Annual Report **2010**

Baker Technology Limited

CREATING VALUE THROUGH SOUND RESULTS, INVESTMENTS AND BUSINESS PRACTICES

TOWARDS NEW FRONTIERS

Gearing Up

Eyeing A Sustainable Future

Achievements Recognised

Forbes Asia's "Best Under a Billion"

Singapore Corporate Awards' Best Managed Board (Silver)

Our dedication to excellence is evident in the results we recorded, the heights we reached, and the transformation we achieved.

S$48.4 Million

Revenue

S$30.4 Million

Profit Before Tax

S$27.4 Million

Profit After Tax

BAKER Technology Limited

Unique Entity Number: 198100637D

2010

annual | report

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In our bid to transform Baker Tech into a dynamic company that capitalises on diverse growth prospects, we are constantly seeking new frontiers. We will maintain our unwavering focus and drive to surpass our own standards of business excellence.

RAISING THE BAR

We are the leading manufacturer and provider of specialised equipment and services for the oil and gas industry.

Our firm foothold in the industry and reputation for quality and innovation enable us to deliver strong and sustainable growth.

Corporate Information

Baker Technology Limited ("Baker Tech") is a leading manufacturer and provider of specialised equipment and services for the global oil and gas industry. It designs and manufactures specialised equipment and critical components for use in offshore environments. It also offers complementary services in project management, engineering services, quality assurance, and construction supervision.

The Group has secured a strong foothold in the global oil and gas industry and firmly established an excellent reputation for innovation, quality and reliability. It has also widened its global reach with a growing market presence in China, the Middle East and Asia.

The Group plans to fortify its market position by expanding its product range and market reach through new product research and development and investing further in the oil and gas sector.

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

DIRECTORS
Lim Ho Seng *Chairman*
Dr Benety Chang *Chief Executive Officer*
Anthony Sabastian Aurol *Chief Operating Officer*
Tan Yang Guan
Wong Kwan Seng Robert
Wong Meng Yeng

AUDIT COMMITTEE
Lim Ho Seng *Chairman*
Tan Yang Guan
Wong Meng Yeng

NOMINATING COMMITTEE
Wong Meng Yeng *Chairman*
Lim Ho Seng
Dr Benety Chang

REMUNERATION COMMITTEE
Lim Ho Seng *Chairman*
Tan Yang Guan
Wong Meng Yeng

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

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

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

Australia and New Zealand Banking
Group Limited
1 Raffles Place #32-00
One Raffles Place
Singapore 048616

Bank Julius Baer & Co. Ltd.
One George Street #21-02
Singapore 049145

Standard Chartered Bank
6 Battery Road
Singapore 049909

LIVING OUR VISION

PASSION FOR **EXCELLENCE**

Each milestone we achieve further fuels our drive and strengthens our commitment to excellence.

KEY MILESTONES

2010

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

SEPTEMBER
Featured as one of only eight companies in Singapore on Forbes Asia's "Best Under a Billion" list.

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

2009

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

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

2008

OCTOBER
Upgraded to SGX-ST Mainboard.

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

2007

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

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

2006

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

Completed capital reduction exercise to write off S$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.

2005

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

2004

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

2000

JULY
Name changed to Baker Technology Limited.

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

BAKER TECH'S WINNING FORMULA

An insightful interview with Mr Lim Ho Seng

Chairman of the Board of Baker Technology Limited ("Baker Tech"), Mr Lim Ho Seng looks back on an eventful year and shares with shareholders on how the Group will continue to grow and enhance shareholder value through its continuous pursuit of excellence in all areas.

Group performance in 2010 was weaker than in 2009 despite the disposal of PPL Holdings. Can you please explain?

Operationally, 2010 was a slow year as we were still feeling the effects of the sharp and sudden downturn in the marine sector in 2009, which was precipitated by the global financial crisis. As a result of the slow order intake in 2009, Group revenue decreased from S$79.2 million to S$48.4 million.

During the year, the Group determined that it would be more appropriate to adopt FRS 31 *Interests in Joint Ventures* to account for our indirect 15% stake in PPL Shipyard Pte Ltd ("PPLS"), which was held by our wholly-owned subsidiary PPL Holdings Pte Ltd ("PPLH"). Accordingly, we have reclassified this investment as a joint venture and have equity-accounted for our share of results since our acquisition in May 2007.

As a result of the change in accounting policy, share of results from PPLS was restated as S$55.4 million in FY2009, compared to a S$5.4 million dividend income previously. Our investment in PPLS was also restated from S$5.1 million to S$71.9 million for FY2009 to reflect the share of post-acquisition reserves. Shareholders can turn to Page 65 of our Annual Report 2010 for further details on the effects on financial statements.

As we were unable to obtain the results of PPLS for the period 1 January 2010 to 26 October 2010 (when we completed the disposal of PPLH), share of results from

PPLS in FY2010 was recorded as S$15.8 million, being the tax-exempt interim dividends received on 30 April 2010.

However, shareholders should note that the restatement of share of results from PPLS has absolutely no impact on the soundness of our financial position.

During the year, we successfully completed the sale of PPLH for US$116.25 million (S$150.54 million). As the result of adopting equity accounting of our indirect stake in PPLS, the gain on disposal was S$58.2 million, compared to a gain of S$125.1 million had we not adopted equity accounting.

In view of the pending legal suit with Sembcorp Marine Limited ("SCM"), we have prudently opted to defer the recognition of the gain of S$58.2 million. We have disputed SCM's claim against PPLH which can be summarised into two broad areas. The first is that SCM has the right to purchase the shares of PPLS owned by PPLH for S$59.4 million and that the right had been triggered when Baker Tech accepted the offer to dispose of PPLH. The second relates to the Joint Venture Agreement between SCM and PPLH, which SCM claims had been terminated. At present time, the issues raised in the Suit have yet to be determined by the Court and our lawyers have advised that there is no basis for SCM to succeed on the claims made by them against PPLH.

As a result of the weaker operating environment and the effects of the restatement of share of results from PPLS, Group net profit declined from S$88.6 million to S$27.4 million in FY2010. Without the restatement, Group net profit would instead have declined from S$38.6 million to S$27.4 million.

Now that the disposal of PPLH has been completed, how will the Group be rewarding its shareholders?

We are committed to enhancing long-term shareholder value and the disposal of our indirect stake in PPLS attests to that commitment. The Board believed that the offer price was attractive and allowed us to unlock substantial value. We would like to thank our shareholders for being so supportive of the disposal. The Board is recommending a first and final tax-exempt one-tier dividend of 3.0 cents per share for FY2010 (FY2009: 2.25 cents per share). As of the closing share price of S$0.29 as at 22 February 2011, the proposed dividend translates to a very attractive dividend yield of 10.3%.

What is the current financial position of Baker Tech?

With the proceeds from the sale of PPLH, our financial position has strengthened further. As at 31 December 2010, we have cash and cash equivalents of S$214.1 million and zero debt. Apart from the proposed dividend payout, we are judiciously exploring the use of the remaining proceeds to create new profit centres for the Group. Our stronger financial capacity and proven record of prudent financial management mean that we will have better access to capital; it also means that we have become even more attractive to strategic partners as we explore new opportunities.

2010 was an eventful and fruitful year for the Group. What are some of the highlights of the year?

The most significant event was the successful disposal of our wholly-owned subsidiary, PPLH, for US$116.25 million (S$150.54 million), compared to our original investment cost of S$3.6 million. Over the three years that we had held the investment, we had also received total dividends of S$37.8 million.

It was also a fruitful year for Baker Tech on many other fronts. We are pleased that Baker Tech has won the Silver award for Best Managed Board (companies with less than S$300 million in market capitalisation) in the Singapore Corporate Awards 2010, after previously winning a Merit award in 2009. The Best Managed Board Award is the first of its kind in Asia-Pacific that recognises and encourages enhanced corporate governance at the board level. The improvement from a Merit to a Silver award in consecutive years attests to our continuing commitment to promote transparency, accountability and the highest standards of board practices and corporate governance in Baker Tech.

Another proud moment for us in 2010 was the recognition by Forbes Asia as one of only eight companies in Singapore to be featured in its "Best Under a Billion" list.

The annually published list showcases 200 of the region's top-performing small and mid-size companies, selected out of nearly 13,000 public-listed firms. The top 200 companies are recognised for their high sales and earnings growth, and superior return on shareholders' equity. This is the first time Baker Tech has made it to this honour list and it is a gratifying recognition of our past performance and future growth prospects.

For the whole of 2010, our share price also performed well, rounding up the year with an 18.5% rise and outperforming the FT-STI Index, which rose 10.2%.

Looking ahead, what can you tell us about the Group's prospects in 2011?

We are increasingly more upbeat on the offshore oil and gas sector as global demand for oil continues to expand and global exploration and production spending continues to rise. Another affirming sign was the strong pickup in rig orders by Singapore rigbuilders since the last quarter of 2010.

The U.S. Energy Information Administration (EIA) said, in February 2011, that worldwide oil demand will increase by 1.5 million barrels per day in 2011 and by another 1.6 million barrels per day in 2012. The EIA also expects continued tightening of global oil markets over the next two years. Almost all the growth in consumption will be accounted for by developing countries outside the Organisation for Economic Cooperation and Development, such as China, Brazil, and the Middle East.

In the latest survey of 402 companies by Barclays Capital, published in December 2010, global exploration and production (E&P) spending is forecasted to rise 11% in 2011 to US$490 billion from US$442 billion in 2010 (Source: "The Original E&P Spending Survey").

Our wholly-owned subsidiary, Sea Deep, which is a leading supplier of critical components to rigbuilders with an excellent track record and global market presence, is well-positioned to benefit from the recovery in the oil and gas sector. Our order book has already strengthened to US$33 million as at December 2010, up significantly from US$7 million a year ago. We are currently witnessing a strong pickup in enquiries.

We have been actively putting new initiatives in place to break into new markets, and developing new and innovative products to meet customers' needs. We are also developing a new series of offshore cranes. These will be suitable for use in semi-submersibles, FPSOs, drill ships and floating vessels and will help expand our customer base further.

Overall, we expect to remain profitable in 2011. This will be an exciting year for Baker Tech as we expect to unveil new investments and initiatives that will usher in a new era of growth for the Group.

There has been a growing trend towards consolidation in the sector through mergers and acquisition activities. Is that a part of the Group's ambitions in the coming years as it explores new growth opportunities?

We are currently in the midst of identifying and assessing possible new investments in the offshore oil and gas sector. Our forte lies in manufacturing specialised steel components for the marine offshore sector. We will leverage on our expertise, past track record and the trust that we have developed with our customers.

The Group practices strict investment discipline – we aim to generate superior and resilient returns in the long term. M&A activities could be one way to grow for the Group, but we are always mindful of how any new investment would fit into our overall strategy. Of course, identifying the right partner is crucial as well.

What are the key factors of Baker Tech's success?

The key factors of Baker Tech's success have to be its unfailing commitment to its vision and the many people behind the company. I must thank our customers, suppliers and partners for their trust and support in us.

I would like to thank our shareholders too, some of whom have journeyed with the company since its listing as Wassall Asia Pacifc Limited. I am grateful for their faith and support all these years.

I must also credit our success to the visionary management team and the hardworking and efficient staff. They have been united in the vision of creating an excellent company by providing the highest level of customer service and meeting customer needs through continuous innovation.

As Chairman of the Board, I would like to thank my fellow board members for their time, contribution and wise counsel, especially during this very eventful year.

Photo credit: Mr John Heng

REAPING VALUE

Our achievements affirm the relevance of our business approach, the global competence of our team, and the high standards we set for ourselves.

Forbes Asia's "Best Under A Billion" List 2010

Baker Tech made its maiden appearance on the prestigious list, which annually showcases 200 of the Asia-Pacific region's top-performing small and midsize companies.

Singapore Corporate Awards 2010

Silver award winner for the Best Managed Board Award (companies with less than S$300 million in market capitalisation).

BOARD *of* DIRECTORS

It is a combination of dedication, keen foresight and integrity that has guided Baker Tech under the stewardship of its management team. While Baker Tech strives for greater achievements ahead, we take a look at the team behind the company.

From left to right:
Mr Anthony Sabastian Aurol,
Mr Wong Kwan Seng Robert,
Mr Lim Ho Seng,
Dr Benety Chang,
Mr Wong Meng Yeng and
Mr Tan Yang Guan

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 22 April 2010. 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.

Dr Benety Chang
Chief Executive Officer

Dr Benety Chang joined the Board of Baker Technology Limited on 5 May 2000. He was last re-elected on 22 April 2010 and is presently the Chief Executive Officer of the Company. He is also the Deputy Chairman of PPL Shipyard Pte Ltd, which specialises in the manufacture of its own designed jackup rigs. He 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 a law graduate.

Mr Wong Kwan Seng Robert
Non Independent Non Executive Director

Mr Wong Kwan Seng Robert joined the Board on 24 February 1998. He is currently a Non Independent Non Executive Director of the Company. He was last re-elected on 29 April 2008 and will be due for re-election at this coming Annual General Meeting.

He is a lawyer by profession. Mr Wong practices 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 acquisition and joint ventures.

Mr Wong is also currently an Independent Director of three other public listed companies namely Darco Water Technologies Limited, Wee Hur Holdings Ltd and Willas-Array Electronics (Holdings) Limited and sits on the board of Mount Alvernia Hospital. Mr Wong is able to share a significant amount of his legal experience and knowledge with the Company.

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 and will be due for re-election at this coming Annual General Meeting. He is also a member of the Audit and Remuneration Committees of the Company. He is currently the Finance Director of rig-builder, PPL Shipyard Pte Ltd ("PPLS").

Mr Tan brings with him more than 35 years of extensive experience in accounting, auditing and financial management. He started his career in audit with Ernst & Young in 1975. In 1988, he joined PPLS and currently oversees its financial, treasury and corporate finance functions.

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

Mr Wong Meng Yeng
Independent Director

Mr Wong joined the Board on 3 June 2010 as an Independent Director. Mr Wong is due for re-election at this coming Annual General Meeting. He was also appointed Chairman of the Nominating Committee on 3 June 2010 and a member of the Audit and Remuneration Committees.

Mr Wong has been an advocate and solicitor in Singapore since 1984 and practices corporate law. He is currently a director of Alliance LLC, a law corporation he co-founded in 2001. Over the last 10 years he has been an Independent Director of several companies listed on the Singapore Exchange. Mr Wong graduated from the National University of Singapore in 1983 with a Bachelor of Laws (Honours) degree.

KEY EXECUTIVES

Our Senior Management team strives to ensure that the Group delivers results and safeguards its corporate integrity.

L-R: Mr Ong Thian Whee Albert, Mr Tan Keng Tiong Alvin, Mr Tan Kiang Kherng

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

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 in York Transport Equipment (Asia) Pte Ltd and General Manager in 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.

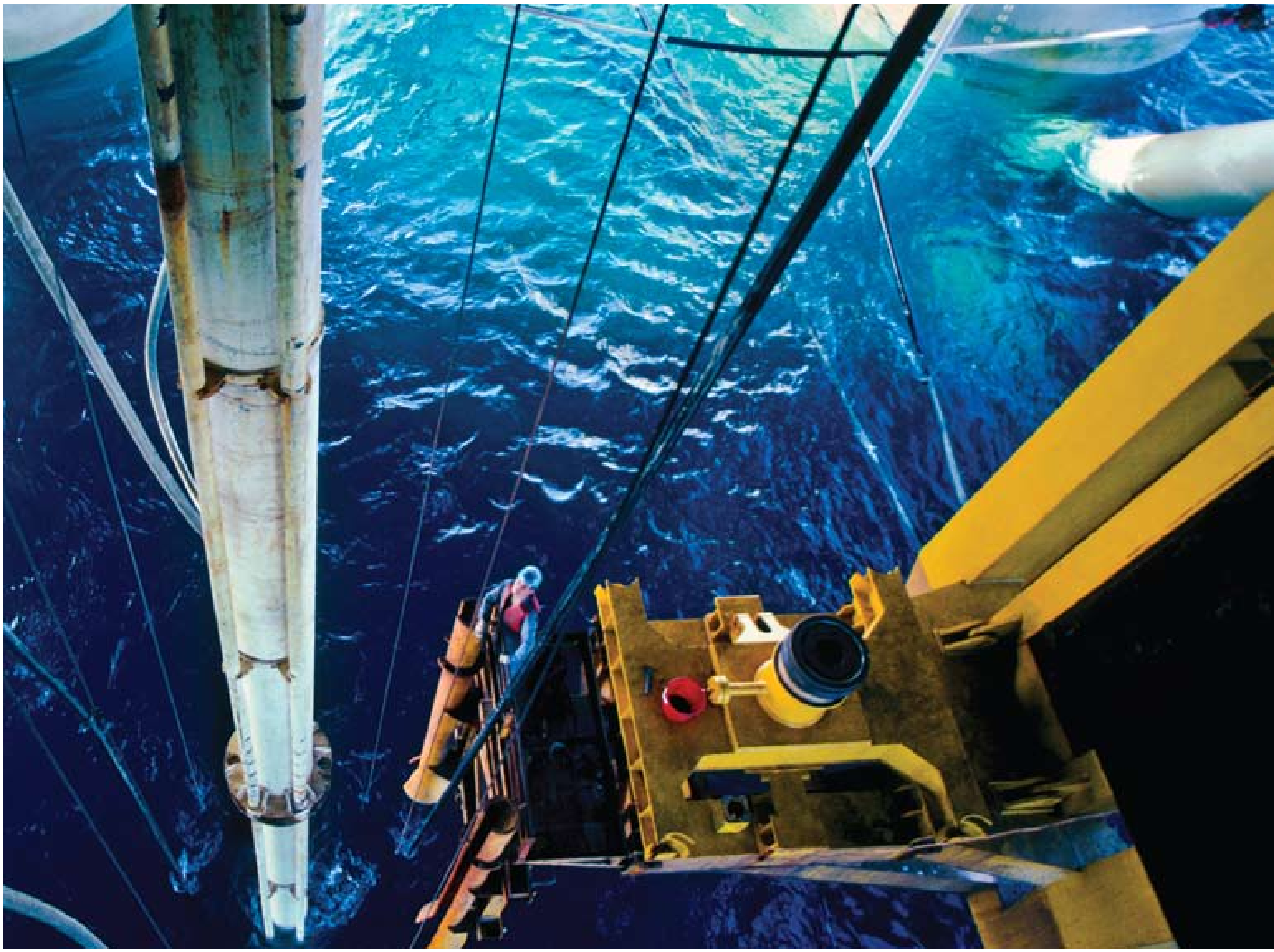
Mr Tan Kiang Kherng
Financial Controller

Mr Tan Kiang Kherng is the Financial Controller of the Group and oversees its financial, accounting and administrative activities. He graduated from Nanyang Technological University with a Bachelor of Accountancy (Honours) degree and is a member of the Institute of Certified Public Accountants of Singapore. Mr Tan was previously a Senior Audit Manager with Ernst and Young before joining the Group in 2002.

BUSINESS
FOCUS

A spotlight on the business of Sea Deep Shipyard Pte. Ltd.

Sea Deep Shipyard Pte. Ltd. ("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 priorities.



A Brief History

Acquired by Baker Tech in 2008, Sea Deep is an international engineering company that serves the energy industry with special capabilities in the offshore environment.

With a track record of superior performance that has been proven through the successful completion of various turnkey projects, Sea Deep has established itself as a dependable manufacturer and provider of specialised equipment and services for the global oil and gas industry.

Capabilities

From its shipyard at the Southern Tuas Basin in Singapore, Sea Deep supports its global clients with a team of highly qualified and experienced engineers. The shipyard houses a full-facility workshop that is well-equipped to serve the increasingly sophisticated requirements of its clients.

PRODUCTS AND SERVICES

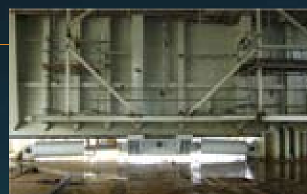
Sea Deep specialises in the manufacture of offshore drilling rig components, and the re-engineering, upgrading and modification of a variety of drilling rigs of various designs. The company also manufactures and markets a range of offshore pedestal cranes of its own proprietary design from its Singapore factory.

To cater to the needs of the offshore and marine energy industry, Sea Deep offers a suite of products and services including:

- Conversion/refurbishment of jacking systems
- Offshore pedestal cranes
- Skidding systems
- Raw water tower structure design
- Anchor winches
- Steel products and component fabrication

The company also handles project management, turnkey conversions, proprietary designs, construction supervision and quality assurance.

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



KEY BUSI

01 *Products*

skidding systems

Our skidding systems are among the most respected and are 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*

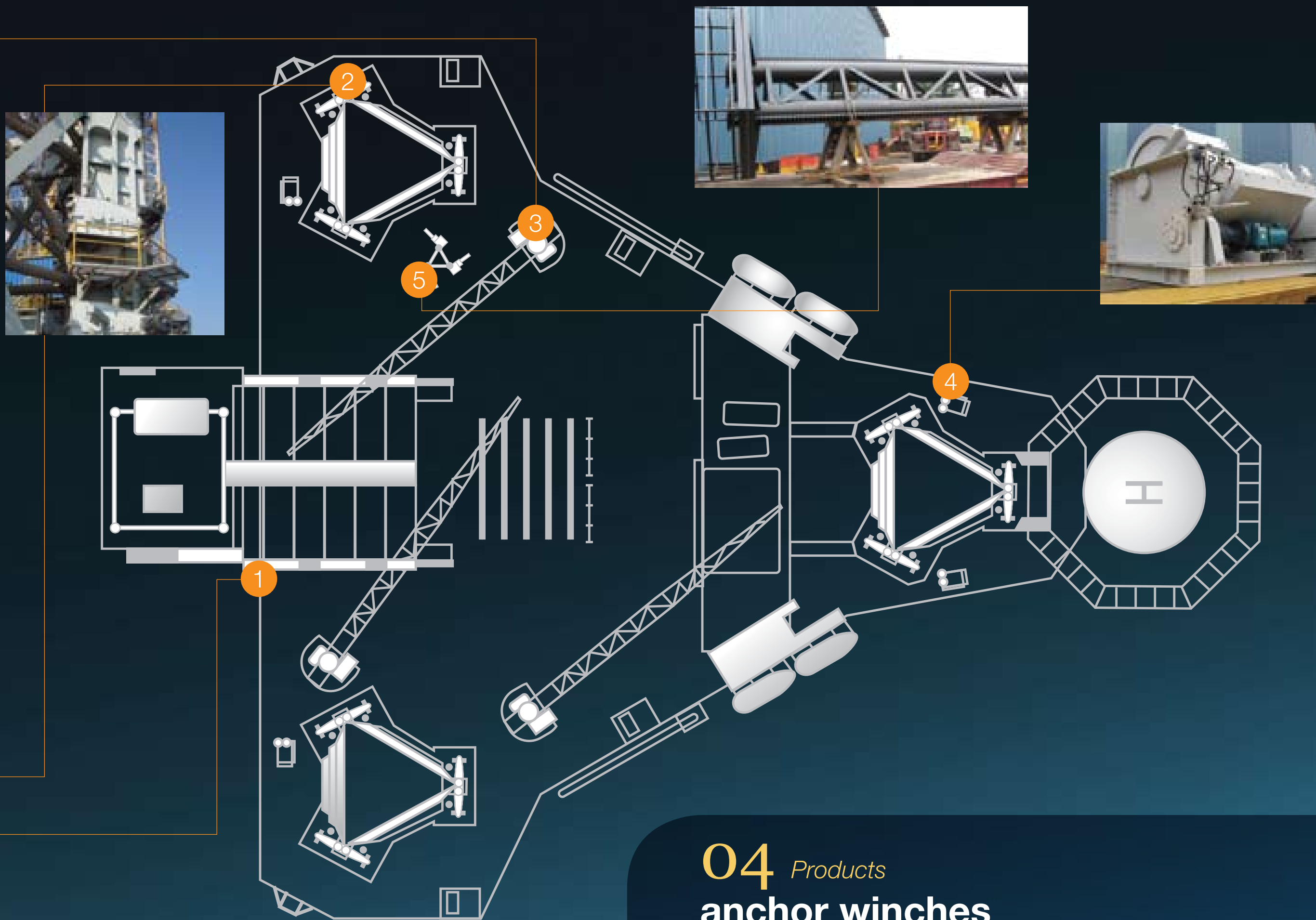
conversion/refurbishment of jacking systems

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*

offshore pedestal cranes

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



NESS

PRODUCTS

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 and pinions, machine tool manufacturing, and bridge components.

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 trailer industry.

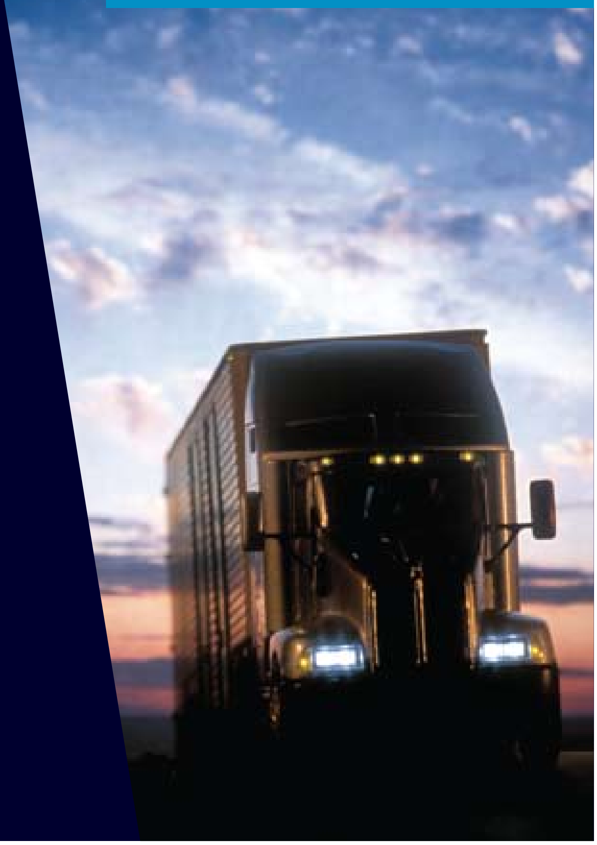
York was established in Singapore in 1989. It is 49% owned by Baker Technology Limited while the other 51% is owned by TRF Limited, a Tata enterprise.

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), York has the capability and flexibility to develop total solutions that are customised to clients' requirements.

York's Products

- Trailer axles
- Mechanical and air suspensions
- Landing gears
- Fifth wheel couplers
- Axle and suspension components
- Trailer and brake accessories
- Trailer ABS



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

PIONEERING TRANSPORT EQUIPMENT

York continually explores the latest technology in the field to satisfy the needs of our valued customers, delivering future benefits today and tomorrow.

Awarded the Road Friendly Certificate in Australia, York products are acknowledged for their quality, reliability, performance and durability.

As a progressive and innovative group that is committed to providing premium quality products and exceptional service, York takes pride in leading the way in the design and manufacture of trailer axles, suspensions and trailer components for the transport industry.

FACETS OF LIFE AT BAKER TECH

Taking a look into the heart of Baker Tech, it becomes evident that the company is not just an entity – it is an organisation with both passion and compassion.

CULTIVATING EXCELLENCE

Baker Tech wholeheartedly believes that its people play a vital role in the company, and strives to provide an engaging environment that affords them room to grow and excel.

Staff welfare and satisfaction are important to the company. Foreign workers are housed in pleasant living quarters that are equipped with excellent amenities. In addition, the company provides convenient and comfortable transport to and from work for its employees.

Also, the company often holds company-wide get-together events on special occasions to thank and reward everyone. Having staff across all levels mingle and interact with one another at such events goes a great way in creating a friendly and engaging atmosphere and cultivating a greater sense of belonging.

Besides fostering a conducive work environment, the company also actively identifies talent and nurtures it. Potential leaders are sent for external courses that develop their existing potential and are given opportunities to grow

within the company. For example, in 2010, the company sent selected personnel for management and enrichment courses to further develop their skills and broaden their range of abilities.

SAFETY AND RESPONSIBILITY

In addition to caring for the development and well-being of its people, Baker Tech is also conscientious about ensuring that its people are protected at the workplace, so that they may work with peace of mind. The company has in place quality management systems that address risks, reinforce commitment and promote sharing of knowledge and expertise.

To ensure that all members of staff are aware of the necessary safety procedures, regular toolbox meetings are held to review safety issues and reinforce the awareness of the importance of precautionary measures. Last year, Baker Tech stepped up its efforts to improve workplace safety for its people. Potential hazards around the workplace were identified and measures were taken to mitigate them. Staff were also informed and briefed on the various steps to take to avoid such hazards. The company also conducts evacuation drills to better prepare its people for emergency situations.

The company also sent more personnel this year for Risk Assessment certification courses, and with the acquired skills and knowledge, they have been working together with the company to ensure a safe workplace for everyone.

CONTRIBUTING TO THE COMMUNITY

Baker Tech's compassion extends beyond its staff. The company seeks to improve the lives of not only the company's own but those of others in the community as well.

As part of an ongoing corporate social responsibility initiative, the company provides financial support to the Breast Cancer Foundation ("BCF"). The BCF aims to eradicate breast cancer by increasing awareness of the importance of early detection and treatment of the disease. They also provide emotional and financial support services to women and men affected by breast cancer.

In 2010, Baker Tech increased its financial support to the BCF by donating desktop computers to their offices as well as sponsoring a boat for its dragon boat team of breast cancer survivors, the Paddlers in the Pink, with the hope that such assistance can go a long way in boosting the morale of the people fighting the disease.

As an organisation with a heart, Baker Tech is deeply committed to creating an excellent and safe workplace for its employees, building sustainable relationships and making a positive impact in society.

As an organisation with a heart, Baker Tech is deeply committed to creating an excellent and safe workplace for its employees, building sustainable relationships and making a positive impact in society.

INVESTOR RELATIONS

REACHING OUT

Baker Tech is committed to regular, timely and fair communications with the investment community. It believes in maintaining open and continuous dialogue with shareholders, analysts, fund managers and the financial media. Besides holding regular results briefings to review its financial performance and update the investment community, Baker Tech's Investor Relations (IR) team also availed itself throughout the year to investor enquiries and also met up with local financial media, fund managers and analysts.

The IR team at Baker Tech is led by the Chairman of the Board, Mr Lim Ho Seng, and supported actively by the Senior Vice President — Business Development, Financial Controller and an external investor relations agency (NRA Capital Pte Ltd).

Baker Tech's website, www.bakertech.com.sg, is 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 its quarterly financial performance, position and prospects and material 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 IR page on the company's website.

2010 was an eventful year for the IR team. The company held two half-yearly briefings on its 6-months' and full year's financial results and the IR team met up with several analysts, fund managers and media throughout the year. The IR team also actively engaged the investment community over the company's disposal of its interests in PPL Holdings Pte Ltd ("PPLH"), explaining the rationale of the disposal and ensuring that the company provides timely updates during the process. Baker Tech also held two Extra-ordinary General Meetings ("EGM"s), in June and October 2010, to obtain shareholders' approval for the disposal of PPLH. The meetings were well-attended and discussions were lively as the Board addressed shareholders' questions objectively and patiently. Shareholder support was overwhelming and the disposal of PPLH was completed in October 2010.

Doing Business The Right Way

At Baker Tech, we build a culture of achievement that enables our people to transcend their limits for others and for themselves.

good business practices + safe and healthy work conditions + responsibility towards society

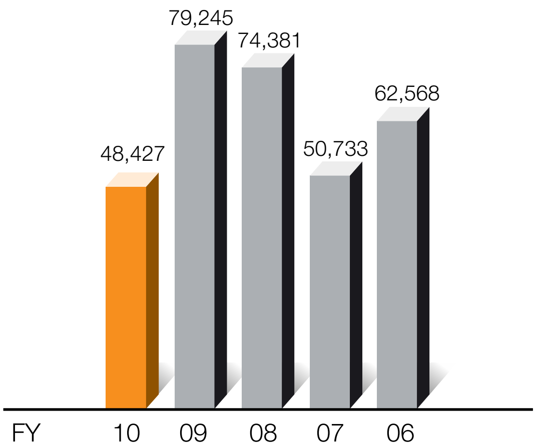
FIVE - YEAR FINANCIAL HIGHLIGHTS

	2010	2009 (retated)	2008 (restated)	2007 (restated)	2006
Financial Performance (S$'000)					
Revenue	48,427	79,245	74,381	50,733	62,568
Share of results from joint venture	15,823	55,411	17,256	4,856	–
Exceptional items	–	–	–	17,918	–
EBITDA	32,188	98,240	35,746	26,357	2,793
Profit before tax (PBT)	30,389	96,130	34,418	25,696	1,718
Profit after tax (PAT)	27,401	88,580	30,764	24,836	937
Financial Strength (S$'000)					
Total assets	263,300	198,299	136,873	48,877	36,804
Cash and cash equivalents (Available)	214,130	76,428	31,109	27,206	1,569
Loans & borrowings	99	145	245	–	4,427
Net current assets	163,848	69,787	28,507	24,845	17,782
Shareholders' equity	187,133	166,285	77,253	46,484	22,121
Cash Flows (S$'000)					
Operating activities	(1,782)	39,704	27,411	2,585	(2,361)
Investing activities	146,084	5,264	(18,085)	24,258	(501)
Financing activities	(6,600)	351	(5,422)	(1,035)	4,485
Per Share Data (cents)					
Earnings per share - Basic	4.1	13.9	4.9	3.9	0.3
Earnings per share - Diluted	2.8	13.8	4.7	3.8	0.2
Net assets per share	27.4	25.4	12.2	7.4	3.5
Dividend per share	3.00	2.25	0.50	–	–
Ratios					
Return on shareholders' equity	15%	53%	40%	53%	4%
Return on assets	12%	48%	25%	53%	5%
Stock Information					
Number of shares on issue ('000)	682,578	654,768	631,379	631,174	627,000
Highest/Lowest price (cents)	56.5/28.0	37.5/10.0	38.0/9.5	53.0/3.0	7.1/1.6*
Year-end share price (cents)	38.5	32.5	12.5	35.5	4.0
Year-end market capitalisation (S$'m)	262.8	212.8	78.9	224.1	25.1

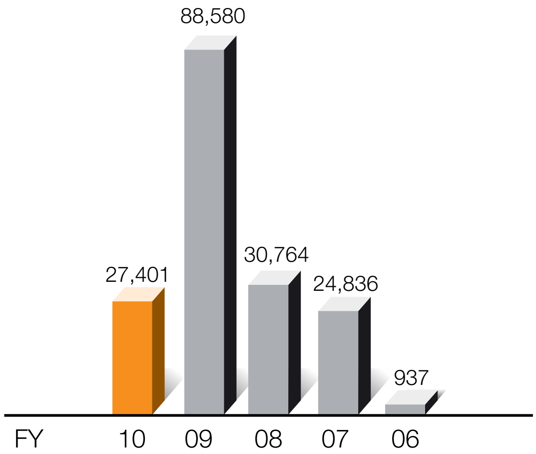
** - Share price adjusted for rights issue in June 2006*

FIVE - YEAR FINANCIAL HIGHLIGHTS

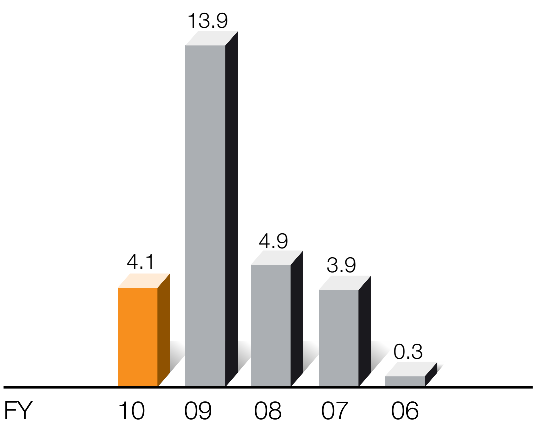
REVENUE (S$ '000)



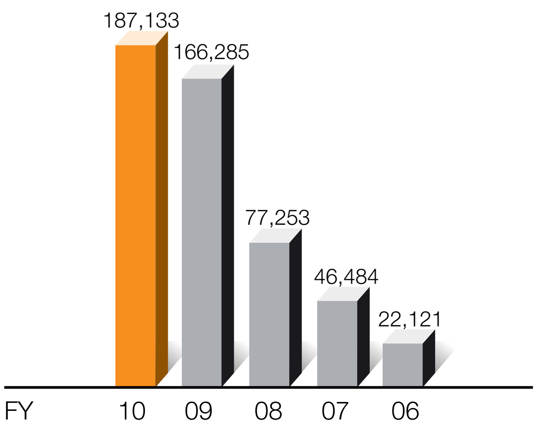
PROFIT AFTER TAX* (S$ '000)



EARNINGS PER SHARE* (CENTS)



SHAREHOLDERS' EQUITY* (S$ '000)



* *figures for FY2007 to FY2009 are restated*

SHARE PRICE PERFORMANCE

Source: Bloomberg

OPERATING & FINANCIAL REVIEW

THE GROUP'S FINANCIAL POSITION STRENGTHENED FURTHER IN 2010 WITH GROUP SHAREHOLDERS' EQUITY IMPROVING 13% TO S$187.1 MILLION.

In line with the pickup in activities within the oil and gas sector, our order intake has improved steadily in 2010. Net order book surged to US$33 million as at December 2010 compared to US$7 million a year ago.

Income Statement	2010 S$'000	2009 S$'000 (restated)	Change %
Revenue	**48,427**	**79,245**	**(39)**
Cost of goods sold	(23,496)	(27,946)	(16)
Gross profit	**24,931**	**51,299**	**(51)**
Other operating income/(expenses), net	(2,256)	(3,059)	(26)
Administrative expenses	(8,491)	(7,261)	17
Finance costs	(7)	(9)	(22)
Share of results of joint venture	15,823	55,411	(71)
Share of results of associates	389	(251)	NM
Profit before income tax	**30,389**	**96,130**	**(68)**
Income tax expense	(2,988)	(7,550)	(60)
Profit after tax	**27,401**	**88,580**	**(69)**

NM – Not meaningful

2010 was an eventful year for Baker Tech. One of the highlights of the year was the completion of the disposal of its wholly-owned subsidiary, PPL Holdings Pte Ltd ("PPLH"), which held the Group's indirect 15% equity interest in PPL Shipyard Pte Ltd ("PPLS"), to QD Asia Pacific Ltd for US$116.25 million in October.

However, the disposal of PPLH has resulted in Sembcorp Marine Limited ("SCM") commencing legal proceedings against PPLH and its wholly-owned subsidiary, E-Interface Holdings Limited ("E-Interface"). SCM, the owner of the other 85% interest in PPLS, is alleging that it has the right to purchase the shares of PPLS owned by PPLH for S$59.4 million and that the right had been triggered when Baker Tech accepted the offer to dispose of PPLH. SCM also claims that the Joint Venture Agreement between SCM and PPLH had been terminated. At present time, the issues raised in the Suit have yet to be determined by the Court and the Group's lawyers have advised that there is no basis for SCM to succeed on the claims made by them against PPLH.

During the year, the Group reviewed its accounting policy with respect to its indirect 15% equity interest in PPLS, which was held through PPLH and E-Interface.

The Group determined that it would be more appropriate to adopt FRS 31 *Interests in Joint Ventures* for its 15% investment in PPLS. Accordingly, the Group has reclassified this investment as a joint venture and has equity-accounted for its share of results since the acquisition of PPLS in May 2007. This change in accounting policy has been applied retrospectively.

Under the new accounting policy, the Group reported a share of results of S$55.4 million as compared to a dividend income of S$5.4 million from PPLS in 2009. Also, the gain on the disposal of PPLH would be S$58.2 million, compared to the gain of S$125.1 million if the Group had not adopted FRS 31.

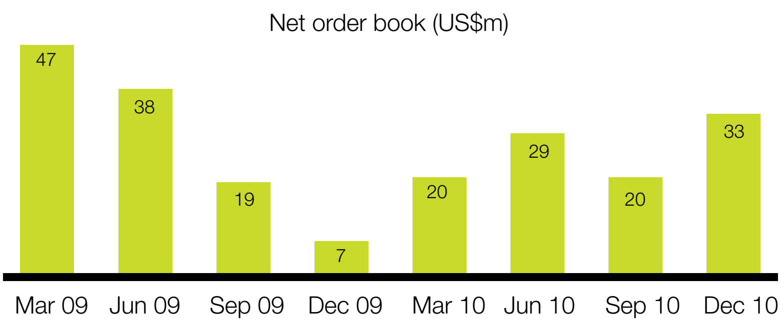
Due to the pending legal suit between PPLH/E-Interface and SCM, the Group has deemed it prudent to defer the recognition of gains of S$58.2 million from the disposal.

REVENUE

The Group continued to feel the effects of the global financial crisis in 2010. The lack of credit availability had delayed many oil and gas projects. This resulted in lower activities in the sector and much slower intake of new orders for the Group in 2009. The Group started 2010 with a net order book of US$7 million, down from US$57 million as at the beginning of 2009. Although activities in the offshore market had gradually picked up over the past year, Group revenue fell from S$79.2 million in FY2009 to S$48.4 million in FY2010. This was due to a much lower level of completions and progressive recognition of new orders compared to FY2009.

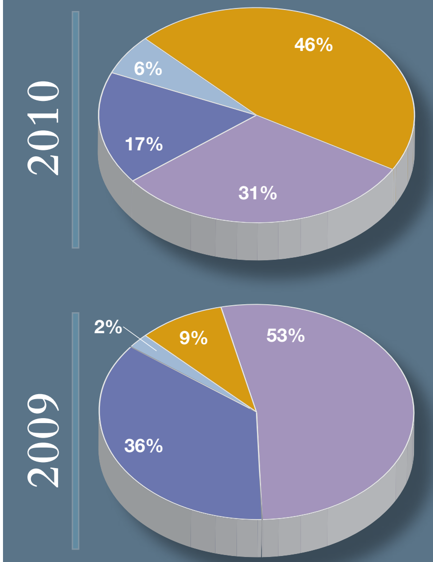
The Group's key products are jacking systems and specialised steel structures. These accounted for 79% of Group revenue in FY2010.

NET ORDER BOOK TREND



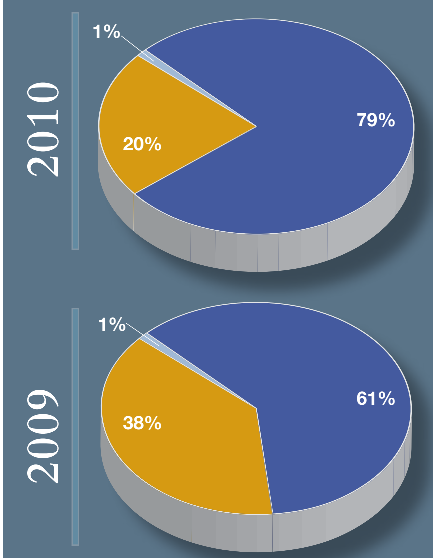
In line with the pickup in activities within the oil and gas sector, our order intake has improved steadily in 2010. Net order book surged to US$33 million as at December 2010 compared to US$7 million a year ago. The net order book is expected to be completed over the next twelve months.

REVENUE BREAKDOWN BY GEOGRAPHICAL AREA



Middle East
China
Singapore
Asia-Pacific (excluding China and SIngapore)

REVENUE BREAKDOWN BY PRODUCT



Jacking systems & specialised steel components
Crane & skidding systems
Others

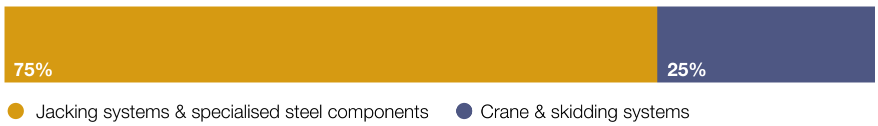
THE GROUP GENERATED A NET CASH FLOW OF S$146.1 MILLION IN 2010 FROM INVESTING ACTIVITIES, MAINLY DUE TO THE RECEIPT OF THE GROSS CONSIDERATION OF S$150.5 MILLION FROM THE DISPOSAL OF PPLH.

BY GEOGRAPHICAL AREA

Dec 2010 net order book

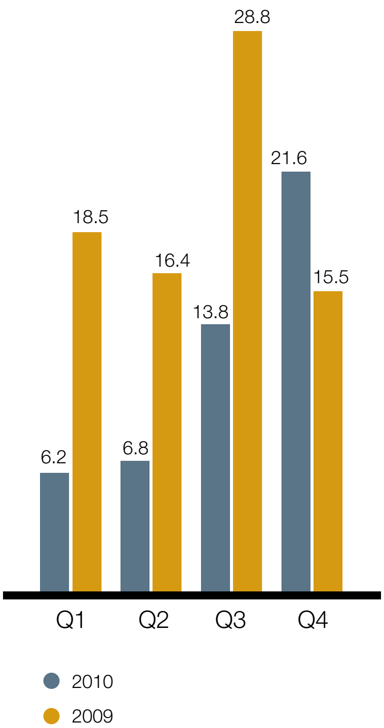
BY PRODUCTS

Dec 2010 net order book



QUARTERLY PERFORMANCE

Revenue by quarter (S$m)



EARNINGS

For the year ended 31 December 2010, gross profit fell 51% to S$24.9 million as compared to 2009 on the back of lower revenue. Gross profit margin declined 14 percentage points to 51% in 2010 due to the absence of higher value contracts for the fabrication of specalised steel structures that were in the final stages of completion (when higher margins were also recognised).

Administrative expenses were 17% higher at S$8.5 million due to higher professional and legal fees. Share of results from the Group's 49% stake in York Transport Equipment (Asia) Pte Ltd reversed from a loss of S$251,000 to a profit of S$389,000 in FY2010, on the back of an improved operating environment for the trailer axle industry in India. Consequently, pre-tax profit fell 68% from S$96.1 million in 2009 (as restated) to S$30.4 million in 2010.

Due to the change in accounting policy adopted for the Group's 15% investment in PPLS, the Group's share of results from PPLS was restated as S$55.4 million for FY2009. For FY2010, as the Group was unable to obtain the results of PPLS for the period of 1 January 2010 to 26 October 2010 (date of disposal), it therefore reported a share of results of S$15.8 million from PPLS based on the S$15.8 million interim dividend income received in April 2010. This amount for 2010 was 71% lower than the S$55.4 million share of results from the joint venture for 2009.

Income tax expense fell S$4.6 million, in line with lower pre-tax profits. Effective tax rate was 10% and 8% for 2010 and 2009 respectively, which were lower than Singapore's statutory tax rate of 17% as the Group's share of results in joint venture and associates were reported net of tax.

As a result, Group net profit for 2010 was 69% lower at S$27.4 million; earnings per share were 4.1 cents in 2010 (2009 restated: 13.9 cents).

FINANCIAL POSITION

Balance Sheets	2010 S$'000	2009 S$'000 (restated)	Change %
Investments	10,707	82,197	(87)
PPE & intangible assets	12,813	14,518	(12)
Non-current assets	23,520	96,715	(76)
Current assets	239,780	101,584	136
Current liabilities	(75,932)	(31,796)	139
Net current assets	163,848	69,788	135
Non-current liabilities	(235)	(218)	8
Net assets	187,133	166,285	13
Share capital	30,529	21,726	41
Reserves	156,604	144,559	8
Shareholders' equity	187,133	166,285	13

The Group's financial position strengthened further in 2010 with Group shareholders' equity improving 13% to S$187.1 million. This was mainly attributable to retained profits for the year. Share capital increased S$8.8 million due to proceeds from conversion of warrants by shareholders.

Net current assets increased from S$69.8 million to S$163.8 million in 2010, mainly due to the receipt of the consideration of US$116.25 million (S$150.54 million) from the disposal of PPLH, which was partially offset by the recording of a deferred gain of S$58.2 million from this disposal as a current liability.

Net asset value per share was 27.4 cents (2009: 25.4 cents).

CASH FLOWS

Cash Flows	2010 S$'000	2009 S$'000 (restated)	Change %
Cash generated / (used) in operating activities	(1,782)	39,704	NM
Cash generated from investing activities	146,084	5,264	2,675
Cash generated / (used) in financing activities	(6,600)	351	NM
Net increase in cash & cash equivalents	137,702	45,319	204
Cash & cash equivalents as at end of year	214,130	76,428	180

NM - Not Meaningful

Cash used in operating activities was S$1.8 million in 2010 as compared to S$39.7 million generated from operating activities in 2009, due to the lower level of business activities in the year.

The Group generated a net cash flow of S$146.1 million in 2010 from investing activities, mainly due to the receipt of the gross consideration of S$150.5 million from the disposal of PPLH.

Cash used in financing activities in 2010 was S$6.6 million, largely due to the payment of S$15.4 million of dividends to shareholders. However, this was partially offset by the inflow of S$8.8 million cash from the conversion of warrants by shareholders.

As at 31 December 2010, the Group has a cash balance of S$214.1 million, almost triple the S$76.4 million reported a year ago. Based on the issued share capital of 683 million shares as of December 2010, cash per share was approximately 31 cents, up 19 cents from a year ago when issued share capital was 655 million shares.

Corporate Governance

Baker Tech is a two-time winner of the "Best Managed Board" Award (for companies with less than S$300 million in market capitalisation) in the Singapore Corporate Awards. The company was awarded the Silver Award in 2010 and the Merit Award in 2009. The award recognises the Board of Baker Tech for its commitment to corporate transparency, accountability and good processes and practices. The Singapore Corporate Awards is organised by The Business Times and The Singapore Exchange.

Baker Tech also performed better 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 in 2010 improved by eleven points, from 35 to 46. As a result, we were ranked 64th amongst more than 800 companies in April 2010, a vast improvement from our ranking of 292nd in April 2009.

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. In year 2010, three ad hoc meetings were convened to discuss matters concerning the sale of its wholly-owned subsidiary, PPL Holdings Pte Ltd. 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 Director during the year were:

Directors' Attendance for Year 2010

Name of Directors	Board			Audit Committee			Nominating Committee			Remuneration Committee		
	No. of Meetings		% Attended	No. of Meetings		% Attended	No. of Meetings		% Attended	No. of Meetings		% Attended
	Held	Attended		Held	Attended		Held	Attended		Held	Attended	
Lim Ho Seng	8	7	88	5	5	100	1	1	100	3	3	100
Dr Benety Chang	8	8	100	5	5*	100	1	1*	100	3	3*	100
Anthony Sabastian Aurol	8	8	100	5	5*	100	1	1*	100	3	3*	100
Tan Yang Guan	8	8	100	5	5	100	1	1*	100	3	3	100
Wong Kwan Seng Robert@	8	7	88	5	4	80	1	1	100	3	2	67
Wong Meng Yeng#	8	4	50	5	2	40	1	N/A	N/A	3	1	33

Notes:

* By invitation
\# Mr Wong Meng Yeng joined the Company on 3 June 2010
@ Mr Wong Kwan Seng Robert was Chairman of NC and member of AC and RC up to 3 June 2010

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.

Mr Wong Meng Yeng was appointed during the year 2010 and he was provided with information on the corporate background, key personnel, core businesses, group structure and financial statements of the Group. Mr Wong was also taken on an orientation tour of the Company's subsidiary, Sea Deep Shipyard Pte. Ltd., and informed of the regulatory requirements concerning disclosure of interests and restrictions on dealings in the Company's shares. The Company also provided Mr Wong with a write-up on the directors' duties and obligations to assist him 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:
Lim Ho Seng (Chairman, Independent Non-Executive Director)
Wong Meng Yeng (Independent Director)
Dr Benety Chang (Chief Executive Officer)
Anthony Sabastian Aurol (Chief Operating Officer)
Tan Yang Guan (Non-Executive Director)
Wong Kwan Seng Robert (Non Independent Non-Executive Director)

With the appointment of Mr Wong Meng Yeng as Independent Director and Mr Wong Kwan Seng Robert's re-designation from Independent Director to Non-Executive Director with effect from 3 June 2010, the composition of the Board members has increased from 5 to 6, 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. 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 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 Meng Yeng, Chairman
Mr Lim Ho Seng
Dr Benety Chang

Mr Wong Meng Yeng ("Mr Wong") was appointed as the Chairman of the NC on 3 June 2010 after Mr Wong Kwan Seng Robert was re-designated as the Non-Executive Director of the Company.

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 NC is responsible for identifying and recommending new Board members to the Board, after considering the necessary and desirable competencies of the candidates which include (i) academic and professional qualifications (ii) industry experience (iii) number of other directorships (iv) relevant experience as a director and (v) ability and adequacy in carrying out required task.

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

The Articles of Association (Article 104) 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 Articles of Association (Article 108) of the Company also provides that a newly appointed director shall hold office only until the next AGM. The NC had assessed and recommended to the Board, the re-election of Messrs Wong Kwan Seng Robert and Tan Yang Guan at the forthcoming AGM under Article 104 and Mr Wong Meng Yeng under Article 108 of the Articles of Association. 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 these three Directors will be offering themselves for re-election.

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 the 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 relative to the Straits Times Index.

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 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 (Chairman), Mr Tan Yang Guan and Mr Wong Meng Yeng. 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 it 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 13^{th} month based AWS. The other component is the variable bonus which is dependent on the financial performance of the Group and the individual's performance.

The Group also has a share option scheme "Baker Group Share Option Scheme 2002" which Directors and eligible employees of the Group are eligible to participate in, at the discretion of the RC. The aggregate number of shares which options may be granted pursuant to the Scheme will be 15% of the issued share capital of the Company.

Options may be granted for terms of 5 to 10 years to purchase the Company's ordinary shares. The Scheme continues to be in operation up till 21 May 2012. No options will be granted thereafter although any outstanding options shall continue to be exercisable until expiry. The Company does not have any outstanding options at 31 December 2010.

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 S$18,000 for his involvement in matters relating to Investor Relations.

During FY2010, there were no employees who were immediate family members of the Directors or the CEO.

During the year, the RC also recommended to the Board the adjustment of the salary of the Chief Operating Officer and the Directors' fees of the independent directors as shown in the table below.

A breakdown showing the level and mix of the Directors' remuneration payable for FY2010 is as follows:-

Directors' Remuneration

Name of Directors	Fees (S$)*	Salary, CPF and allowance (S$)	Bonus (S$)	Other Benefits (S$)**	Total (S$)
Lim Ho Seng	78,625	–	–	18,000	96,625
Dr Benety Chang	–	162,984	92,785	–	255,769
Anthony Sabastian Aurol	–	350,442	369,516	–	719,958
Wong Kwan Seng Robert	53,115	–	–	–	53,115
Tan Yang Guan	–	–	–	169,110	169,110
Wong Meng Yeng	40,177#	–	–	–	40,117

Notes:

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

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

pro-rated fees

ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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 Tan Yang Guan (Member) and Mr Wong Meng Yeng (Member), 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 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. The AC also has full authority to invite any director or executive officers to attend its meetings.

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 of 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.

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

The 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 control maintained by the Company's Management was in place throughout the financial year and up to the date of this report, provide reasonable, but not absolute, assurance against material financial misstatements or loss, and including the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risk.

The whistle-blowing policy which was adopted by the Group provides an avenue for employees to report any possible improprieties in matters of financial reporting or other matters that they may encounter to the AC without fear of reprisal. The establishment of the whistle-blowing policy also augments the Group's ability to detect potential fraud and thus enhance its pledge to good corporate governance.

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 agency to support us in the communication process. The Investor Relations (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 on page 23 of 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 IR 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.

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, except for legal fee of approximately S$0.6 million paid to Straits Law Practice LLC, a firm in which Mr Wong Kwan Seng Robert is a shareholder and director.

MATERIAL CONTRACTS

Since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving interests of its Chief Executive Officer, Directors or controlling shareholders and no such material contract 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 paint blasting/ open fabricating	Expiring on 31 December 2023	31,094	2,300

KEY EXECUTIVES' REMUNERATION

Name of top three key executives	Designation	Salary & CPF (S$)	Bonus (S$)	Allowance & other benefits (S$)	Total (S$)
Ong Thian Whee Albert	Managing Director (Sea Deep Shipyard Pte. Ltd.)	245,383	1,123,614	9,274	1,378,271
Tan Keng Tiong Alvin	Senior Vice President – Business Development (Baker Technology Limited)	164,786	65,600	26,400	256,786
Tan Kiang Kherng	Financial Controller (Baker Technology Limited)	164,786	89,600	26,400	280,786

RISK MANAGEMENT AND MITIGATION STRATEGIES

A number of factors could affect the Group's operations and performance, including changes in the economic and business environments, operating risks and other external factors. Recognising these risks, the Group actively evaluates and 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 is a manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry, including refurbishment, replacement of parts and upgrading services for existing offshore rigs. Hence, the Group's business and operations depend primarily on prevailing conditions which affect the level of activities in the offshore drilling industry.

Accordingly, the Group's performance is dependent on the level of activity in the oil and gas industry, which influences oil and gas prices. These prices are affected by worldwide economic activity and growth as well as changes in the demand and supply of oil and gas.

AVAILABILITY AND PRICE OF RAW MATERIALS

Steel is the main raw material used in the manufacture of components for the oil and gas industry and hence, the Group is exposed to changes in steel prices and availability. To mitigate this, 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 the smooth completion of projects.

ON

Baker Tech actively evaluates and manages risks through its Enterprise Risk Management Framework.

We employ initiatives to ensure our operations comply with government safety regulations.

We continue to review and improve our risk management system to stay relecant and effective.

CREDIT RISKS AND DEFAULTS 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 where 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 ratings. In most instances, the Group also collects up-front non-refundable deposits from customers before commencing projects. In addition, the Group closely monitors receivable balances on an ongoing basis, reducing our exposure to bad debts.

FOREIGN EXCHANGE RISKS

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. The Group also monitors movement in foreign exchange closely so as to capitalise on favourable exchange rates when converting between currencies.

Recognising these risks, the Group actively evaluates and manages them through its Enterprise Risk Management Framework.

OPERATING RISKS

In the day-to-day operations of the Group, there are a significant number of risks which threaten the continuity of our operations. In a shipyard environment in which the Group operates, accidents or deaths do occur. However, the Group has a number of initiatives in place 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;
- Provision of adequate training to enhance work safety and competency in equipment handling;
- Clear and timely communication to all employees, detailing various precautionary measures and safety issues to ensure their awareness and preparedness; and
- Conducting drills to better prepare our people for emergency situations.

To ensure that the Group is able to maintain the continuity of its operations amidst potential threats and disruptions, such as outbreak of pandemics like Severe Acute Respiratory Syndrome (SARS) or Influenza A (H1N1), a list of response measures has been devised based on the Ministry of Health's guidelines. This allows the Group to continue running 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.

FINANCIAL CONTENTS

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Baker Technology Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2010.

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	
Wong Meng Yeng	(Appointed on 3 June 2010)

In accordance with Article 104 of the Articles of Association, Messrs Wong Kwan Seng Robert and Tan Yang Guan retire by rotation at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election.

In accordance with Article 108 of the Articles of Association, Mr. Wong Meng Yeng who was appointed during the year will hold office until the forthcoming AGM, and being eligible, offers himself 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, WARRANTS 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	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Name of director				
The Holding Company				
Saberon Investments Pte Ltd				
Ordinary shares				
Dr Benety Chang	167,500	167,500	37,500	37,500
Anthony Sabastian Aurol	37,500	37,500	–	–
Tan Yang Guan	7,500	7,500	–	–
The Company				
Baker Technology Limited				
Ordinary shares				
Lim Ho Seng	540,000	540,000	–	–
Dr Benety Chang	–	–	455,994,550	455,994,550
Anthony Sabastian Aurol	–	–	455,994,550	455,994,550
Tan Yang Guan	1,065,000	1,065,000	455,994,550	455,994,550
Wong Kwan Seng Robert	200,000	200,000	–	–
Name of Director				
The Company				
Baker Technology Limited				
Warrants – W121116				
Lim Ho Seng	270,000	270,000	–	–
Dr Benety Chang	–	–	227,997,275	227,997,275
Anthony Sabastian Aurol	–	–	227,997,275	227,997,275
Tan Yang Guan	532,500	532,500	227,997,275	227,997,275
Wong Kwan Seng Robert	100,000	100,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2011.

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

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

DIRECTORS' CONTRACTUAL BENEFITS

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

OPTIONS

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

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

The Company does not have any outstanding options as at 31 December 2010.

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. 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.

Directors' 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
25 March 2011

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 2010 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
25 March 2011

Independent Auditors' Report

For the financial year ended 31 December 2010

TO THE MEMBERS OF BAKER TECHNOLOGY LIMITED

Report on The Financial Statements

We have audited the accompanying financial statements of Baker Technology Limited (the "Company") and its subsidiaries (collectively, the "Group") which comprise the balance sheets of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company, and the statement of comprehensive income and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Opinion

Basis for Qualified Opinion

As disclosed in Note 2.1 to the financial statements, the Group's subsidiary, PPL Holdings Pte Ltd ("PPLH") held an aggregate 15% shareholding in PPL Shipyard Pte Ltd ("PPLS"). The management was not able to obtain the financial results of PPLS's operations for the period from 1 January 2010 to 26 October 2010 (date of disposal). The Group's share of PPLS's result of $15,823,500 recognised in the consolidated statement of comprehensive income for the financial year ended 31 December 2010 was based on the interim dividend received by the Group in April 2010.

In addition, as disclosed in Note 26 to the financial statements, the Group recorded an amount of $58,237,148 as deferred gain on disposal of the investment in PPLS in its balance sheet as at 31 December 2010. The management has deferred the recognition of this gain on disposal due to the pending outcome of the legal case as disclosed further in the note.

As the management was not able to obtain the audited financial results of PPLS from 1 January 2010 to the date of disposal, we were unable to carry out additional procedures necessary to satisfy ourselves to the appropriateness of the $15,823,500 share of results of operations recorded in the consolidated statements of comprehensive income for the financial year ended 31 December 2010. The carrying value of the investment in PPLS as at the date of disposal was used to determine the deferred gain of $58,237,148 recorded in the Group's balance sheet as at 31 December 2010. As we were also unable to assess the appropriateness of the carrying value of the investment in PPLS at the date of disposal, accordingly, we were also unable to assess the appropriateness of the $58,237,148 deferred gain recorded in the Group's balance sheet as at 31 December 2010.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 26 to the financial statements which discloses that the Group currently has a pending legal suit with Sembcorp Marine Limited ("SCM") which holds the remaining 85% shareholding in PPLS. As disclosed in Note 26, SCM has commenced legal proceedings against the Group and asked the High Court of Singapore to rule, *inter alia*, that the Joint Venture Agreement is no longer in force; to direct the Group to transfer the remaining 15% shareholding interest to SCM against the tendered payment; and to pay damages for the alleged breaches of the Joint Venture Agreement.

Opinion (cont'd)

Emphasis of Matter (cont'd)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore
25 March 2011

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2010

	Note	Group 2010	Group 2009 (Restated)
		$	$
Revenue	5	48,427,411	79,244,811
Cost of goods sold		(23,495,948)	(27,945,576)
Gross profit		24,931,463	51,299,235
Other operating income	6	317,762	273,449
Administrative expenses		(8,491,041)	(7,260,618)
Finance costs		(7,150)	(9,258)
Other operating expenses	7	(2,574,002)	(3,332,291)
Share of results of joint venture	2.1	15,823,500	55,410,953
Share of results of associates		388,719	(251,136)
Profit before tax	8	30,389,251	96,130,334
Income tax expense	9	(2,988,295)	(7,549,973)
Profit net of tax		27,400,956	88,580,361
Other comprehensive income, net of tax		–	–
Total comprehensive income attributable to equity holders of the Company		27,400,956	88,580,361
Earnings per share	10		
Basic (in cents)		4.1	13.9
Diluted (in cents)		2.8	13.8

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

Balance Sheets

As at 31 December 2010

	Note	Group 2010	Group 2009 (Restated)	Group 2008 (Restated)	Company 2010	Company 2009
		$	$	$	$	$
Non-current assets						
Property, plant and equipment	11	5,262,059	6,966,716	8,646,752	22,776	3,510
Intangible assets	12	7,551,331	7,551,331	7,868,331	–	–
Investment in subsidiaries	13	–	–	–	20,000,000	23,600,000
Investment in associates	14	10,706,499	10,317,780	10,568,916	9,616,388	9,616,388
Investment in joint venture	15	–	71,879,379	21,868,426	–	–
		23,519,889	96,715,206	48,952,425	29,639,164	33,219,898
Current assets						
Gross amount due from customers for contract work-in-progress	16	1,479,998	1,782,764	8,571,305	–	–
Inventories	17	8,566,115	10,813,591	4,512,667	–	–
Trade and other receivables	18	8,104,579	7,109,533	37,143,069	20,786	900
Prepaid operating expenses		44,007	53,345	48,501	8,363	11,243
Amounts due from subsidiaries	19	–	–	–	2,900,000	4,200,000
Pledged deposits	20	7,455,245	5,396,429	6,535,473	–	–
Cash and short-term deposits	21	214,130,374	76,428,257	31,109,410	181,676,039	34,826,668
		239,780,318	101,583,919	87,920,425	184,605,188	39,038,811
Less: Current liabilities						
Gross amount due to customers for contract work-in-progress	16	3,841,617	9,849,530	40,291,905	–	–
Obligations under finance leases	22	22,857	27,417	38,855	–	–
Trade and other payables	24	10,875,178	14,024,102	14,724,872	483,372	333,837
Amounts due to subsidiaries	25	–	–	–	–	71,316
Deferred gain on disposal of subsidiary	26	58,237,148	–	–	141,941,392	–
Tax payable		2,955,465	7,895,119	4,357,318	7,358	7,358
		75,932,265	31,796,168	59,412,950	142,432,122	412,511
Net current assets		163,848,053	69,787,751	28,507,475	42,173,066	38,626,300

	Note	Group 2010	Group 2009 (Restated)	Group 2008 (Restated)	Company 2010	Company 2009
		$	$	$	$	$
Non-current liabilities						
Obligations under finance leases	22	76,191	118,048	206,502	–	–
Deferred tax liabilities	23	159,000	100,000	–	–	–
Net assets		187,132,751	166,284,909	77,253,398	71,812,230	71,846,198
Equity attributable to equity holders of the Company						
Share capital	27	30,528,621	21,725,689	18,115,259	30,528,621	21,725,689
Reserves		156,604,130	144,559,220	59,138,139	41,283,609	50,120,509
Total equity		187,132,751	166,284,909	77,253,398	71,812,230	71,846,198

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 2010

	Attributable to equity holders of the Group				
	Share capital (Note 27)	**Capital reserve[1]**	**Retained earnings**	**Total reserves**	**Total equity**
GROUP	$	$	$	$	$
2010					
At 1 January 2010					
- As previously reported	21,725,689	2,344,269	75,401,572	77,745,841	99,471,530
- Adoption of FRS 31 *Interests in Joint Ventures* (Note 2.1)	–	–	66,813,379	66,813,379	66,813,379
	21,725,689	2,344,269	142,214,951	144,559,220	166,284,909
Profit net of tax	–	–	27,400,956	27,400,956	27,400,956
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	27,400,956	27,400,956	27,400,956
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 34)	–	–	(15,356,046)	(15,356,046)	(15,356,046)
Issuance of new shares from conversion of warrants	8,802,932	–	–	–	8,802,932
At 31 December 2010	30,528,621	2,344,269	154,259,861	156,604,130	187,132,751
2009					
At 1 January 2009					
- As previously reported	18,115,259	2,344,269	39,991,444	42,335,713	60,450,972
- Adoption of FRS 31 *Interests in Joint Ventures* (Note 2.1)	–	–	16,802,426	16,802,426	16,802,426
	18,115,259	2,344,269	56,793,870	59,138,139	77,253,398
Profit net of tax	–	–	88,580,361	88,580,361	88,580,361
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	88,580,361	88,580,361	88,580,361
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 34)	–	–	(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	142,214,951	144,559,220	166,284,909

	Attributable to equity holders of the Company				
	Share capital (Note 27)	**Capital reserve[(1)]**	**Retained earnings**	**Total reserves**	**Total equity**
COMPANY	$	$	$	$	$
2010					
At 1 January 2010	21,725,689	2,344,269	47,776,240	50,120,509	71,846,198
Profit net of tax	–	–	6,519,146	6,519,146	6,519,146
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	6,519,146	6,519,146	6,519,146
Contributions by and distributions to owners					
Dividends on ordinary shares	–	–	(15,356,046)	(15,356,046)	(15,356,046)
Issuance of new shares from conversion of warrants	8,802,932	–	–	–	8,802,932
At 31 December 2010	30,528,621	2,344,269	38,939,340	41,283,609	71,812,230
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
Contributions by and distributions to owners					
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

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

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2010

	2010	2009 (Restated)
	$	$
Cash flows from operating activities		
Profit before tax	30,389,251	96,130,334
Adjustments for:		
Depreciation of property, plant and equipment	1,792,047	1,784,417
Amortisation of intangible assets	–	317,000
Loss on disposal of property, plant and equipment	–	31,984
Interest income	(200,162)	(155,849)
Interest expense	7,150	9,258
Share of results of joint ventures	(15,823,500)	(55,410,953)
Share of results of associates	(388,719)	251,136
Inventories written-down	–	1,690,000
Operating cash flows before working capital changes	15,776,067	44,647,327
Decrease/(increase) in inventories	2,247,476	(7,990,924)
Decrease in gross amount due from customers for contract work-in-progress	302,766	6,788,541
Decrease in gross amount due to customers for contract work-in-progress	(6,007,913)	(30,442,375)
(Increase)/decrease in trade and other receivables	(1,226,362)	30,033,536
Decrease/(increase) in prepaid operating expenses	9,338	(4,844)
(Increase)/decrease in pledged deposits	(2,058,816)	1,139,044
Decrease in trade and other payables	(3,148,924)	(700,770)
Cash flows from operations	5,893,632	43,469,535
Interest paid	(7,150)	(9,258)
Interest received	200,162	155,849
Income tax paid	(7,868,949)	(3,912,172)
Net cash flows (used in)/from operating activities	(1,782,305)	39,703,954
Cash flows from investing activities:		
Dividend received	15,823,500	5,400,000
Proceeds from disposal of property, plant and equipment	–	48,598
Purchase of property, plant and equipment	(87,390)	(184,963)
Disposal of investment in subsidiary, net of cash disposed	130,347,843	–
Net cash flows from investing activities	146,083,953	5,263,635

	2010	2009 (Restated)
	$	$
Cash flows from financing activities		
Net proceeds from warrant issue	–	3,025,694
Net proceeds from conversion of warrants	8,802,932	584,736
Dividends paid on ordinary shares	(15,356,046)	(3,159,280)
Repayment of obligations under finance leases	(46,417)	(99,892)
Net cash flows (used in)/from financing activities	(6,599,531)	351,258
Net increase in cash and cash equivalents	137,702,117	45,318,847
Cash and cash equivalents at beginning of financial year	76,428,257	31,109,410
Cash and cash equivalents at end of financial year (Note 21)	214,130,374	76,428,257

Disposal of subsidiary

On 26 October 2010, the Company disposed 100% of the issued and paid-up capital of PPL Holdings Pte Ltd for a gross consideration of $150,543,750 (or US$116,250,000).

The value of the net assets of PPL Holdings Pte Ltd included in the consolidated financial statement as at 26 October 2010, and cash flow effect of the disposal were:

	$
Investment in joint venture (PPL Shipyard Pte Ltd)	71,879,379
Other receivables	231,316
Cash and short-term deposits	15,193,549
Carrying value of the net assets	87,304,244
Total consideration	150,543,750
Cost incurred related to disposal	(5,002,358)
Less: Cash and short-term deposits of subsidiary	(15,193,549)
Net cash inflow from disposal of subsidiary	130,347,843

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

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, associates and joint venture are disclosed in Notes 13, 14 and 15 to the financial statements, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation and changes in accounting policies*

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 (S$ or $).

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

<u>FRS 103 *Business Combinations* (revised) *and* FRS 27 *Consolidated and Separate Financial Statements* (revised)</u>

The revised FRS 103 *Business Combinations* and FRS 27 *Consolidated and Separate Financial Statements* are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

<u>FRS 103 *Business Combinations* (revised)</u>

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;

- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;

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

2.1 *Basis of preparation and changes in accounting policies (cont'd)*

FRS 103 *Business Combinations* (revised) (cont'd)

- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

FRS 27 *Consolidated and Separate Financial Statements* (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

FRS and INT FRS effective for annual period beginning on or after 1 January 2010 that are not illustrated

FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires the disclosure of financial effect on the current period or any prior period (except that it is impracticable to determine the amount of the adjustment) upon initial application of a Standard or an Interpretation. In this illustration, it is assumed that the adoption of the following FRSs and INT FRSs does not have any impact on the financial statements:

- Improvements to FRSs issued in 2008

    - Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*

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

2.1 *Basis of preparation and changes in accounting policies (cont'd)*

FRS and INT FRS effective for annual period beginning on or after 1 January 2010 that are not illustrated *(cont'd)*

- Improvements to FRSs issued in 2009

    - Amendment to FRS 1 *Presentation of Financial Statements*
    - Amendment to FRS 7 *Statement of Cash Flows*
    - Amendment to FRS 17 *Leases*
    - Amendment to FRS 36 *Impairment of Assets*
    - Amendment to FRS 38 *Intangible Assets*
    - Amendment to FRS 102 *Share-based Payment*
    - Amendment to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*
    - Amendment to FRS 108 *Operating Segments*
    - Amendments to FRS 39 *Financial Instruments: Recognition and Measurement*
    - Amendment to INT FRS 109 *Reassessment of Embedded Derivatives*
    - Amendment to INT FRS 116 *Hedges of Net Investment in a Foreign Operation*

- INT FRS 117 *Distributions of Non-cash Assets to Owners*

- Amendments to FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Item*

- Amendments to FRS 102 *Share-based payment – Group Cash Settled Share-based Payment Transactions*

Changes in accounting policies

During the year, the Company reviewed its accounting policy for its indirect 15% equity stake in PPL Shipyard Pte Ltd ("PPLS"), which was held through its subsidiary PPL Holdings Pte Ltd ("PPLH") and its wholly owned subsidiary, E-Interface Holdings Limited ("E-Interface"). The remaining 85% of the shareholding in PPLS is held by Sembcorp Marine Ltd ("SCM"), a company incorporated in Singapore and listed on the Mainboard of SGX-ST.

Both PPLH and SCM entered into a joint venture agreement on 9 April 2001 ("JV Agreement") and a supplemental agreement dated 5 July 2003.

In previous financial years, the Group classified its investment in PPLS as an available-for-sale financial asset. This was initially recorded at cost in the amount of $3,066,000 through the acquisition of 100% of PPLH in May 2007. In accordance with FRS 103 *Business Combinations*, the fair value of this investment at the date of acquisition was determined at approximately $16,388,000.

In September 2007 and November 2007, the Group received interim dividends of $11,322,300 from PPLS, which were 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.

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

2.1 *Basis of preparation and changes in accounting policies (cont'd)*

Changes in accounting policies (cont'd)

Due to the management's control in PPLS and the existence of the shareholders' agreements, the Group has determined that it would be more appropriate to adopt FRS 31 *Interests in Joint Ventures* to account for its 15% investment in PPLS. Accordingly, the Group has reclassified this investment as a joint venture and has equity accounted for its share of results since acquisition in May 2007 until 26 October 2010, when the Group disposed its investment in PPLH. In accordance with FRS 31 *Interest in Joint Ventures*, dividend receipts from PPLS would be recorded as a reduction against the carrying value of the investment in PPLS and the share of results of PPLS would be recognised in the consolidated comprehensive income statement.

This change in accounting policy has been applied retrospectively and resulted in the following financial statement effects:

	Group		
	26 October 2010	**2009**	**2008**
	$	$	$
Original cost of the investment	5,066,000	5,066,000	5,066,000
Adjustments:			
Accumulated share of results of joint-venture at the beginning of financial year	77,523,379	22,112,426	4,856,775
Share of results of joint-venture for financial year	15,823,500*	55,410,953	17,255,651
Accumulated share of results of joint-venture at the end of financial year	93,346,879	77,523,379	22,112,426
Accumulated dividend receipts at the beginning of financial year	(10,710,000)	(5,310,100)	–
Dividend receipts during the financial year	(15,823,500)	(5,400,000)	(5,310,000)
Accumulated dividend receipts at the end of financial year	(26,533,500)	(10,710,000)	(5,310,000)
Increase in investment in joint-venture and retained earnings	66,813,379	66,813,379	16,802,426
Carry value of the investment under equity accounting	71,879,379	71,879,379	21,868,426

* Based on interim dividends received in April 2010 as the Group was unable to obtain the results of PPLS from 1 January 2010 to 26 October 2010.

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

2.1 *Basis of preparation and changes in accounting policies (cont'd)*

The Group's retained earnings would be increased by the net increase in the carrying value of the "Investment in joint venture". The opening retained earnings as at 1 January 2009 and the closing retained earnings as at 31 December 2009 in the Group's statement of changes in equity would have increased by S$16,802,426 and S$66,813,379, respectively.

The Group's dividend receipts from PPLS amounting to S$5,400,000 for the prior financial year ended 31 December 2009 would not have been recognised in the consolidated statement of comprehensive income for that year. Instead, the Group would have recognised the share of results amounting to S$55,410,953. In addition, the Group's basic earnings per share (cents) and diluted earnings per share (cents) would be increased by 7.9 and 7.8, respectively.

The above retrospective restatement of financial statements from May 2007 (date of acquisition) to December 2009 was based on the audited financial statements of PPLS.

On 26 October 2010, the Group completed its disposal of PPLH and accordingly ceased equity accounting for the results of PPLS from that date.

2.2 *Standards issued but not yet effective*

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

Description	*Effective for annual periods beginning on or after*
Amendment to FRS 32 *Financial Instruments: Presentation*	
- *Classification of Rights Issues*	1 February 2010
INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Revised FRS 24 *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011

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

2.2 *Standards issued but not yet effective (cont'd)*

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

Revised FRS 24 *Related Party Disclosures*

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

2.3 *Basis of consolidation*

Business combinations from 1 January 2010

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

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

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

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

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

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

2.3 *Basis of consolidation (cont'd)*

Business combinations from 1 January 2010 (cont'd)

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

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations before 1 January 2010

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

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

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired 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.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

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

2.4 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

2.5 *Foreign currency*

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

(a) ***Transactions and balances***

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

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

2.5 *Foreign currency (cont'd)*

(b) ***Group companies***

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

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

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

2.6 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.7 *Associates*

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

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is 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.

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

2.7 *Associates (cont'd)*

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

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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

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

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

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

2.8 *Joint venture*

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The Group's investment in joint venture is accounted for using the equity method. Under the equity method, the investment in joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to joint venture is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the joint venture'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 joint venture in the period in which the investment is acquired.

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

2.8 *Joint venture (cont'd)*

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

The Group's share of the profit or loss of its joint venture is shown on the face of profit or loss after tax.

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

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 joint venture. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the profit or loss.

The financial statements of the joint venture are prepared as of the same reporting date as the Company unless it is impracticable to do so. When the financial statements of a joint venture 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.

Upon loss of joint control, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the former joint venture entity upon loss of joint venture control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.9 *Property, plant and equipment*

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

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

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

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the end of the reporting period.

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.

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.

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

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

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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

2.10 *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 in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired are assigned to those units.

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. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

(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 measured at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

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

2.10 *Intangible assets (cont'd)*

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

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.

2.11 *Impairment of non-financial assets*

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs 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.

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indicator exists, the Group estimates the assets or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That 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.

2.12 *Financial assets*

Initial recognition and measurement

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. The Group determines the classification of its financial assets at initial recognition.

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

Subsequent measurement

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

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

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

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

2.12 *Financial assets (cont'd)*

Subsequent measurement (cont'd)

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

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

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

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

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

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

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

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

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

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

2.12 *Financial assets (cont'd)*

Subsequent measurement (cont'd)

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

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

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

Derecognition

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

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.

2.13 *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) ***Financial assets carried at amortised cost***

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

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

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

(a) ***Financial assets carried at amortised cost (cont'd)***

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

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

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

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

(b) ***Financial assets carried at cost***

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

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

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

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

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

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

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in the profit or loss; increase in fair value after their impairment are recognised directly in other comprehensive income.

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

2.14 *Cash and cash equivalents*

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

2.15 *Inventories*

Inventories, which are made up mainly materials, components and spares, are valued at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average method.

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

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

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

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

2.16 *Financial liabilities*

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

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

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

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

2.17 *Borrowing costs*

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

2.18 *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. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 *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.

2.20 *Employee benefits*

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

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

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

2.20 *Employee benefits (cont'd)*

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

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

2.21 *Leases*

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

(a) ***As lessee***

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.

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 2.22(f). Contingent rents are recognised as revenue in the period in which they are earned.

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

2.22 *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, excluding discounts, rebates, and sales taxes and duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(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 end of each reporting date, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

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

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

(b) ***Sales of goods***

Revenue from sales of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the 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 the end of the reporting period. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

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

2.22 *Revenue (cont'd)*

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

2.23 *Taxes*

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

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

(b) ***Deferred tax***

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

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

2.23 *Taxes (cont'd)*

(b) ***Deferred tax (cont'd)***

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

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

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

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred 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 the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at 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 recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

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

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

2.23 *Taxes (cont'd)*

(b) ***Deferred tax (cont'd)***

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred 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.

2.24 *Segment reporting*

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

2.25 *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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 *Contingencies*

A contingent liability is:

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

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

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

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

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

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

2.27 *Government grants*

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

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 periods.

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

3.1 *Judgments made in applying accounting policies*

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

(a) ***Determination of functional currency***

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

(b) ***Equity accounting of the share of results of PPLS***

The Group was not able to obtain the financial results of PPLS's operations for the period from 1 January 2010 to 26 October 2010 (date of disposal). Accordingly, the Group's share of results in PPLS in 2010 was recognised at $15,823,500, based on the interim dividend received by the Group in April 2010.

3.2 *Key sources of estimation uncertainty*

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.

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

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

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

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the end of the reporting period is disclosed in Note 18 to the financial statements.

(c) ***Income taxes***

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables as at 31 December 2010 was $2,955,465 (2009: $7,895,119).

(d) ***Contract revenue***

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the balance sheet date are disclosed in Note 16 to the financial statements.

4. SEGMENT INFORMATION

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

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

(ii) The investments segment relates to the Group's 49% interest in York Transport Equipment (Asia) Pte Ltd, which is in the business of manufacturing and distribution of trailer axles and related components.

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

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

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

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

4. SEGMENT INFORMATION (CONT'D)

	Marine offshore		Investments		Corporate		Adjustments and elimination		Per consolidated financial statements	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$	$	$	$	$
Revenue - external customers	48,427,411	79,244,811	–	–	–	–	–	–	48,427,411	79,244,811
Results:										
EBITDA *	20,321,948	44,806,244	–	–	(3,945,881)	(1,424,901)	(600,000)	(456,000)	15,776,067	42,925,343
Depreciation and amortisation	(1,783,708)	(2,098,194)	–	–	(8,339)	(3,223)	–	–	(1,792,047)	(2,101,417)
Interest expense	(7,150)	(9,258)	–	–	–	–	–	–	(7,150)	(9,258)
Interest income	55,182	134,192	–	–	144,980	21,657	–	–	200,162	155,849
Share of results of joint venture	–	–	15,823,500	55,410,953	–	–	–	–	15,823,500	55,410,953
Share of results of associates	–	–	388,719	(251,136)	–	–	–	–	388,719	(251,136)
Segment profit/(loss)	18,586,272	42,832,984	16,212,219	55,159,817	(3,809,240)	(1,406,467)	(600,000)	(456,000)	30,389,251	96,130,334
Segment assets	70,865.744	72,123,172	10,706,499	82,197,159	181,727,964	43,978,794	–	–	263,300,207	198,299,125
Segment liabilities	17,439,579	31,666,521	–	–	58,727,877	347,695	–	–	76,167,456	32,014,216
Other segment information:										
Investment in joint venture	–	–	–	71,879,379	–	–	–	–	–	71,879,379
Investment in associates	–	–	10,706,499	10,317,780	–	–	–	–	10,706,499	10,317,780
Additions to non-current assets	59,785	184,640	–	–	27,605	323	–	–	87,390	184,963

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

4. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Revenue	
	2010	2009
	$	$
China	15,254,275	41,870,526
Singapore	8,071,681	28,460,667
Middle East	22,078,843	7,390,882
Asia Pacific (excluding China and Singapore)	2,890,214	1,461,975
Others	132,398	60,761
	48,427,411	79,244,811

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 amounted to approximately $16,242,000 (2009: $27,575,000), arising from the provision of specialized marine offshore equipment and services.

5. REVENUE

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

6. OTHER OPERATING INCOME

	Group	
	2010	2009
	$	$
Rental income	117,600	117,600
Interest income from short-term deposits	200,162	155,849
	317,762	273,449

7. OTHER OPERATING EXPENSES

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

	Group	
	2010	**2009**
	$	$
Foreign exchange loss	2,457,592	2,962,770
Amortisation of intangible assets	–	317,000

8. PROFIT BEFORE TAX

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

	Group	
	2010	**2009**
	$	$
Depreciation of property, plant and equipment	1,792,047	1,784,417
Fees paid to a firm in which a director of the Company is a director	610,560	–
Consultancy service fee paid/payable to directors	181,140	124,770
Finance costs:		
Interest expense on bank overdrafts	–	14
Finance charges payable under finance leases	7,150	9,244
Inventories written-down	–	1,690,000
Loss on disposal of property, plant and equipment	–	31,984
Operating lease expenses	673,776	542,177
Employee benefit expense (including executive directors):		
- Contributions to defined contribution plans	295,277	208,513
- Salaries, wages, bonuses and other costs	5,576,897	7,369,581
Non-audit fees paid to:		
- Auditors of the Company	13,750	4,366
- Other auditors	50,000	32,000

9. INCOME TAX EXPENSE

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December are:-

	Group 2010 $	Group 2009 $
Statement of comprehensive income :		
Current income tax:		
- Current income taxation	2,791,800	7,462,000
- Under/(over) provision in respect of prior years	137,495	(12,027)
	2,929,295	7,449,973
Deferred income tax:		
- Origination and reversal of temporary difference (Note 23)	(197,160)	100,000
- Under provision in respect of prior years	256,160	–
Income tax expense recognised in the statement of comprehensive income	2,988,295	7,549,973

(b) Relationship between tax expense and accounting profit

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

	Group 2010 $	Group 2009 (Restated) $
Accounting profit before tax	30,389,251	96,130,334
Income tax expense at the applicable tax rate of 17% (2009: 17%)	5,166,173	16,342,157
Adjustments for tax effect of:		
Income not subject to taxation	(2,756,077)	(9,658,890)
Non-deductible expenses	647,261	390,444
Under/(over) provision in respect of prior years	393,655	(12,027)
Movement of deferred income tax not recognised	(166,040)	368,578
Tax exemption	(57,575)	(54,545)
Others, net	(239,102)	174,256
	2,988,295	7,549,973

10. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the financial year, net of tax, 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 are calculated by dividing profit for the financial year, net of tax, 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:

	2010 $	2009 $
Profit for the financial year attributable to ordinary equity holders of the Company used in the computation of basic and diluted earnings per ordinary share	27,400,956	88,580,361
Weighted average number of ordinary shares for basic earnings per share computation	673,536,701	639,287,313
Dilutive effect of warrants (Note 27)	300,305,334	731,802
Weighted average number of ordinary shares for diluted earnings per share computation	973,842,035	640,019,115

For the comparative dilutive effect of warrants for 2009, it excluded the 327,384,008 W121116 warrants issued during 2009 as these warrants had no dilutive effect as the average market price of the Company's ordinary shares during 2009 was below the exercise price.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings $	Leasehold improvements $	Assets under construction $	Furniture and fittings $	Office equipment $	Motor vehicles $	Plant and equipment $	Total $
Cost or valuation:								
At 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 and 1 January 2010	7,166,856	2,871,681	–	20,932	241,100	228,888	4,633,731	15,163,188
Additions	–	19,200	–	5,200	43,530	–	19,460	87,390
At 31 December 2010	7,166,856	2,890,881	–	26,132	284,630	228,888	4,653,191	15,250,578
Accumulated depreciation and impairment loss:								
At 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 and 1 January 2010	5,229,547	476,691	–	13,519	192,689	80,776	2,203,250	8,196,472
Depreciation charge for the year	355,546	465,250	–	3,555	40,718	45,778	881,200	1,792,047
At 31 December 2010	5,585,093	941,941	–	17,074	233,407	126,554	3,084,450	9,988,519

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

	Leasehold land and buildings	Leasehold improvements	Assets under construction	Furniture and fittings	Office equipment	Motor vehicles	Plant and equipment	Total
	$	$	$	$	$	$	$	$
Net carrying amount:								
At 31 December 2009	1,937,309	2,394,990	–	7,413	48,411	148,112	2,430,481	6,966,716
At 31 December 2010	1,581,763	1,948,940	–	9,058	51,223	102,334	1,568,741	5,262,059

(a) The carrying amount of assets held under finance leases as at 31 December 2010 was $85,044 (2009: $148,112). Leased assets are pledged as security for the related finance lease liabilities.

(b) The Group's leasehold land and building with carrying amount of $1,581,763 (2009: $1,937,309) 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 $1,537,836 (2009: $1,526,442) has been included in the Group's cost of goods sold.

	Office equipment
	$
Company	
Cost:	
At 1 January 2009	9,424
Additions	326
At 31 December 2009 and 1 January 2010	9,750
Additions	27,605
At 31 December 2010	37,355

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

	Office equipment $
Company	
Accumulated depreciation:	
At 1 January 2009	3,017
Depreciation charge for the year	3,223
At 31 December 2009 and 1 January 2010	6,240
Depreciation charge for the year	8,339
At 31 December 2010	14,579
Net carrying amount:	
At 31 December 2009	3,510
At 31 December 2010	22,776

12. INTANGIBLE ASSETS

	Goodwill $	Order book $	Total $
Group			
Cost:			
At 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010	7,551,331	738,000	8,289,331
Accumulated amortisation and impairment:			
At 1 January 2009	–	421,000	421,000
Amortisation charge for the year	–	317,000	317,000
At 31 December 2009, 1 January 2010 and 31 December 2010	–	738,000	738,000
Net carrying amount:			
31 December 2009	7,551,331	–	7,551,331
31 December 2010	7,551,331	–	7,551,331

12. INTANGIBLE ASSETS (CONT'D)

Order book

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

The order book is regarded as having definite useful life and is amortised over a 14-month period from the date of acquisition. The amount was fully amortised during 2009. The amortisation of the order book was 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	
	2010	**2009**
	$	$
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% (2009: 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 2010 as the recoverable amount of the CGU was in excess of the carrying value.

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2010	**2009**
	$	$
Shares, at cost	20,000,000	23,600,000

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Subsidiaries (Country of incorporation)	Cost of investment 2010 $	Cost of investment 2009 $	Percentage of equity held by the Group 2010 %	Percentage of equity held by the Group 2009 %	Principal activities (Place of business)
[1] PPL Holdings Pte Ltd (Singapore)	–	3,600,000	–	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)
	20,000,000	23,600,000			

The subsidiary of PPL Holdings Pte Ltd was:-

[1] E-Interface Holdings Limited (British Virgin Islands)	–	666,000	–	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

14. INVESTMENT IN ASSOCIATES

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Shares, at cost	9,616,388	9,616,388	9,616,388	9,616,388
Share of post-acquisition reserves	1,090,111	701,392	–	–
	10,706,499	10,317,780	9,616,388	9,616,388

Associate (Country of incorporation)	Percentage of equity held by the Group		Principal activity
	2010	2009	
	%	%	
[(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	
	2010	2009
	$'000	$'000
Assets and liabilities:		
Total assets	42,640	32,278
Total liabilities	23,386	17,487
Results:		
Revenue	69,442	39,029
Profit/(loss) for the year	793	(513)

15. INVESTMENT IN JOINT VENTURE

	Group		
	2010	2009	2008
	$	$	$
15% equity stake in PPL Shipyard Pte Ltd (unquoted), at fair value (see Note 2.1)	–	5,066,000	5,066,000
Share of post-acquisition reserves	–	66,813,379	16,802,426
	–	71,879,379	21,868,426

PPLS is incorporated in Singapore and is principally engaged in the business of design and construction of offshore drilling rigs from shallow water to deep water.

On 26 October 2010, the Company completed its disposal of PPLH for a consideration of US$116,250,000 (or S$150,543,750), and accordingly derecognised its investment in this joint venture (See Note 26).

The summarised financial information of the joint venture for 2009 and 2008 not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2009	2008
	$'000	$'000
Assets and liabilities:		
Total assets	772,054	677,024
Total liabilities	291,080	516,196
Results:		
Revenue	1,688,471	1,199,194
Profit for the year	369,406	115,038

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

	Group	
	2010	**2009**
	$	$
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	33,892,467	22,781,522
Less: Progress billings	(36,254,086)	(30,848,288)
	(2,361,619)	(8,066,766)
Presented as:		
Gross amount due from customers for contract work	1,479,998	1,782,764
Gross amount due to customers for contract work	(3,841,617)	(9,849,530)
	(2,361,619)	(8,066,766)
Retention sums on construction contract included in trade receivables	1,318,400	3,308,423

17. INVENTORIES

	Group	
	2010	**2009**
	$	$
Balance sheet:		
Materials, components and spares	8,566,115	10,813,591
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales		
– Inventories written down	–	1,690,000

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Trade receivables	7,854,415	6,188,762	–	–
Deposits	96,886	615,009	20,786	–
Tax recoverable	153,278	304,862	–	–
Sundry receivables	–	900	–	900
Total trade and other receivables	8,104,579	7,109,533	20,786	900
Trade and other receivables excluding tax recoverable	7,951,301	6,804,671	20,786	900
Amount due from subsidiaries (Note 19)	–	–	2,900,000	4,200,000
Pledged deposits (Note 20)	7,455,245	5,396,429	–	–
Cash and short-term deposits (Note 21)	214,130,374	76,428,257	181,676,039	34,826,668
Total loans and receivables	229,536,920	88,629,357	184,596,825	39,027,568

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

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

	Group	
	2010	2009
	$	$
United States dollar	7,781,494	6,170,091

At the end of the reporting period, trade receivable amounting to $3,118,808 (2009: $Nil) was arranged to be settled via letter of credits issued by reputable bank in country where the customer was based.

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $2,411,268 (2009: $2,790,116) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:-

	Group	
	2010	**2009**
	$	$
Trade receivables past due but not impaired:		
Lesser than 30 days	312,162	10,848
30 to 60 days	40,059	103,874
61 to 90 days	26,778	–
More than 90 days	2,032,269	2,675,394
	2,411,268	2,790,116

Of the trade receivables of $2,032,269 (2009: $2,675,394) which was past due for more than 90 days, $1,318,400 (2009: $2,070,600) relates to retention sums on construction contracts.

19. AMOUNTS DUE FROM SUBSIDIARIES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	$	$	$
Amount receivable on current account:				
Subsidiaries	–	–	2,900,000	4,200,000

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

20. PLEDGED DEPOSITS

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

Of the pledged deposits of $7,455,245 (2009: $5,396,429), amounts of $2,265,000 (2009: $2,478,000) are placed for period of three months and earn interests ranging from 0.05% to 0.14% (2009: 0.10% to 0.40%) per annum.

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

	Group	
	2010	**2009**
	$	$
United States dollar	7,405,245	5,301,429

21. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	$	$	$
Cash at banks and in hand	81,036,061	44,812,703	48,581,726	34,826,668
Short term deposits	133,094,313	31,615,554	133,094,313	–
	214,130,374	76,428,257	181,676,039	34,826,668

Short-term deposits are made for varying periods of between one week to three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates ranges from 0.01% to 0.66% (2009: 0.01% to 1.09%) per annum.

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$	$	$	$
United States dollar	80,588,965	35,005,479	61,161,942	7,003
Euro	42,110	5,714	–	–

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

22. OBLIGATIONS UNDER FINANCE LEASES

	Group 2010 $	Group 2009 $
Current	22,857	27,417
Non-current	76,191	118,048
	99,048	145,465

As disclosed in Note 11, leased assets are pledged as security for the related financial lease liabilities.

The Group's motor vehicles are under leased facilities. The average discount implicit in the leases are 2.99% p.a. (2009: 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 2010 $	Present value of payments 2010 $	Minimum lease payments 2009 $	Present value of payments 2009 $
Not later than one year	27,648	22,857	33,168	27,417
Later than one year but not later than five years	92,112	76,191	132,672	109,669
Later than five years	–	–	10,049	8,379
Total minimum lease payments	119,760	99,048	175,889	145,465
Less : Amounts representing finance charges	(20,712)	–	(30,424)	–
Present value of minimum lease payments	99,048	99,048	145,465	145,465

23. DEFERRED TAX

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

	Group			
	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2010	2009	2010	2009
	$	$	$	$
Deferred tax liabilities:				
Differences in depreciation for tax purposes	159,000	100,000	59,000	100,000

<u>Tax consequence of proposed dividends</u>

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 34).

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Trade payables	4,282,522	4,308,025	–	–
Other payables	6,592,656	9,716,077	483,372	333,837
Total trade and other payables	10,875,178	14,024,102	483,372	333,837
Trade and other payables excluding provision for warranty	7,397,678	9,426,602	483,372	333,837
Obligations under finance leases (Note 22)	99,048	145,465	–	–
Amounts due to subsidiaries (Note 25)	–	–	–	71,316
Total financial liabilities carried at amortised cost	7,496,726	9,572,067	483,372	405,153

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

24. TRADE AND OTHER PAYABLES (CONT'D)

The Group's other payables includes a provision for warranty of approximately $3,477,500 (2009: $4,597,500). During the financial year, the Group credited an amount of $1,120,000 from the Group's cost of goods sold (2009: a charge of $2,587,000 to the Group's cost of goods sold).

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

	Group	
	2010	2009
	$	$
United States dollar	1,122,976	3,035,093
Euro	309,872	8,946

25. AMOUNTS DUE TO SUBSIDIARIES

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Amounts payable on current account:				
Subsidiaries	–	–	–	71,316

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

26. DEFERRED GAIN ON DISPOSAL OF SUBSIDIARY

Pending legal suit arising from the disposal of subsidiary

The following summarises the events leading to the legal suit with SCM, which holds 85% shareholding in PPLS, arising from the Company's disposal of PPLH, a subsidiary:

- 16 April 2010 - The Company received an unsolicited offer from a third party to acquire the entire share capital of PPLH for US$155,000,000.

- 22 April 2010 - The Company received a letter from SCM through its lawyers demanding that the Company not accept the offer. SCM alleged that any sale of the shares of PPLH by the Company would be made in circumvention of the pre-emptive rights of SCM in PPLS's Articles of Association by not giving SCM a first right of refusal over the sale of PPLH's 15% shareholdings in PPLS.

- 23 April 2010 - The Company accepted the offer from the third party buyer.

- 29 April 2010 - SCM tendered a payment of S$59,433,522 to PPLH, purportedly for the exercise of its pre-emptive rights. PPLH rejected the tendered payment from SCM on the same day.

- 13 May 2010 - PPLH received a letter from SCM claiming, *inter alia*, that following its tendered payment for the purchase of PPLH's 15% shareholdings in PPLS, it became a 100% owner of PPLS and that as a consequence, the JV Agreement, to the extent and in the form it then subsisted, ceased to be in force. The letter from SCM further claimed that, if (contrary to SCM's position) the JV Agreement was still subsisting, the JV Agreement had been terminated from the date on account of breaches by PPLH.

- 15 May 2010 - SCM commenced legal proceedings against PPLH and its wholly owned subsidiary, E-Interface (Suit no. S351/2010/H). SCM has asked the High Court of Singapore to rule, *inter alia*, that the JV Agreement is no longer in force, to direct PPLH and E-Interface to transfer the remaining 15% shareholding interest in PPLS to SCM against the tendered payment, and to order them to pay damages for disclosing or causing to disclose confidential information of PPLS to the third party buyer in breach of the JV Agreement.

The Group has sought and obtained legal advice that the claims against PPLH and E-Interface are without merit. It is PPLH's and E-Interface's position that the terms of the JV Agreement relating to the management of PPLS are still in force. The Group will take all appropriate steps to vigorously defend its position.

26. DEFERRED GAIN ON DISPOSAL OF SUBSIDIARY (CONT'D)

Revision of offer for disposal of subsidiary

As a result of the legal proceedings in the High Court of Singapore, amendments were made on 1 September 2010 to the original offer, including substituting the original buyer with a new third party buyer and a revision of consideration from US$155,000,000 to US$116,250,000.

Under the revised offer, the Company shall, following the completion of the disposal of PPLH, continue to act on behalf of PPLH and E-Interface, and have the sole conduct and management of the legal suit between PPLH/E-Interface and SCM.

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

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

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

then, the new buyer shall:

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

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

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

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

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

26. DEFERRED GAIN ON DISPOSAL OF SUBSIDIARY (CONT'D)

Revision of offer for disposal of subsidiary (cont'd)

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

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

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

27. SHARE CAPITAL

	Group and Company			
	No. of shares	2010	No. of shares	2009
		$		$
Issued and fully paid:				
At 1 January	654,768,017	21,725,689	631,378,576	18,115,259
Issuance of new shares from conversion of warrants	27,810,476	8,802,932	23,389,441	584,736
Issuance of warrants	–	–	–	3,273,840
Warrant issue expenses	–	–	–	(248,146)
At 31 December	682,578,493	30,528,621	654,768,017	21,725,689

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary share have no par value.

27. SHARE CAPITAL (CONT'D)

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 2010	No. of warrants 2009
W110613	13 June 2011	$0.025	404,953	731,802
W121116	16 November 2012	$0.320	299,900,381	327,384,008
			300,305,334	328,115,810

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.

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.

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

	Group 2010 $	Group 2009 $
Not later than one year	462,689	418,186
Later than one year but no later than five years	1,686,239	1,647,789
Later than five years	3,422,915	113,749
	5,571,843	2,179,724

29. RELATED PARTY DISCLOSURES

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

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

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

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

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

During the financial year 2010, the amount of contract revenue earned from a related party was approximately $6,603,000 (2009: $27,575,000).

There are no other 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	
	2010	**2009**
	$	$
Short-term employee benefits	3,250,596	5,121,764
Comprise amounts paid/payable to		
- Directors of the Company	1,334,754	894,725
- Other key management personnel	1,915,842	4,227,039
	3,250,596	5,121,764

30. DIRECTORS' AND EXECUTIVES' REMUNERATION

Directors' remuneration (including directors of subsidiaries) and fees amounted to $1,162,837 (2009: $817,725) and $171,917 (2009: $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	
	2010	**2009**
$500,000 and above	1	–
$250,000 to $499,999	1	2
Below $250,000	4	3
Total	6	5

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, 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

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

The Group's and the Company's exposure to movements in market interest rates relates primarily to its short term deposits.

The Group's policy is to place excess funds with short-term tenure in order to maintain a high level of liquidity.

Liquidity risk

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

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

Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

		2010			2009	
Group	**One year or less**	**One to five years**	**Total**	**One year or less**	**One to five years**	**Total**
	$	$	$	$	$	$
Financial assets:						
Trade and other receivables	7,951,301	–	7,951,301	6,804,671	–	6,804,671
Pledged deposits	7,455,245	–	7,455,245	5,396,429	–	5,396,429
Cash and short-term deposits	214,130,374	–	214,130,374	76,428,257	–	76,428,257
Total undiscounted financial assets	229,536,920	–	229,536,920	88,629,357	–	88,629,357
Financial liabilities:						
Trade and other payables	7,397,678	–	7,397,678	9,426,602	–	9,426,602
Obligations under finance leases	27,648	92,112	119,760	33,168	142,721	175,889
Total undiscounted financial liabilities	7,425,326	92,112	7,517,438	9,459,770	142,721	9,602,491
Total net undiscounted financial assets/(liabilities)	222,111,594	(92,112)	222,019,482	79,169,587	(142,721)	79,026,866

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

Liquidity risk (cont'd)

Company	2010 One year or less $	2010 One to five years $	2010 Total $	2009 One year or less $	2009 One to five years $	2009 Total $
Financial assets:						
Trade and other receivables	20,786	–	20,786	900	–	900
Amount due from subsidiaries	2,900,000	–	2,900,000	4,200,000	–	4,200,000
Cash and short-term deposits	181,676,039	–	181,676,039	34,826,668	–	34,826,668
Total undiscounted financial assets	184,596,825	–	184,596,825	39,027,568	–	39,027,568
Financial liabilities:						
Trade and other payables	483,372	–	483,372	333,837	–	333,837
Amount due to subsidiaries	–	–	–	71,316	–	71,316
Total undiscounted financial liabilities	483,372	–	483,372	405,153	–	405,153
Total net undiscounted financial assets/(liabilities)	184,113,453	–	184,113,453	38,622,415	–	38,622,415

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.

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

Credit risk (cont'd)

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

Credit risk concentration profile

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

	Group			
	2010	**% of**	**2009**	**% of**
By country	**$**	**total**	**$**	**total**
Singapore	2,626,488	34	1,564,870	25
China	4,437,208	56	2,070,600	33
Middle East	485,516	6	2,226,976	36
Asia Pacific (excluding China and Singapore)	305,203	4	326,316	6
	7,854,415	100	6,188,762	100

At the end of the reporting period, approximately:

- 88% (2009: 91%) of the Group's trade receivables were due from 3 (2009: 4) major customers who are located in Singapore and China.
- A nominal amount of $12,800,000 (2009: $4,000,000) relating to a corporate guarantee provided by the Company to a bank on its subsidiaries' banking facilities.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 (Trade and other receivables).

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

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than SGD. The foreign currencies in which these transactions are denominated are mainly US Dollars (USD). Approximately 99% (2009: 99%) of the Group's sales are denominated in foreign currencies whilst about 40% (2009: 70%) of costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (mainly in USD) amount to approximately $80,589,000 (2009: $35,005,000) 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	
		2010	**2009**
		$'000	**$'000**
		Net profit	**Net profit**
USD/SGD	– strengthened 3% (2009: 3%)	+2,840	+1,306
	– weakened 3% (2009: 3%)	-2,840	-1,306

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

33. CAPITAL MANAGEMENT

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

34. DIVIDEND

	Group and Company	
	2010	2009
	$	$
Declared and paid during the financial year:		
Dividend on ordinary shares:		
- First and final exempt (one-tier) dividend for 2009: 2.25 cents (2008: 0.05 cents) per share	15,356,046	3,159,280
Proposed but not recognised as a liability as at 31 December:		
Dividend on ordinary shares, subject to shareholders' approval at the AGM:		
- First and final exempt (one-tier) dividend for 2010: 3.00 cents (2009: 2.25 cents) per share	20,477,355	15,356,036

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to 31 December 2010, the Company acquired some quoted investment in a foreign offshore drilling company for a total of approximately $10,300,000.

36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 25 March 2011.

Analysis of Shareholdings

As at 8 March 2011

Number of Shares : 682,578,493
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	276	6.79	14,856	0.00
1,000 - 10,000	1,725	42.44	10,007,867	1.47
10,001 - 1,000,000	2,038	50.13	118,166,974	17.31
1,000,001 and above	26	0.64	554,388,796	81.22
	4,065	100.00	682,578,493	100.00

TWENTY LARGEST SHAREHOLDERS

Name	No. of Shares	%
1. Saberon Investments Pte Ltd	455,994,550	66.80
2. CIMB Securities (Singapore) Pte Ltd	17,686,000	2.59
3. OCBC Securities Private Ltd	16,940,122	2.48
4. Citibank Nominees Singapore Pte Ltd	6,360,000	0.93
5. United Overseas Bank Nominees Pte Ltd	5,731,004	0.84
6. DBS Nominees Pte Ltd	5,406,030	0.79
7. UOB Kay Hian Pte Ltd	4,907,008	0.72
8. Kim Eng Securities Pte. Ltd.	4,572,995	0.67
9. HSBC (Singapore) Nominees Pte Ltd	4,008,000	0.59
10. Hong Leong Finance Nominees Pte Ltd	3,595,000	0.53
11. Khoo Aik Peng	3,080,000	0.45
12. DMG & Partners Securities Pte Ltd	2,734,000	0.40
13. DBS Vickers Securities (S) Pte Ltd	2,718,000	0.40
14. OCBC Nominees Singapore Pte Ltd	2,220,004	0.33
15. Raffles Nominees (Pte) Ltd	2,206,333	0.32
16. Phillip Securities Pte Ltd	1,894,250	0.28
17. Booi Pang Hin	1,842,000	0.27
18. Lee Yan Teck	1,699,500	0.25
19. Neo Lam Lee	1,650,000	0.24
20. Ng Chai Hock	1,510,000	0.22
TOTAL:	**546,754,796**	**80.10**

PUBLIC FLOAT

Based on the information available to the Company, as at 8 March 2011, approximately 31.4% 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	66.80	–	–
Dr Benety Chang*	–		455,994,550	66.80
Dr Doris Heng Chin Ngor*	–		455,994,550	66.80
Anthony Sabastian Aurol*	–		455,994,550	66.80
Tan Yang Guan*	1,065,000	0.16	455,994,550	66.80

* *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 8 March 2011

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	46	39.32	20,198	4.99
1,000 - 10,000	63	53.84	169,142	41.77
10,001 - 1,000,000	8	6.84	215,613	53.24
	117	100.00	404,953	100.00

TWENTY LARGEST WARRANTHOLDERS

Name	No. of Warrants	%
1. Woon Hee Choy	56,613	13.98
2. Ong Swee Whatt	50,000	12.35
3. Lee Chiew Eng	25,000	6.17
4. Lim Siew Toh Lucy	20,000	4.94
5. Mak Weng Khiang	20,000	4.94
6. Lai Siew Hong	15,000	3.70
7. Lee Chak Meng	15,000	3.70
8. Low Chin Yee	14,000	3.46
9. Loganathan Ravishankar	10,000	2.47
10. Phillip Securities Pte Ltd	9,394	2.32
11. Ng Boon Kim	9,000	2.22
12. Jee Yoke Koon	7,500	1.85
13. Liew Yew Cheow Mary or Liew Han Huei	7,500	1.85
14. Toh Peng Phye @ Edwin Tock Peng Phye	6,000	1.48
15. Kim Eng Securities Pte. Ltd.	5,500	1.36
16. Goh Sia Beng	5,000	1.23
17. Koh Kwee Song	5,000	1.23
18. Lau Lam Cheow	5,000	1.23
19. Lim Kah Choo Carol	5,000	1.23
20. Teo Guat Khim	5,000	1.23
TOTAL:	**295,507**	**72.94**

Analysis of Warrantholdings (W121116)

As at 8 March 2011

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	9	1.18	3,107	0.00
1,000 - 10,000	351	46.06	1,893,000	0.63
10,001 - 1,000,000	387	50.79	32,227,999	10.75
1,000,001 and above	15	1.97	265,776,275	88.62
	762	100.00	299,900,381	100.00

TWENTY LARGEST WARRANTHOLDERS

Name	No. of Warrants	%
1. Saberon Investments Pte Ltd	227,997,275	76.02
2. OCBC Securities Private Ltd	9,039,000	3.01
3. Sng Siew Khim	6,721,000	2.24
4. Seah Kheng Lun	3,271,000	1.09
5. Paul Go Kian Lee	2,836,000	0.95
6. Sng Thiam Hock	2,634,000	0.88
7. Ng Chew Oon	2,500,000	0.83
8. DMG & Partners Securities Pte Ltd	1,612,000	0.54
9. Sng Siew Lin	1,521,000	0.51
10. Tan Tee Keong Spencer	1,400,000	0.47
11. Yeap Lam Kang	1,353,000	0.45
12. Wee Hui Hian	1,344,000	0.45
13. Lee Ai Ni	1,330,000	0.44
14. Citibank Nominees Singapore Pte Ltd	1,190,000	0.40
15. Khoo Aik Peng	1,028,000	0.34
16. Lim Tow Seong @ Daw Seong @ Liu Dou Suang	987,000	0.33
17. Beh Chee Yang	976,000	0.33
18. Lee Yan Teck	922,000	0.31
19. Tang Chong Sim	869,000	0.29
20. Jin Weihua	818,000	0.27
TOTAL:	**270,348,275**	**90.15**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Baker Technology Limited (the "Company") will be held at Nautica II, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on Friday, 29 April 2011 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 financial year ended 31 December 2010 together with the Auditors' Report thereon.

2. To declare a first and final (one-tier tax-exempt) dividend of 3 cents per ordinary share for the financial year ended 31 December 2010.

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

   a. Mr Wong Kwan Seng, Robert
   b. Mr Tan Yang Guan

4. To re-elect Mr Wong Meng Yeng, a Director who is retiring pursuant to Article 108 of the Articles of Association of the Company. [See Explanatory Note (ii)]

5. To approve Directors' fees of S$171,917/- for the financial year ended 31 December 2010 (2009: S$77,000/-).

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

AS SPECIAL BUSINESS

7. 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,

provided that:

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

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

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

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

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

(4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

[See Explanatory Note (iii)]

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
6 April 2011

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 Wong Kwan Seng, Robert, if re-elected, will remain as a non-independent and non-executive director of the Company.

   Mr Tan Yang Guan, if re-elected, will remain as a member of the Audit and Remuneration Committees. He is considered as a non-independent and non-executive director.

ii. Mr Wong Meng Yeng, if re-elected, will remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. He is considered as an independent director.

iii. The Ordinary Resolution proposed in item 7, 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 convertible into shares, and to issue shares pursuant to such instruments, up to a number not exceeding in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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

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 BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed on 12 May 2011 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 11 May 2011 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 11 May 2011 will be entitled to the proposed Dividend.

The proposed Dividend, if approved by the shareholders at the Annual General Meeting will be paid on 26 May 2011.

By Order of the Board
Aw Seok Chin
Company Secretary
6 April 2011

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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 29 April 2011 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.

		To be used on a show of hands		To be used in the event of a poll	
No.	**Resolutions Relating to:**	**For***	**Against***	**For****	**Against****
	ORDINARY BUSINESS				
1	Adoption of Directors' Report and Financial Statements				
2	Declaration of first and final dividend				
3	Re-election of Mr Wong Kwan Seng, Robert				
4	Re-election of Mr Tan Yang Guan				
5	Re-election of Mr Wong Meng Yeng				
6	Approval of Directors' fees				
7	Re-appointment of Ernst & Young LLP as Auditors				
	SPECIAL BUSINESS				
8	Authority for Directors to issue new Shares and to make or grant Instruments				
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 the number of votes.

Signed this ______ day of ______________ 2011

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.

FASTER LOADING SPEED

EASE OF USE

EMBRACING IMPROVEMENT

INTERACTIVITY

www.bakertech.com.sg

Baker Tech aims to constantly improve everything we do. In keeping with the spirit of improvement, we have updated the copies of the company's Annual Report available on the company's website to an interactive page flipping version for greater convenience and usability.

New Features of our Annual Reports Page

New Book-like Splash Screen

Spread View

Page Flipping


BAKER Technology Limited
Unique Entity Number: 198100637D
Quality Comes First
At Baker Tech, we are dedicated to providing quality solutions to meet the increasingly sophisticated requirements of our clients.
Address:
6 Pioneer Sector 1,
Singapore 628418
Tel: (65) 6262 1380
Fax: (65) 6262 2108
Email: enquiry@bakertech.com.sg
www.bakertech.com.sg