
Warrant issue expenses	(248,146)	–	–	–	(248,146)
Issuance of new shares from conversion of warrants	584,736	–	–	–	584,736
AT 31 DECEMBER 2009	21,725,689	2,344,269	47,776,240	50,120,509	71,846,198
2008					
AT 1 JANUARY 2008	18,110,149	2,344,269	5,851,471	8,195,740	26,305,889
Profit net of tax	–	–	1,168,507	1,168,507	1,168,507
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income 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

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

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2009

	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	**46,119,381**	22,472,319
Adjustments for:		
Depreciation	**1,784,417**	900,998
Amortisation of intangible assets	**317,000**	421,000
Loss on disposal of property, plant and equipment	**31,984**	–
Dividend income	**(5,400,000)**	(5,310,000)
Interest income	**(155,849)**	(134,660)
Interest expense	**9,258**	6,322
Share of results of associates	**251,136**	537,805
Inventories written-down	**1,690,000**	–
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	**44,647,327**	18,893,784
(Increase)/decrease in inventories	**(7,990,924)**	1,611,822
Decrease in work-in-progress	**6,788,541**	5,841,140
(Decrease)/increase in excess of progress billings over work-in-progress	**(30,442,375)**	11,291,612
Decrease/(increase) in trade receivables	**30,115,751**	(10,464,390)
(Increase)/decrease in other receivables	**(87,059)**	672,970
Decrease in pledged deposits	**1,139,044**	555,202
(Decrease)/increase in trade payables and other liabilities	**(700,770)**	2,110,881
CASH FLOWS FROM OPERATIONS	**43,469,535**	30,513,021
Interest paid	**(9,258)**	(6,322)
Interest received	**155,849**	134,660
Income tax paid	**(3,912,172)**	(3,230,504)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**39,703,954**	27,410,855
CASH FLOWS FROM INVESTING ACTIVITIES:		
Repayment to vendors	**–**	(2,000,000)
Dividend received	**5,400,000**	5,915,640
Proceeds from disposal of property, plant and equipment	**48,598**	–
Purchase of property, plant and equipment	**(184,963)**	(3,076,002)
Net cash outflow on acquisition of subsidiaries	**–**	(18,924,480)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**5,263,635**	(18,084,842)

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

for the financial year ended 31 December 2009

	2009 $	2008 $
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from warrant issue	**3,025,694**	–
Net proceeds from conversion of warrants	**584,736**	5,110
Dividends paid on ordinary shares	**(3,159,280)**	–
Repayment of advance from a related company	**–**	(5,403,261)
Repayment of obligations under finance leases	**(99,892)**	(23,998)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**351,258**	(5,422,149)
Net increase in cash and cash equivalents	**45,318,847**	3,903,864
Cash and cash equivalents at beginning of financial year	**31,109,410**	27,205,546
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 20)	**76,428,257**	31,109,410

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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 immediate and ultimate holding company is Saberon Investments Pte Ltd.

The registered office and principal place of business is at 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 12 and 13 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared on a historical cost basis 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 2009, the Group and the Company adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 23 Borrowing Costs
- Amendments to FRS 107 Financial Instruments: Disclosures
- FRS 108 Operating Segments
- Improvements to FRSs issued in 2008

The adoption of the above standards and interpretations did not result in any significant changes to the Group's and the Company's accounting policies. They did however give rise to additional disclosures. The principal effects of these changes are as follows:

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as one single statement.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.1 Basis of preparation (cont'd)

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in Note 3, including revised comparative information.

Improvements to FRSs issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with FRS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.

- FRS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". This did not result in any change in the financial position.

- FRS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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 standards and interpretations that have been issued but not yet effective:

DESCRIPTION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
Amendments to FRS 27 *Consolidated and Separate Financial Statements*	1 July 2009
Amendments to FRS 39 *Financial Instruments: Recognition and measurement – Eligible Hedged Items*	1 July 2009
Revised FRS 103 *Business Combinations*	1 July 2009
Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 July 2009
INT FRS 117 *Distributions of Non-cash Assets to Owners*	1 July 2009
Improvements to FRSs issued in 2009:	
– Amendments to FRS 38 *Intangible Assets*	1 July 2009
– Amendments to FRS 102 *Share-based Payment*	1 July 2009
– Amendments to FRS 108 *Operating Segments*	1 July 2009
– Amendments to INT FRS 109 *Reassessment of Embedded Derivatives*	1 July 2009
– Amendments to INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*	1 July 2009
– Amendments to FRS 1 *Presentation of Financial Statements*	1 January 2010
– Amendments to FRS 7 *Statement of Cash Flows*	1 January 2010
– Amendments to FRS 17 *Leases*	1 January 2010
– Amendments to FRS 36 *Impairment of Assets*	1 January 2010
– FRS 39 *Financial Instruments: Recognition and Measurement*	1 January 2010
– Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2010
– Amendments to FRS 108 *Operating Segments*	1 January 2010

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 revised FRS 103 and the amendments to FRS 27 as indicated below.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.2 Future changes in accounting policies (cont'd)

Revised FRS 103 Business Combinations and Amendments to FRS 27 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 *Statement of Cash Flows*, FRS 12 *Income Taxes*, FRS 21 *The Effects of Changes in Foreign Exchange Rates*, FRS 28 *Investments in Associates* and FRS 31 *Interests in Joint Ventures*. The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.3 Significant accounting judgements and estimates (cont'd)

(b) Income taxes

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables as at 31 December 2009 was $7,895,119 (2008: $4,357,318).

(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 15 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.4 Functional and foreign currency (cont'd)

(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 profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss 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 profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.5 Subsidiaries and basis of consolidation (cont'd)

(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 profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.6 Associates (cont'd)

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

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

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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 profit or loss. 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 profit or loss.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.7 Property, plant and equipment (cont'd)

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

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

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

Fully depreciated assets still in use are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end 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 profit or loss in the year the asset is derecognised.

2.8 Intangible assets

(a) Goodwill

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.8 Intangible assets (cont'd)

(a) Goodwill (cont'd)

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 allocated 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 profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

(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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

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. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. 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 profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 statement of comprehensive income 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 other comprehensive income is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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) 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 profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) 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 in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is recognised in the profit or loss when the financial asset is derecognised.

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

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 profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.11 Impairment of financial assets (cont'd)

(a) Assets carried at amortised cost (cont'd)

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

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

(b) Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

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 profit or loss, is transferred from equity to the profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in the profit or loss. Reversals of impairment losses on debt instruments are recognised in the profit or loss 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 profit or loss.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.13 Inventories

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

2.14 Financial liabilities

Financial liabilities within the scope of FRS 39 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, derivatives are measured at fair value. Other financial liabilities (except for financial guarantee) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

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

2.15 Borrowing costs

Borrowing costs are generally expensed in the period in which they are 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.

2.16 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) 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.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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 profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the profit or loss.

2.18 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

(a) As lessee

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.19 Leases (cont'd)

(a) As lessee (cont'd)

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20 (f).

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.20 Revenue (cont'd)

(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 customers, 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) Rendering of services

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

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

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

(f) Rental income

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

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 profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.21 Income taxes (cont'd)

(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 liabilities are recognised for all temporary differences, except:

– Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

– where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

2.21 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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

(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

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 3, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 Share capital and share issue expenses

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

2.24 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 2009

3. SEGMENT INFORMATION

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

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

(ii) The investments segment relates to the Group's 49% interest in York Transport Equipment (Asia) Pte Ltd, which is in the business of manufacturing and distribution of trailer axles and related components, and its 15% interest in PPL Shipyard Pte Ltd, which designs and constructs offshore oil rigs.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

3. SEGMENT INFORMATION (CONT'D)

	MARINE OFFSHORE		INVESTMENTS		CORPORATE		ADJUSTMENTS AND ELIMINATION		PER CONSOLIDATED FINANCIAL STATEMENTS	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Revenue – external customers	**79,244,811**	74,381,183	**–**	–	**–**	–	**–**	–	**79,244,811**	74,381,183
Results:										
EBITDA *	**44,806,244**	20,729,799	**5,400,000**	5,310,000	**(1,424,901)**	(1,814,015)	**(456,000)**	(22,000)	**48,325,343**	24,203,784
Depreciation and amortisation	**(2,098,194)**	(1,319,937)	**–**	–	**(3,223)**	(2,061)	**–**	–	**(2,101,417)**	(1,321,998)
Interest expense	**(9,258)**	(6,322)	**–**	–	**–**	–	**–**	–	**(9,258)**	(6,322)
Interest income	**134,192**	20,300	**–**	–	**21,657**	114,360	**–**	–	**155,849**	134,660
Share of results of associates	**–**	–	**(251,136)**	(537,805)	**–**	–	**–**	–	**(251,136)**	(537,805)
Segment profit/(loss)	**42,832,984**	19,423,840	**5,148,864**	4,772,195	**(1,406,467)**	(1,701,716)	**(456,000)**	(22,000)	**46,119,381**	22,472,319
Total assets	**72,123,172**	87,500,615	**15,383,780**	15,634,916	**43,978,794**	16,934,893	**–**	–	**131,485,746**	120,070,424
Total liabilities	**31,666,521**	59,177,191	**–**	–	**347,695**	442,260	**–**	–	**32,014,216**	59,619,451
Other segment information:										
Dividend income	**–**	–	**5,400,000**	5,310,000	**–**	–	**–**	–	**5,400,000**	5,310,000
Investment in associates	**–**	–	**10,317,780**	10,568,916	**–**	–	**–**	–	**10,317,780**	10,568,916
Additions to non-current assets	**184,640**	3,072,116	**–**	–	**323**	3,886	**–**	–	**184,963**	3,076,002

* Earnings before interest, taxation, depreciation and amortisation

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 2009

3. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	REVENUE	
	2009	2008
	$	$
China	**41,870,526**	35,731,433
Singapore	**28,460,667**	22,130,429
Middle East	**7,390,882**	16,130,453
Asia Pacific (excluding China and Singapore)	**1,461,975**	388,868
Others	**60,761**	–
	79,244,811	74,381,183

As the Group is principally based in Singapore, there is no further disclosure on segmental non-current assets information.

Information about a major customer

Revenue from one major customer amount to approximately $27,575,000 (2008: $20,773,000), arising from the provision of specialised marine offshore equipment and services.

4. REVENUE

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

5. OTHER OPERATING INCOME

	GROUP	
	2009	2008
	$	$
Dividend income (Note 14)	**5,400,000**	5,310,000
Rental income	**117,600**	78,400
Interest income	**155,849**	134,660
Foreign exchange gain	**–**	2,190,137
	5,673,449	7,713,197

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

6. OTHER OPERATING EXPENSES

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

	GROUP	
	2009 $	2008 $
Foreign exchange loss	**2,962,770**	674,588
Amortisation of intangible assets	**317,000**	421,000

7. PROFIT BEFORE TAX

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

	GROUP	
	2009 $	2008 $
Depreciation expense	**1,784,417**	900,998
Fees paid to a firm in which a director of the Company is a director	**–**	34,555
Consultancy service fee paid/payable to directors	**124,770**	10,500
Finance costs:		
Interest expense on bank overdrafts	**14**	–
Finance charges payable under finance leases	**9,244**	6,322
Inventories written-down	**1,690,000**	–
Loss on disposal of property, plant and equipment	**31,984**	–
Operating lease charges	**542,177**	427,456
Employee benefit expense (including executive directors):		
- Contributions to defined contribution plans	**208,513**	271,234
- Salaries, wages, bonuses and other costs	**7,369,581**	2,898,112
Non-audit fees paid to:		
- Auditors of the Company	**4,366**	19,200
- Other auditors	**32,000**	28,442

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

8. 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	
	2009	**2008**
	$	**$**
Statement of comprehensive income:		
Current income tax		
Current income taxation	**7,462,000**	3,589,000
(Over)/underprovision in respect of prior years	**(12,027)**	281,339
	7,449,973	3,870,339
Deferred income tax		
Origination and reversal of timing difference (Note 22)	**100,000**	(215,783)
Income tax expense recognised in the statement of comprehensive income	**7,549,973**	3,654,556

(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	
	2009	**2008**
	$	**$**
Accounting profit before income tax	**46,119,381**	22,472,319
Income tax expense at the applicable tax rate of 17% (2008: 18%)	**7,840,295**	4,045,017
Adjustments for tax effect of:		
Income not subject to tax	**(1,157,028)**	(688,259)
Expenses not deductible in determining taxable profit	**566,967**	195,895
(Over)/underprovision in respect of prior years	**(12,027)**	281,339
Tax exemption	**(54,545)**	(3,330)
Originating/(reversal) of deferred tax charges	**100,000**	(215,783)
Others, net	**266,311**	39,677
	7,549,973	3,654,556

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2009.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

9. 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 share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	2009 $	2008 $
Profit for the financial year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per ordinary share	**38,569,408**	18,817,763
Weighted average number of ordinary shares for basic earnings per share computation	**639,287,313**	631,324,221
Dilutive effect of warrants (Note 27)	**731,802**	24,121,243
Weighted average number of ordinary shares adjusted for the effect of dilution	**640,019,115**	655,445,464

The above dilutive effect of warrants for 2009 excluded the 327,384,008 W121116 warrants issued during the year as these warrants have no dilutive effect as the average market price of the Company's ordinary shares during the period is below the exercise price.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

10. PROPERTY, PLANT AND EQUIPMENT

GROUP	LEASEHOLD LAND AND BUILDINGS $	LEASEHOLD IMPROVEMENTS $	ASSETS UNDER CONSTRUCTION $	FURNITURE AND FITTINGS $	OFFICE EQUIPMENT $	MOTOR VEHICLES $	PLANT AND EQUIPMENT $	TOTAL $
COST OR VALUATION:								
At 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 and 1 January 2009	7,166,856	2,560,502	202,594	18,446	235,199	308,988	4,582,242	15,074,827
Additions	–	153,322	–	2,486	5,901	–	23,254	184,963
Disposals/write-off	–	–	(16,502)	–	–	(80,100)	–	(96,602)
Reclassification	–	157,857	(186,092)	–	–	–	28,235	–
At 31 December 2009	7,166,856	2,871,681	–	20,932	241,100	228,888	4,633,731	15,163,188
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS:								
At 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 and 1 January 2009	4,874,002	67,382	–	10,827	140,160	47,013	1,288,691	6,428,075
Depreciation charge for the year	355,545	409,309	–	2,692	52,529	49,783	914,559	1,784,417
Disposals/write-off	–	–	–	–	–	(16,020)	–	(16,020)
At 31 December 2009	5,229,547	476,691	–	13,519	192,689	80,776	2,203,250	8,196,472
NET CARRYING AMOUNT:								
At 31 December 2008	2,292,854	2,493,120	202,594	7,619	95,039	261,975	3,293,551	8,646,752
At 31 December 2009	1,937,309	2,394,990	–	7,413	48,411	148,112	2,430,481	6,966,716

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

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

(a) The carrying amount of assets held under finance leases as at 31 December 2009 was $148,112 (2008: $261,975). Leased assets are pledged as security for the related finance lease liabilities.

(b) The Group's leasehold land and building with carrying amount of $1,937,309 (2008: $2,292,854) is mortgaged to secure the subsidiaries' banking facilities.

(c) The Group's leasehold land and building is located at 6 Pioneer Sector 1, Singapore 628418.

(d) Depreciation charge of $1,526,442 (2008: $748,645) has been included in the Group's cost of goods sold.

COMPANY	OFFICE EQUIPMENT $
COST:	
At 1 January 2008	72,792
Additions	3,886
Write-off	(67,254)
At 31 December 2008 and 1 January 2009	9,424
Additions	326
At 31 December 2009	9,750
ACCUMULATED DEPRECIATION:	
At 1 January 2008	68,210
Depreciation charge for the year	2,061
Write-off	(67,254)
At 31 December 2008 and 1 January 2009	3,017
Depreciation charge for the year	3,223
At 31 December 2009	6,240
NET CARRYING AMOUNT:	
At 31 December 2008	6,407
At 31 December 2009	3,510

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

11. INTANGIBLE ASSETS

GROUP	GOODWILL $	ORDER BOOK $	TOTAL $
COST:			
At 1 January 2008	–	–	–
Acquisition of subsidiaries (Note 12)	7,551,331	738,000	8,289,331
At 31 December 2008, 1 January 2009 and 31 December 2009	7,551,331	738,000	8,289,331
ACCUMULATED AMORTISATION AND IMPAIRMENT:			
At 1 January 2008	–	–	–
Amortisation charge for the year	–	421,000	421,000
At 31 December 2008 and 1 January 2009	–	421,000	421,000
Amortisation charge for the year	–	317,000	317,000
At 31 December 2009	–	738,000	738,000
NET CARRYING AMOUNT:			
31 December 2008	7,551,331	317,000	7,868,331
31 December 2009	7,551,331	–	7,551,331

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

11. 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. The amount was fully amortised during the current year. The amortisation of the order book is included in "Other operating expenses" line item in the statement of comprehensive income.

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	
	2009	2008
	$	$
Sea Deep Shipyard Pte. Ltd.	**7,551,331**	7,551,331

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

A pre-tax discount rate of 12% (2008: 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 2009 as the recoverable amount of the CGU was in excess of the carrying value.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

12. INVESTMENT IN SUBSIDIARIES

	COMPANY 2009 $	COMPANY 2008 $
Shares, at cost	**23,600,000**	23,600,000

The subsidiaries for the financial year ended 31 December are:

SUBSIDIARIES (COUNTRY OF INCORPORATION)	COST OF INVESTMENT 2009 $	COST OF INVESTMENT 2008 $	PERCENTAGE OF EQUITY HELD BY THE GROUP 2009 %	PERCENTAGE OF EQUITY HELD BY THE GROUP 2008 %	PRINCIPAL ACTIVITIES (PLACE OF BUSINESS)
(1) PPL Holdings Pte Ltd (Singapore)	**3,600,000**	3,600,000	**100**	100	Investment holding (Singapore)
(2) Sea Deep Shipyard Pte. Ltd. (Singapore)	**20,000,000**	20,000,000	**100**	100	Manufacture of steel components and service and maintenance for the offshore oil and gas industry (Singapore)
	23,600,000	23,600,000			

The subsidiary of PPL Holdings Pte Ltd is:

(1) E-Interface Holdings Limited (British Virgin Islands)	**666,000**	666,000	**100**	100	Investment holding (British Virgin Islands)

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

(2) Interseas Shipping (Private) Limited (Singapore)	**200,000**	200,000	**100**	100	Manufacture of steel components and service and maintenance for the offshore oil and gas industry (Singapore)

(1) Audited by Paul Go & Co.
(2) Audited by Ernst & Young LLP, Singapore

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

13. INVESTMENT IN ASSOCIATES

	GROUP		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Shares, at cost	**9,616,388**	9,616,388	**9,616,388**	9,616,388
Share of post-acquisition reserves	**701,392**	952,528	**–**	–
	10,317,780	10,568,916	**9,616,388**	9,616,388

ASSOCIATE (COUNTRY OF INCORPORATION)	PERCENTAGE OF EQUITY HELD BY THE GROUP 2009 %	2008 %	PRINCIPAL ACTIVITY
(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	
	2009 $	2008 $
ASSETS AND LIABILITIES:		
Total assets	**32,277,737**	46,991,709
Total liabilities	**17,486,976**	24,148,764
RESULTS:		
Revenue	**39,028,504**	71,298,096
Loss for the year	**(512,522)**	(1,097,562)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

14. OTHER INVESTMENT

	COMPANY	
	2009	2008
	$	$
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 initially 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 approximately $16,388,000 at the date of acquisition.

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

In 2009, the Group received interim dividends of $5,400,000 (2008: $5,310,000) from PPL Shipyard Pte Ltd, which was recorded as dividend income (Note 5).

15. WORK-IN-PROGRESS/PROGRESS BILLINGS

	GROUP	
	2009	2008
	$	$
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	**22,781,522**	101,681,861
Less: Progress billings	**(30,848,288)**	(133,402,461)
	(8,066,766)	(31,720,600)
Presented as:		
Gross amount due from customers for contract work	**1,782,764**	8,571,305
Gross amount due to customers for contract work	**(9,849,530)**	(40,291,905)
	(8,066,766)	(31,720,600)
Retention sums on construction contract included in trade receivables	**2,070,600**	3,308,423

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

16. INVENTORIES

	GROUP	
	2009 $	2008 $
Balance sheet:		
Materials, components and spares, at cost	**10,813,591**	4,512,667
Statement of comprehensive income:		
– Inventories written down	**1,690,000**	–

17. TRADE RECEIVABLES

	GROUP		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Gross trade receivables	**6,188,762**	36,304,513	**–**	–
Total trade receivables	**6,188,762**	36,304,513	**–**	–
Add:				
- Deposits (Note 18)	**615,009**	263,951	**–**	–
- Tax recoverable (Note 18)	**304,862**	551,403	**–**	–
- Sundry receivables (Note 18)	**900**	23,202	**900**	–
- Amount due from subsidiaries (Note 19)	**–**	–	**4,200,000**	1,872,000
- Cash and cash equivalents (Note 20)	**81,824,686**	37,644,883	**34,826,668**	25,130
Total loans and receivables	**88,934,219**	74,787,952	**39,027,568**	1,897,130

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 mainly denominated in US dollars.

As at 31 December 2009, trade receivable amounting to $Nil (2008: $7,863,763) was arranged to be settled via letter of credits issued by reputable bank in country where the customer was based.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

17. TRADE RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $2,790,116 (2008: $8,902,868) 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	
	2009 $	2008 $
Trade receivables past due:		
Lesser than 30 days	**10,848**	2,168,301
30 to 60 days	**103,874**	1,510,755
61 to 90 days	**–**	1,862,192
More than 90 days	**2,675,394**	3,361,620
	2,790,116	8,902,868

Of the trade receivables of $2,675,394 (2008: $3,361,620) which was past due for more than 90 days, $2,070,600 (2008: $3,308,423) relates to retention sums on construction contracts.

18. OTHER RECEIVABLES

	GROUP		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Advance	**6,000**	5,800	**–**	–
Deposits	**615,009**	263,951	**–**	–
Prepayments	**47,345**	42,701	**11,243**	13,501
Tax recoverable	**304,862**	551,403	**–**	–
Sundry receivables	**900**	23,202	**900**	–
	974,116	887,057	**12,143**	13,501

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

19. AMOUNTS DUE FROM SUBSIDIARIES

	GROUP		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Amount receivable on current account:				
Subsidiaries	**–**	–	**4,200,000**	1,872,000

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

20. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Cash at banks and in hand	**44,812,703**	2,864,694	**34,826,668**	25,130
Short term deposits	**37,011,983**	34,780,189	**–**	–
	81,824,686	37,644,883	**34,826,668**	25,130

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 0.01% to 1.09% (2008: 0.13% to 3.90%) per annum.

Cash and bank balances are denominated in the following currencies:

	GROUP	
	2009 $	2008 $
Singapore dollars	**41,417,064**	5,736,680
United States dollars	**40,401,908**	31,903,964
Euro dollars	**5,714**	4,239
	81,824,686	37,644,883

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

20. 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	
	2009	2008
	$	$
Cash and short-term deposits	**81,824,686**	37,644,883
Less: Pledged deposits	**(5,396,429)**	(6,535,473)
	76,428,257	31,109,410

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.

21. LOANS AND BORROWINGS

	GROUP	
	2009	2008
	$	$
CURRENT:		
Obligations under finance leases		
- secured (Note 26)	**27,417**	38,855
NON-CURRENT:		
Obligations under finance leases		
- secured (Note 26)	**118,048**	206,502
Total loans and borrowings	**145,465**	245,357

Obligations under finance leases

These obligations were secured by a charge over the leased assets (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

22. DEFERRED TAX

Deferred income tax as at 31 December relates to the following:

	GROUP			
	CONSOLIDATED BALANCE SHEET		CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	
	2009 $	2008 $	2009 $	2008 $
Deferred tax liabilities:				
Differences in depreciation for tax purposes	**100,000**	–	**100,000**	(215,783)

Tax consequence of proposed dividends

There are no income tax consequences (2008: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 33).

23. TRADE PAYABLES

	GROUP		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Trade:				
External parties	**4,308,025**	7,904,641	**–**	–
Add:				
- Loans and borrowings (Note 21)	**145,465**	245,357	**–**	–
- Other liabilities (Note 24)	**9,716,077**	6,820,231	**333,837**	237,360
- Amounts due to subsidiaries (Note 25)	**–**	–	**71,316**	7,408,560
Total financial liabilities carried at amortised cost	**14,169,567**	14,970,229	**405,153**	7,645,920

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 2009 was an amount of approximately $3,035,093 (2008: $2,290,831) denominated in US dollars.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

24. OTHER LIABILITIES

	GROUP		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Accrued operating expenses	**9,639,077**	6,716,594	**256,837**	133,723
Directors' fees	**77,000**	77,000	**77,000**	77,000
Other payables	**–**	26,637	**–**	26,637
	9,716,077	6,820,231	**333,837**	237,360

25. AMOUNTS DUE TO SUBSIDIARIES

	GROUP		COMPANY	
	2009 $	2008 $	2009 $	2008 $
Amounts payable on current account:				
Subsidiaries	**–**	–	**71,316**	7,408,560

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

26. FINANCE LEASES

The Group's motor vehicles are under leased facilities. The average discount implicit in the leases are 2.99% p.a. (2008: 2.08% to 2.99% p.a.). 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 2009 $	PRESENT VALUE OF PAYMENTS 2009 $	MINIMUM LEASE PAYMENTS 2008 $	PRESENT VALUE OF PAYMENTS 2008 $
Not later than one year (Note 21)	**33,168**	**27,417**	46,272	38,855
Later than one year but not later than five years	**132,672**	**109,669**	231,360	194,275
Later than five years	**10,049**	**8,379**	14,452	12,227
Total minimum lease payments	**175,889**	**145,465**	292,084	245,357
Less: Amounts representing finance charges	**(30,424)**	**–**	(46,727)	–
Present value of minimum lease payments	**145,465**	**145,465**	245,357	245,357

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

27. SHARE CAPITAL

	GROUP AND COMPANY			
	NO. OF SHARES	2009 $	NO. OF SHARES	2008 $
Issued and fully paid:				
At 1 January	**631,378,576**	**18,115,259**	631,174,188	18,110,149
Issuance of new shares from conversion of warrants	**23,389,441**	**584,736**	204,388	5,110
Issuance of warrants	**–**	**3,273,840**	–	–
Warrant issue expenses	**–**	**(248,146)**	–	–
At 31 December	**654,768,017**	**21,725,689**	631,378,576	18,115,259

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 November 2009, the Company completed its renounceable non-underwritten rights issue ("Warrant Issue") of 327,384,008 warrants at an issue price of $0.01 for each warrant. Each warrant carries the right to subscribe for 1 new ordinary share in the capital of the Company at an exercise price of $0.32 for each new share. The warrant was issued on the basis of 1 warrant for every 2 existing ordinary shares in the capital of the Company held by entitled shareholders as at book closure date.

The warrant issue expenses included fees of $55,381 paid to a firm in which a director of the Company is a director.

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

	EXPIRY DATE	EXERCISE PRICE	NO. OF WARRANTS 2009	2008
W110613	13 June 2011	$0.025	**731,802**	24,121,243
W121116	16 November 2012	$0.320	**327,384,008**	–
			328,115,810	24,121,243

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

28. 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	
	2009	2008
	$	$
Not later than one year	**418,186**	337,618
Later than one year but no later than five years	**1,647,789**	1,671,727
Later than five years	**113,749**	82,203
	2,179,724	2,091,548

29. 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.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties:

(a) Sales and purchase of goods and services

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	
	2009	2008
	$	$
Short-term employee benefits	**5,121,764**	2,542,409
Comprise amounts paid/payable to		
- Directors of the Company	**894,725**	554,252
- Other key management personnel	**4,227,039**	1,988,157
	5,121,764	2,542,409

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

30. DIRECTORS' AND EXECUTIVES' REMUNERATION

Directors' remuneration (including directors of subsidiaries) and fees amounted to $817,725 (2008: $477,252) and $77,000 (2008: $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:

	COMPANY	
	2009 $	2008 $
$500,000 and above	–	–
$250,000 to $499,999	2	–
Below $250,000	3	4
Total	5	4

31. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

31. FINANCIAL INSTRUMENTS (CONT'D)

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

Credit risk

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

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

Credit risk concentration profile

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

	GROUP			
BY COUNTRY	2009 $	% OF TOTAL	2008 $	% OF TOTAL
Singapore	**1,564,870**	**25**	14,349,629	39
China	**2,070,600**	**33**	7,863,763	22
Middle East	**2,226,976**	**36**	14,057,807	39
Asia Pacific (excluding China and Singapore)	**326,316**	**6**	33,314	–
	6,188,762	**100**	36,304,513	100

At the balance sheet date, approximately:

- 91% (2008: 97%) of the Group's trade receivables were due from 4 (2008: 3) major customers who are located in Singapore, Middle East and China.

- A nominal amount of $4,000,000 (2008: $4,000,000) relating to a corporate guarantee provided by the Company to a bank on its subsidiaries' banking facilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

31. FINANCIAL INSTRUMENTS (CONT'D)

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

Credit risk **(cont'd)**

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 17 (Trade receivables) and Note 18 (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% (2008: 99%) of the Group's sales are denominated in foreign currencies whilst about 70% (2008: 70%) 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 $40,402,000 (2008: $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	
		2009 $'000 NET PROFIT	2008 $'000 NET PROFIT
USD/SGD	– strengthened 3% (2008: 3%)	**+1,306**	+1,992
	– weakened 3% (2008: 3%)	**-1,306**	-1,992

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2009

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value

Recognised financial instruments

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

32. 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.

33. DIVIDEND

	GROUP AND COMPANY	
	2009	2008
	$	$
PROPOSED BUT NOT RECOGNISED AS A LIABILITY AS AT 31 DECEMBER:		
Dividend on ordinary shares, subject to shareholders' approval at the AGM:		
- First and final tax-exempt (one-tier) dividend for 2009: 2.25 cents (2008: 0.5 cents) per share	**14,732,280**	3,156,893

34. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 5 March 2010.

ANALYSIS OF SHAREHOLDINGS

AS AT 3 MARCH 2010

Number of Shares	:	**654,802,516**
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	299	8.67	22,039	0.00
1,000 - 10,000	1,507	43.72	7,752,669	1.18
10,001 - 1,000,000	1,608	46.65	97,809,943	14.94
1,000,001 and above	33	0.96	549,217,865	83.88
TOTAL	3,447	100.00	654,802,516	100.00

TWENTY LARGEST SHAREHOLDERS

NAME	NO. OF SHARES	%
1. Saberon Investments Pte Ltd	455,994,550	69.64
2. OCBC Securities Private Ltd	20,199,022	3.08
3. DBS Nominees Private Limited	9,020,030	1.38
4. Citibank Nominees Singapore Pte Ltd	7,982,000	1.22
5. United Overseas Bank Nominees Pte Ltd	6,354,004	0.97
6. DMG & Partners Securities Pte Ltd	4,547,000	0.69
7. Sng Siew Lin	3,100,000	0.47
8. HSBC (Singapore) Nominees Pte Ltd	2,588,000	0.40
9. Lim Lay Kheng Alicia	2,570,000	0.39
10. Seah Kheng Lun	2,500,000	0.38
11. Sng Siew Khim	2,453,000	0.37
12. Yeap Lam Kang	2,162,750	0.33
13. Booi Pang Hin	1,988,000	0.30
14. Singapore Nominees Pte Ltd	1,880,000	0.29
15. Citibank Consumer Nominees Pte Ltd	1,840,002	0.28
16. Kim Eng Securities Pte. Ltd.	1,811,995	0.28
17. Lee Yan Teck	1,704,500	0.26
18. OCBC Nominees Singapore Pte Ltd	1,614,004	0.25
19. Lee Ai Ni	1,600,000	0.24
20. Jin Weihua	1,597,000	0.24
TOTAL	**533,505,857**	**81.46**

PUBLIC FLOAT

Based on the information available to the Company, as at 3 March 2010, approximately 28.5% 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

	DIRECT INTEREST		DEEMED INTEREST	
NAME OF SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES	%	NO. OF SHARES	%
Saberon Investments Pte Ltd	455,994,550	69.64	-	-
Dr Benety Chang*	-	-	455,994,550	69.64
Dr Doris Heng Chin Ngor*	-	-	455,994,550	69.64
Anthony Sabastian Aurol*	-	-	455,994,550	69.64
Tan Yang Guan*	1,065,000	0.16	455,994,550	69.64

* Deemed to be interested in 455,994,550 shares held by Saberon Investments Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

ANALYSIS OF WARRANTHOLDINGS (W110613)

As at 3 March 2010

Issued on	**:**	**14 June 2006**
Expiring on	**:**	**13 June 2011**
Exercise Price	**:**	**S$0.025**

Distribution of Warrantholdings

SIZE OF HOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 999	73	41.24	34,846	5.00
1,000 - 10,000	89	50.28	263,648	37.81
10,001 - 1,000,000	15	8.48	398,809	57.19
TOTAL	177	100.00	697,303	100.00

TWENTY LARGEST WARRANTHOLDERS

NAME	NO. OF WARRANTS	%
1. Ong Swee Whatt	138,000	19.79
2. Ong Sim Whee	29,500	4.23
3. Goh Cheay Hwa	25,000	3.59
4. Lee Chiew Eng	25,000	3.59
5. Ha Kee Cheong Engineering Sdn Bhd	24,500	3.51
6. Lim Siew Toh Lucy	20,000	2.87
7. Mak Weng Khiang	20,000	2.87
8. Woon Hee Choy	17,915	2.57
9. Tan Yeow Nam	17,500	2.51
10. Ho Chan	15,000	2.15
11. Lai Siew Hong	15,000	2.15
12. Lee Chak Meng	15,000	2.15
13. Low Chin Yee	15,000	2.15
14. Yeap Lam Wah	11,000	1.58
15. Phillip Securities Pte Ltd	10,394	1.49
16. Ho Huat Heng Darryl (He Faxing Darryl)	10,000	1.43
17. Loganathan Ravishankar	10,000	1.43
18. Ng Boon Kim	9,000	1.29
19. Tan Aik Hin	8,000	1.15
20. Jee Yoke Koon	7,500	1.08
TOTAL	443,309	63.58

ANALYSIS OF WARRANTHOLDINGS (W121116)

As at 3 March 2010

Issued on	:	**17 November 2009**
Expiring on	:	**16 November 2012**
Exercise Price	:	**S$0.320**

Distribution of Warrantholdings

SIZE OF HOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 999	6	0.46	2,506	0.00
1,000 - 10,000	625	47.42	3,341,500	1.02
10,001 - 1,000,000	665	50.45	42,299,100	12.92
1,000,001 and above	22	1.67	281,740,902	86.06
TOTAL	1,318	100.00	327,384,008	100.00

TWENTY LARGEST WARRANTHOLDERS

NAME	NO. OF WARRANTS	%
1. Saberon Investments Pte Ltd	227,997,275	69.64
2. OCBC Securities Private Ltd	13,349,000	4.08
3. Go Kian Lee	3,859,000	1.18
4. Sng Siew Khim	3,654,000	1.12
5. DMG & Partners Securities Pte Ltd	3,396,000	1.04
6. Sng Siew Lin	2,521,000	0.77
7. United Overseas Bank Nominees Pte Ltd	2,514,627	0.77
8. Tang Chong Sim	2,469,000	0.75
9. Chua Chai Tiang	2,411,000	0.74
10. Lee Ai Ni	2,014,000	0.62
11. Yeo Kok Hiong	2,012,000	0.61
12. Wee Hui Hian	2,010,000	0.61
13. Ng Kim Lan	1,753,000	0.54
14. Seah Kheng Lun	1,571,000	0.48
15. CIMB-GK Securities Pte. Ltd.	1,562,000	0.48
16. Khoo Aik Peng	1,519,000	0.46
17. Yeap Lam Kang	1,353,000	0.41
18. Tan Tee Keong Spencer	1,267,000	0.39
19. Citibank Nominees Singapore Pte Ltd	1,195,000	0.37
20. Citibank Consumer Nominees Pte Ltd	1,180,000	0.36
TOTAL	279,606,902	85.42

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, 22 April 2010 at 10.00 a.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 2009 together with the Auditors' Report thereon.

2. To declare a one-tier tax-exempt final dividend of 2.25 cents per share for the financial year ended 31 December 2009.

3. To re-elect the following Directors retiring pursuant to Article 104 of the Articles of Association of the Company. [See Explanatory Note (i)]

   a. Mr Lim Ho Seng
   b. Dr Benety Chang

4. To approve Directors' fees of S$77,000/- for the financial year ended 31 December 2009 (2008 : S$77,000/-).

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

AS SPECIAL BUSINESS

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

   "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) options, warrants, debentures or other instruments convertible into Shares,

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

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

NOTICE OF ANNUAL GENERAL MEETING

provided that:

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

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

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

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

(3) the 50% limit in sub-paragraph (1) above may be increased to 100% for the Company to undertake pro rata renounceable rights issues;

(4) 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

(5) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, or in relation to sub-paragraph (3) above, 31 December 2010 or such other deadline as may be extended by the SGX-ST, whichever is the earlier." [See Explanatory Note (ii)]

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

"That, contingent on the passing of the Ordinary Resolution in item 6 above ("Resolution 6"), authority be and is hereby given to the Directors to fix the issue price for shares in the capital of the Company that are to be issued by way of placement pursuant to the 20% sub-limit for Other Share Issues on a non pro rata basis referred to in Resolution 6, at a discount exceeding 10% but not more than 20% of the price as determined in accordance with the Listing Manual of the SGX-ST." [See Explanatory Note (iii)]

NOTICE OF ANNUAL GENERAL MEETING

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

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

   (i) offer and grant options in accordance with the provisions of the Baker Group Share Option Scheme 2002 (the "Scheme"); and

   (ii) 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 business that may properly be transacted at an Annual General Meeting.

By Order of the Board
Aw Seok Chin
Company Secretary
29 March 2010

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 6 Pioneer Sector 1, Singapore 628418 not less than 48 hours before the time appointed for holding the Annual General Meeting.

Explanatory Notes:

i. Mr Lim Ho Seng, if re-elected, will remain as the Chairman of the Board of Directors, Audit and Remuneration Committees and a member of the Nominating Committee. He is considered an independent director.

   Dr Benety Chang, if re-elected, will remain as the Chief Executive Officer and a member of the Nominating Committee. He is considered a non-independent director.

NOTICE OF ANNUAL GENERAL MEETING

ii. The Ordinary Resolution proposed in item 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments (such as options, warrants and debentures) convertible into shares, and to issue shares pursuant to such instruments, for such purposes as they consider would be in the interests of the Company, up to a number not exceeding in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders. The 50% limit referred to in the preceding sentence may be increased to 100% for the Company to undertake pro rata renounceable rights issues.

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

The 100% renounceable pro rata rights issue limit is one of new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 unless extended. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

iii. The Ordinary Resolution proposed in item 7 above is pursuant to measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 unless extended. Under the measures implemented by the SGX-ST, issuers will be allowed to undertake non pro rata placements of new shares priced at discounts of up to 20% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed, subject to the conditions that (a) shareholders' approval be obtained in a separate resolution (the "Resolution") at a general meeting to issue new shares on a non pro rata basis at discount exceeding 10% but not more than 20%; and (b) that the resolution seeking a general mandate from shareholders for issuance of new shares on a non pro rata basis is not conditional upon the Resolution.

It should be noted that under the Listing Manual of the SGX-ST, shareholders' approval is not required for placements of new shares, on a non pro rata basis pursuant to a general mandate, at a discount of up to 10% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed.

NOTICE OF ANNUAL GENERAL MEETING

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 Transfer Books and Register of Members of the Company will be closed on 6 May 2010 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 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 up to 5.00 p.m. on 5 May 2010 will be registered to determine shareholders' entitlement to the proposed first and final dividend ("Dividend"). Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on 5 May 2010 will be entitled to the proposed Dividend.

The proposed Dividend, if approved by the shareholders at the Annual General Meeting will be paid on 18 May 2010.

BAKER TECHNOLOGY LIMITED
Unique Entity Number: 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 proxy/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 22 April 2010 at 10.00 a.m and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the 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.

No.	Resolutions Relating to:	**To be used on a show of hands**		**To be used in the event of a poll**	
	ORDINARY BUSINESS	**For***	**Against***	**For****	**Against****
1.	Adoption of Director's Report and Financial Statements				
2.	Declaration of dividends				
3.	Re-election of Mr Lim Ho Seng				
4.	Re-election of Dr Benety Chang				
5.	Approval of Directors' fees				
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 issue new shares up to discount of 20%				
9.	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.

Signed this day of 2010

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 6 Pioneer Sector 1 Singapore 628418 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) Limited to the Company.

THE PURSUIT OF EXCELLENCE CONTINUES...

MOVING FORWARD TO A FUTURE OF OPPORTUNITIES WITH A STRATEGIC MINDSET AND INTENSIFIED FERVOUR.
BAKER TECHNOLOGY LIMITED.

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