• ANNUAL REPORT 2011 •

THE QUEST

BAKER TECHNOLOGY LIMITED

INNOVATION
QUALITY
RELIABILITY

Quest for excellence by aligning ideas, knowledge and strategies.

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THE QUEST

BAKER TECHNOLOGY LIMITED
ANNUAL REPORT 2011

A conqueror celebrates his victory but a veteran conqueror contemplates his next. Rather than resting on its past successes, Baker Tech is focusing on greater achievements ahead. Setting its sights on promising new opportunities, Baker Tech is capitalising on its established presence and consolidating forces to capture new arenas of growth.

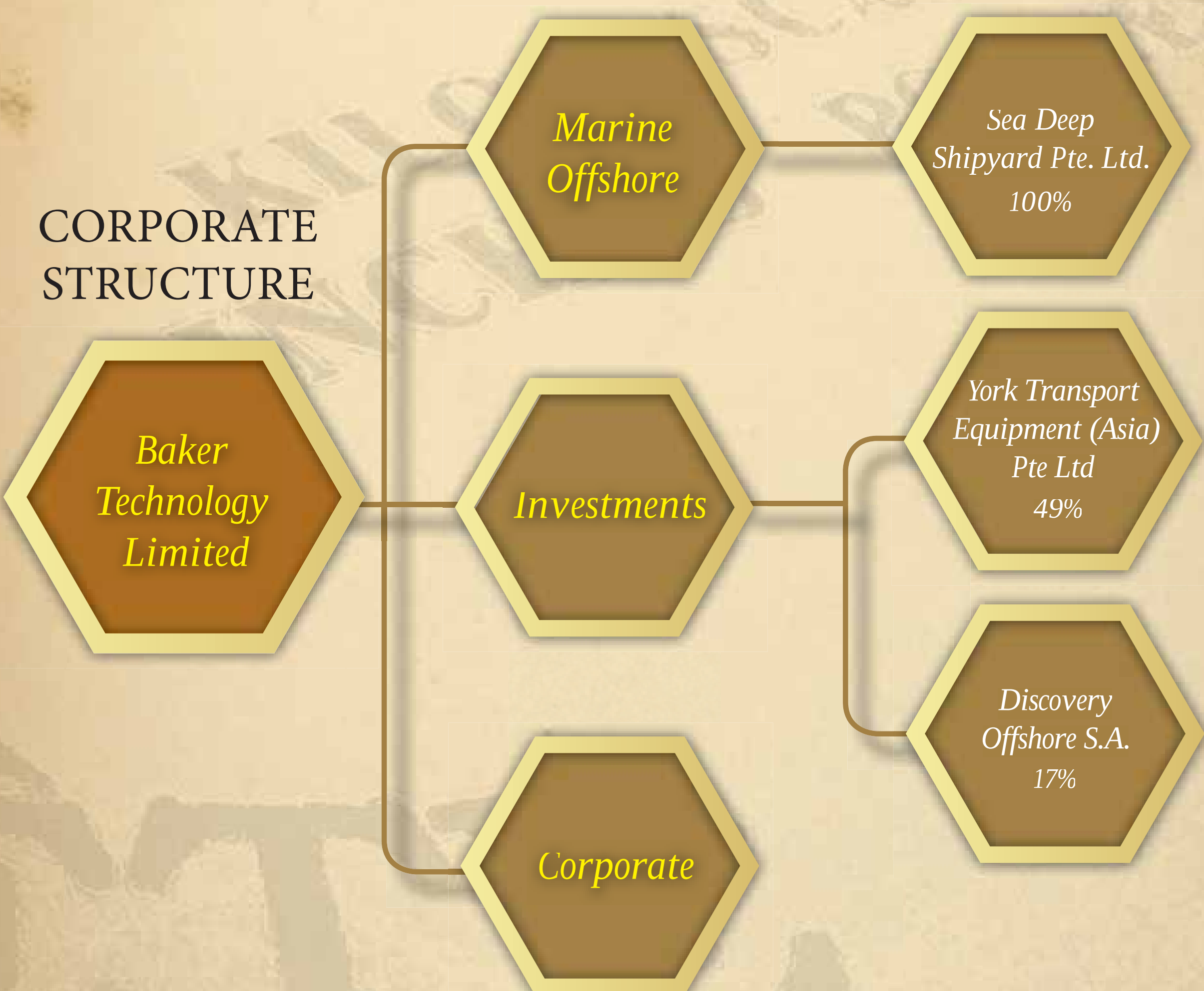
the beginning

Baker Technology Limited ("Baker Tech") is an investment holding group with advanced engineering capabilities that caters to the offshore oil and gas industry. The Group is a key player in the global oil and gas industry with an excellent reputation for innovation, quality and reliability.

Its wholly-owned subsidiary, Sea Deep Shipyard Pte. Ltd. ("Sea Deep"), is a leading manufacturer and provider of specialised equipment and engineering solutions to global customers in the oil and gas industry. Baker Tech is also the second largest shareholder of Oslo-listed Discovery Offshore S.A. ("Discovery Offshore"), an ultra high-specification jack-up drilling company, which currently has two premium jack-up rigs under construction. The Group also has an associated company, York Transport Equipment (Asia) Pte Ltd ("York"), which develops total suspension and axle solutions for the heavy transportation industry.

Baker Tech plans to grow its business portfolio globally while strengthening its market position for its core businesses. It believes in creating value for shareholders through delivering sustainable and quality returns on its assets, adhering to best corporate governance practices, nurturing its people and serving the community. In all its pursuits, Baker Tech seeks to do it with passion and excellence.

CORPORATE STRUCTURE



baker technology scorecard

US$80 MILLION

net order book as at Dec 2011

Singapore Corporate Awards 2011 – Best Managed Board (Gold), Best Annual Report (Silver) for companies under S$300 million in market capitalisation

Acquired a 17% stake in Discovery Offshore S.A.

Group revenue jumped by

67.6%

Strong balance sheet

S$169.3 MILLION

in cash

key milestones

2011

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

FEBRUARY
Acquired stake in Discovery Offshore S.A.

2010

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

SEPTEMBER
Listed on Forbes Asia's Best Under a Billion and was one of only eight companies in Singapore on the 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 1.0 cent each.

APRIL
Won Merit Award for Best Managed Board (for companies with market capitalisation of less than S$300 million) at 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 a 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

Listed on the SGX Mainboard, Baker Tech is an investment holding company with a core business in offering advanced engineering equipment and innovative solutions for the diverse and specific needs of customers around the world.

Sea Deep

A key player in the marine and offshore industry, Sea Deep provides specialised equipment and engineering solutions for the global oil and gas industry.

S$81M
Group Revenue for FY 2011
Advance 2 Steps

Norway

Europe

Belgium

Kaza

N
ATLANTIC
OCEAN

Saudi Arabia

Iran

UAE

Africa

South Africa

THE QUEST

Russia

Ukraine

akhstan

China

Middle East

Vietnam

York

York Transport Equipment (Asia) Pte Ltd is a specialist in designing and developing total suspension and axle solutions for trailers, tankers, flat-beds and other vehicles in the heavy transportation industry.

Positive Growth in CHINA

Advance 2 Steps

FY 2011 Group revenue jumped by

67.6%

Advance 2 Steps

Discovery Offshore

Discovery Offshore S.A. is a pure-play offshore drilling company with two elite high-specification jack-up rigs under construction in Singapore.

FINISH

Australia

THE STRATEGISTS

Few battles were ever won without a plan. Baker Tech's success is a result of the ingenuity of its people, who have conceived and executed shrewd strategies in its conquests. With keen foresight and instinct gained from experience, the Board, management and staff continue to push new boundaries together.

CHAIRMAN'S MESSAGE

2011 was a year of many achievements and challenges for Baker Tech. Group revenue increased 68% to a record high of S$81.1 million but net profit was S$7.6 million, compared to S$27.4 million a year ago. The lower earnings achieved were primarily due to the absence of a S$15.8 million contribution from our investment in PPL Shipyard Pte Ltd, following the disposal of PPL Holdings Pte Ltd in October 2010.

The Group's financial position remains strong. It is debt-free with available cash and cash equivalents of S$169.3 million, which translates to cash per share of 24.2 cents. The Board has proposed a first and final dividend of 1.0 cent per share.

STABLE CORE EARNINGS

The Group's core operations, undertaken by its wholly-owned subsidiary Sea Deep Shipyard Pte. Ltd., ("Sea Deep") had performed credibly in 2011; pre-tax marine and offshore earnings were S$19.4 million, compared to S$18.6 million in 2010. Amidst keen competition in the industry, Sea Deep grew its net order book to US$80 million as at end December 2011, compared to US$33 million a year ago.

OUTLOOK

The marine and offshore industry has been facing a period of erratic order flow and rising competition, precipitated initially by the global financial crisis in 2009, and in 2011, the onset of the Eurozone debt crisis. The Group also faced similar challenges; Sea Deep's net order book dipped to a low of S$7 million in 2009 and rose to a high of US$114 million in August 2011 but order intake has since slowed in the wake of uncertainties in the global economy and volatility in the financial markets.

Nonetheless, we are confident of a profitable year in 2012 given the healthy order book of US$80 million as at 31 December 2011. A substantial portion of the order book will be fulfilled and delivered this year.

Against the backdrop of a challenging external environment, we will continue to innovate to meet our customers' needs more efficiently, enhance our market competitiveness and to grow new markets. We have expanded our range of Sea Hercules

CHAIRMAN'S MESSAGE

offshore pedestal cranes. The new series is designed for floaters that can be used on board semi-submersibles, drill ships and all other floating vessels. Market response to the new cranes has been positive; we have received numerous enquiries on our new products and we look forward to growing this new segment.

STRATEGIC THRUSTS

The Group believes that the marine and offshore sector remains attractive and offers tremendous long term opportunities and potential. According to Exxon Mobil's "The Outlook for Energy: A View to 2040" (Dec 2011), global energy demand will be 30% higher in 2040 compared to that in 2010, with non-OECD demand growing by 60%. This will be achieved on the back of a continuous expansion of economic output as the world population expands. Oil and gas will continue to be the most widely used fuels.

We intend to build up a portfolio of assets within the sector that can leverage on our strong heritage and foundation in offshore marine oil and gas engineering. In 2011, we acquired a 17% stake in Oslo-listed Discovery Offshore S.A., a specialised jack-up drilling company with two ultra-high specification jack-up rigs under construction. The outlook for Discovery Offshore is positive, as there is currently a shortage of harsh-environment jack-up rigs that meet increasingly stringent safety demands. The first two rigs are scheduled for delivery in the second half of 2013.

With our strong cash holdings, we are constantly seeking out companies within the sector that can provide the Group with a platform for growth and allow the Group to create and deliver long term sustainable growth for all our shareholders.

On 1 March 2012, the Group proposed a non-underwritten rights issue of warrants on the basis of two warrants for every five ordinary shares held. We want to encourage further equity participation through the exercise of the warrants and, in the future, proceeds from the warrants conversion will also provide the Group with even greater flexibility in pursuing its strategic expansion plans.

COMMITMENT TO CORPORATE GOVERNANCE

We are pleased that our enduring efforts to raise the standards of corporate governance and shareholder communications have been recognised. Over the last three years, Baker Tech's ranking on the Governance and Transparency Index has

CHAIRMAN'S MESSAGE

improved significantly from 292nd to 38th in 2011. We are also honoured to have received the GOLD award for Best Managed Board and a SILVER award for Best Annual Report in the 2011 Singapore Corporate Awards. This is the third time and the first Gold award that Baker Tech has received for Best Managed Board and its first award for the Best Annual Report category. We will continue to review and improve our processes regularly, and implement changes when needed to ensure that the Group adheres closely to the best practices in corporate governance.

ACKNOWLEDGEMENT AND APPRECIATION

As of print date, there has been no decision yet by the High Court on the legal suit between Sembcorp Marine Ltd and PPL Holdings Pte Ltd and E-Interface Holdings Limited. I would like to take this opportunity to thank all our shareholders for their patience and faith in Baker Tech.

I would also like to thank all our customers, suppliers and industry professionals who have partnered and trusted us for many years.

It has been a challenging yet fulfilling year for our management team and staff. I would like to thank them for their hard work, perseverance and loyalty.

As Baker Tech stands at the cusp of a new era of growth, the Board has been instrumental in guiding and steering the Group towards an exciting future ahead. Their time, contribution and valuable counsel are deeply appreciated.

With a Board that works closely with management and staff, united by a singular vision of being the best in its field, Baker Tech will continue to push boundaries, and enter promising new frontiers. The best is yet to be.

LIM HO SENG
Chairman
Independent Director

BOARD OF DIRECTORS

Mr Lim Ho Seng
Chairman

Mr Lim Ho Seng has been the Chairman of the Company since November 2002. He was appointed to the Board on 1 October 1999 and was last re-elected on 22 April 2010. Mr Lim who is an Independent Director of the Company, is also the Chairman of the Audit and Remuneration Committees and member of the Nominating Committee.

Mr Lim also sits on the boards of Kian Ann Engineering Ltd and KS Energy Limited. Mr Lim was the former Chief Executive Officer of NTUC Fairprice Co-operative Ltd. He was previously an Independent Director of Lippo-Mapletree Indonesia Retail Trust Management Ltd and Pan Asian Water Solutions Limited.

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 is the Chief Executive Officer of Baker Technology Limited. He was appointed to the Board on 5 May 2000 and was last re-elected on 22 April 2010. Dr Chang, who is an Executive Director, is also a member of the Nominating Committee. He is also the Deputy Chairman of PPL Shipyard Pte Ltd which specialises in the manufacture of its own designed jack-up rigs. He holds a MBBS degree from the University of Singapore.

BOARD OF DIRECTORS

Mr Anthony Sabastian Aurol
Chief Operating Officer

Mr Anthony Sabastian Aurol is the Chief Operating Officer of the Company. He was appointed to the Board on 5 May 2000 and was last re-elected on 23 April 2009. Mr Aurol is an Executive Director. 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 was appointed to the Board on 24 February 1998 and was last re-elected on 29 April 2011. Mr Wong is a Non Independent Non-Executive Director of the Company.

He is a lawyer by profession and practices mainly corporate law with emphasis on corporate finance. He has acted as solicitor in initial public 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. He was previously an Independent Director of Aqua-Terra Supply Co. Limited. Mr Wong is able to share a significant amount of his legal experience and knowledge with the Company.

THE STRATEGISTS

BOARD OF DIRECTORS

Mr Tan Yang Guan
Non-Executive Director

Mr Tan Yang Guan was appointed to the Board on 5 May 2000 as was last re-elected on 29 April 2011. Mr Tan who is a Non-Executive Director, 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 36 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 was appointed to the Board on 3 June 2010 and was last re-elected on 29 April 2011. An Independent Director, he chairs the Nominating Committee and is a member of the Audit 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. He is also an Independent Director of Multi-Chem Limited, KS Energy Limited and Keong Hong Holdings Limited. He was previously an Independent Director of Novena Holdings Limited and Pan Asian Water Solutions Ltd. Mr Wong graduated from the National University of Singapore in 1983 with a Bachelor of Laws (Honours) Degree.

KEY EXECUTIVES

Mr Ong Thian Whee Albert
Managing Director
(Sea Deep Shipyard Pte. Ltd.)

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

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

Mr Tan Keng Tiong Alvin
Senior Vice President

Mr Tan Keng Tiong, Alvin has been the Senior Vice President – Business Development since 2008, and is responsible for the overall business development for the Group. Prior to this appointment, he was the Vice President – Sales & Marketing in York Transport Equipment (Asia). Mr Tan started his career in the marine oil and gas industry and has held several senior positions with various companies in the marine transport sector before joining the Group in 2001. He graduated from Curtin University of Technology in 1990 with a Bachelor of Business degree. Mr Tan holds a Master's degree in Business Administration from the Nanyang Business School, Nanyang Technological University and has completed the Advanced Management Programme at Haas School of Business, University of California Berkeley in 2011.

Mr Tan Kiang Kherng
Financial Controller

Mr Tan Kiang Kherng has been the Financial Controller of the Group since June 2002 and oversees its financial, accounting and administrative activities. He graduated from Nanyang Technological University with a Bachelor of Accountancy (Hons) 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.

THE RIGHT MOVES

With its sight on a common goal and aligning all its initiatives, Baker Tech effects massive but synchronised strides forward as an organisation. This focus has kept Baker Tech nimble and agile in making decisive moves when taking on new opportunities.

SEA DEEP

A closer look at what makes Sea Deep a thriving business.

Acquired by Baker Tech in 2008, Sea Deep is an international engineering company that caters to the increasingly sophisticated needs of the offshore marine oil and gas industry. It has a proven track record of superior performance, providing specialised equipment and innovative solutions for the global oil and gas industry.

Sea Deep, with its fully-owned subsidiary Interseas Shipping (Private) Limited, prizes reliability, low-maintenance costs, user-friendliness and on-time delivery as its top priorities.

CAPABILITIES

With a shipyard located at the Southern Tuas Basin in Singapore, Sea Deep is poised to provide complete support to 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 jack-up 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 yard.

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

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

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

RESEARCH AND DEVELOPMENT

To augment and complement its existing range of products and services, Sea Deep actively engages in research and development. In the past year, Sea Deep completed the Research and Development of a 75 metric ton crane for use onboard semi-submersibles, drillships,and other floating vessels. The addition of this new product range to Sea Deep's current lineup of products will enlarge the company's market reach, extending its potential clientele.

Through such consistent efforts at enhancing its operations, the company seeks to continually better its performance and create synergistic growth.

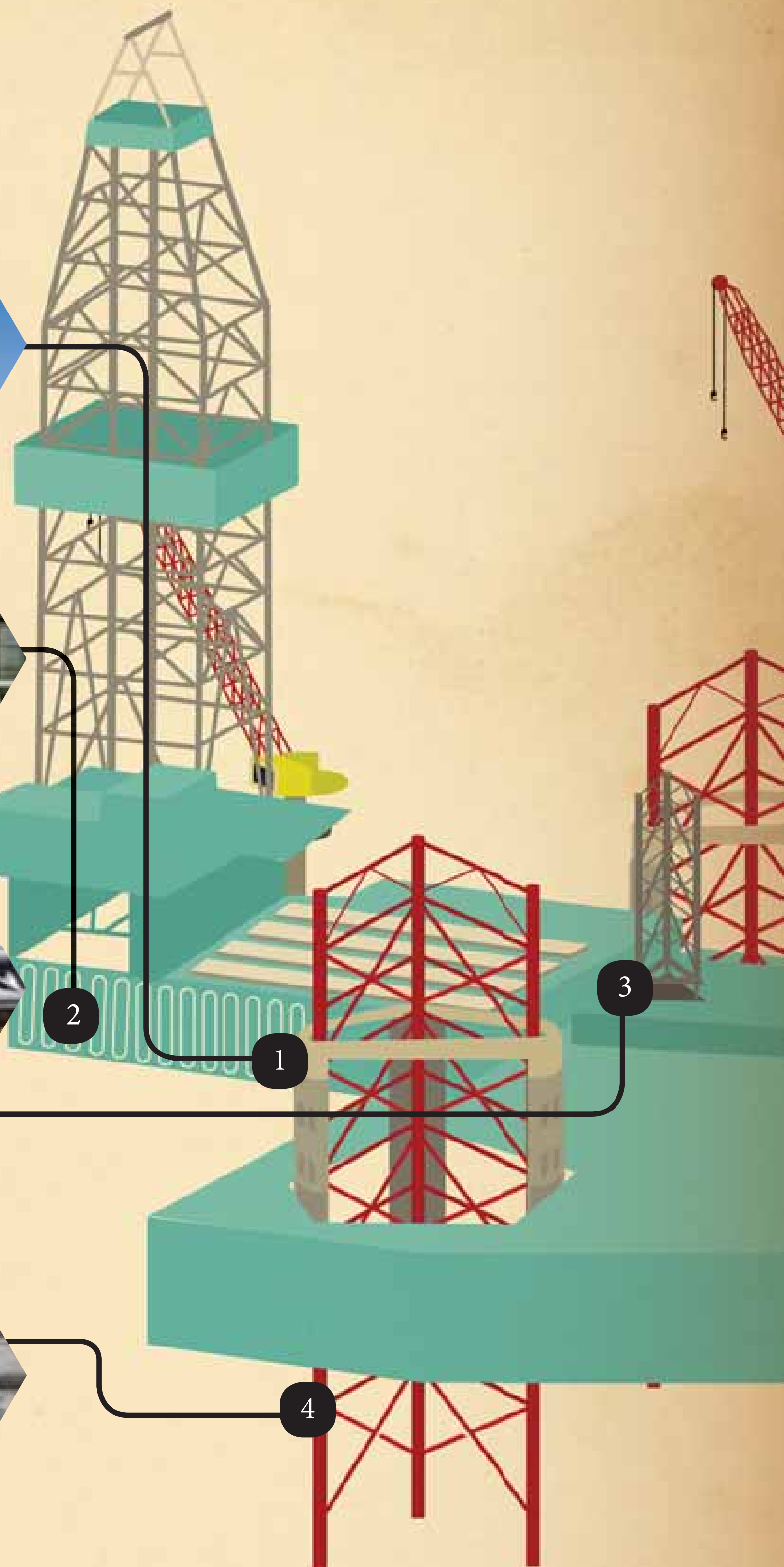
OUR COMMITMENT

Sea Deep persists in developing and improving its business, so as to anticipate and meet the advances in technology in the offshore and marine industry. By doing so, it is always ready to provide competitive products and services to its clients and keep ahead of the times.

Sea Deep Shipyard Pte. Ltd.
Website: www.seadeep.com.sg

SEA DEEP INTERSEAS

Key Business Products



1. 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.

2. 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.

3. RAW WATER TOWER STRUCTURE

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

4. RACK CHORDS

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

SEA DEEP

5. 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.

6. 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).

7. 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

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 heavy transportation industry. Established in Singapore in 1989, York is 49% owned by Baker Tech, while the other 51% is owned by TRF, a Tata enterprise.

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

The company has production facilities that are strategically located in Singapore and India, enabling it to serve the needs of a global clientele.

As an Original Equipment Manufacturer (OEM), York has the capability and flexibility to develop total solutions that are customised to clients' requirements.

YORK

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 strives to keep ahead of the changing needs of its valued customers by continually exploring the latest technology in the field and offering advanced solutions, delivering future benefits today and tomorrow.

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 heavy transport industry.

York Transport Equipment (Asia) Pte Ltd
Website: www.yorktransport.com

YORK
SIMPLY MILES AHEAD

DISCOVERY OFFSHORE

Discovery Offshore is a pure-play, ultra-high specification jack-up drilling company.

Baker Tech acquired an approximately 17% stake in Oslo-listed Discovery Offshore S.A. ("Discovery Offshore") in 2011.

Discovery Offshore is a pure-play, ultra-high specification jack-up drilling company that was incorporated in Luxembourg on 12 January 2011.

It has two premium jack-up rigs under construction that are slated for delivery in the second and fourth quarters of 2013, which are based on the advanced Keppel FELS "Super A" Class proprietary design. These elite rigs will be among the most capable jack-up rigs in the world.

Managed by drilling contractor Hercules Offshore Inc., Discovery Offshore will leverage on the experience and customer relationships of the renowned drilling contractor. With a history of operating for many of the leading national and international oil and gas companies. Hercules Offshore has the network and expertise to effectively manage the rig construction process, and perform the marketing and operations of these rigs once in service.

Discovery Offshore S.A.
Website: www.discoveryoffshore.lu

BEHIND BAKER TECH'S ACHIEVEMENTS

For a company to succeed, the right moves have to be made not only in its business dealings, but in its interactions with its people and the community as well.

WORKPLACE SAFETY AND HEALTH

Making the right moves requires cultivating the right environment for Baker Tech's people to excel. Baker Tech recognises the importance of providing a safe and conducive setting for the well-being of its people, and strives to foster an atmosphere that encourages aspiration and excellence.

To ensure that its people are able to perform at their best, Baker Tech endeavours to provide a home away from home for its foreign workers. Accommodations for the company's workers are comfortable and well-facilitated, with amenities that cater to their needs. The company also makes sure that its people get to work safely and comfortably by providing convenient transportation to and from work.

The safety of its people is of utmost importance to Baker Tech. Understanding the importance of preparedness, the company conducts regular safety checks and drills to better protect its people in case of emergency. Safety meetings are held to reinforce the awareness of safety issues at the workplace and the steps taken to mitigate them. Personnel who have undergone Risk Assessment certification courses collaborate with the company in ensuring preparedness for emergency situations.

By providing a safe and comfortable work environment, Baker Tech creates a worry-free setting for its people to realise their fullest potentials.

THE RIGHT MOVES

BEHIND BAKER TECH'S ACHIEVEMENTS

Having the right people with the right attitude is also essential to making the right moves. Baker Tech continually assesses and develops its workforce, giving due recognition to staff who excel, and helping them attain greater achievements.

By providing a safe and comfortable work environment, Baker Tech creates a worry-free setting for its people to realise their fullest potentials.

CULTIVATING A WORKFORCE WITH DISTINCTION

Having the right people with the right attitude is also essential to making the right moves. Baker Tech continually assesses and develops its workforce, giving due recognition to staff who excel, and helping them attain greater achievements. Aptitude is identified and recognised, and the company strives to nurture such capability in its people. Potential leaders are sent for external training, and opportunities are given to promising and able workers to further advance their potential.

To facilitate better communication and interaction at work, the company also holds regular get-together events that bring together its people from across all levels. Such events are greatly beneficial in fostering a welcoming environment that allows for mutual learning and feedback amongst the staff, creating a deeper sense of belonging and satisfaction at work.

COMMUNITY

In addition to caring for its own people, Baker Tech also believes in reaching out to help those in need. In 2011, Baker Tech continued to show support for the Breast Cancer Foundation ("BCF"), which provides emotional and financial support services to women and men affected by breast cancer.

BEHIND BAKER TECH'S ACHIEVEMENTS

The company sponsored a new boat for the Paddlers in the Pink ("PIP"), a support group under the BCF, made up of breast cancer victims and survivors with a passion for rowing.

The new boat replaced one of the PIP's old boats that had fallen into disrepair and is lighter and safer for the rowers. In celebration of the launch of the new boat, Baker Tech and the PIP took the boat out on its maiden voyage on Saturday, 02 July 2011. Baker Tech is proud to continue to lend support to the BCF in its worthy pursuit of eradicating breast cancer through increased awareness of the importance of early detection and treatment.

INVESTOR RELATIONS

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.

The Investor Relations ("IR") team at Baker Tech is led by the Chairman of the Board, Mr Lim Ho Seng, and actively supported by the Senior Vice President – Business Development, Financial Controller and an external investor relations agency, NRA Capital Pte Ltd whom the Group has been working with over the last four years.

The team held two half-yearly briefing on its 6-months' and full year's financial results, to review and update the investment community on the Group's financial performance. Throughout the year, the team also availed itself to investor enquiries and met up with local financial media, fund managers and analysts. Baker Tech's corporate 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 materials from results briefings, is disclosed and released regularly in a timely manner via SGXNet onto the SGX-ST website before dissemination to the financial media and investment community. This information is also available on the IR page on the company's corporate website.

RISK MANAGEMENT

Baker Tech continually assesses and evaluates the risks it is exposed to and puts measures in place to better manage these risks.

RISK MANAGEMENT AND MITIGATION

In every endeavour, a certain number of risks exist that may hinder the smooth execution of plans and strategies. Baker Tech understands the importance of addressing these risks and takes active steps to mitigate and minimise their impact on its business. Through its Enterprise Risk Management framework, Baker Tech continually assesses and evaluates the risks it is exposed to and puts measures in place to better manage these risks.

INDUSTRY-RELATED RISKS

The Group's key subsidiary, Sea Deep, provides key engineering equipment and solutions for the marine and offshore oil and gas industry. Operating in an environment that is dependent on the performance of the global oil and gas industry, Sea Deep's business is affected by a number of factors. These include the level of activity in the offshore drilling industry, worldwide economic activity and the changes in the demand and supply of oil and gas and its prices.

To mitigate this risk, Baker Tech constantly looks out for opportunities to diversify its business. The company actively engages in research and development to fortify its existing range of products and develop new products that extend its market reach.

Steel is the primary raw material of use in the marine and offshore industry, and as such, the Group is vulnerable to fluctuations in its prices and availability. Adverse increases in prices or falls in supply of material may increase costs, and negatively affect the financial performance of the Group, or delay the completion of projects.

Acknowledging the importance of steel to the business, Sea Deep builds in price changes in materials for its contracts with customers to manage fluctuations in steel prices. Sea Deep also maintains close, amiable working relationships with its suppliers to ensure the timely delivery of steel and, as a precaution, maintains a safety stock to cater for faster delivery to its customers.

FINANCIAL RISKS

Most of the Group's operations are project-based and carried out over a period of time. Because of this, payments are made upon the completion of different stages of each project. This progressive mode of payment may expose the Group to credit risks and defaults in payments by customers.

To minimise the chances of this occurring, the Group is careful when taking in projects and orders. Sea Deep will enter into sales contracts or accept orders from reputable companies that are adequately capitalised and are in financially healthy positions. Sea Deep will typically negotiate for progressive payments from customers throughout the duration of the project, and request upfront deposits. Also, Sea Deep only allows for customers with proven records to trade on credit terms.

On top of that, the Group carries out monthly reviews of outstanding debtors to check on the progress of orders and payments.

The Group is also exposed to the risk of unfavourable foreign exchange rates, as it sells mainly in US$ and Euro, and procures

RISK MANAGEMENT

in US$, S$ and Euro. The mismatch between the currency of sales and the currency of expenses could result in exposure to foreign exchange risks. Significant fluctuations in the exchange rates of these currencies could cause foreign exchange losses and affect the financial position of the Group.

While the Group does not actively engage in a formal hedging policy, it does make use of natural hedging, where it attempts as much as possible to procure resources in the same currency as the sales' currency, and spot conversion of excess foreign currencies into S$ where possible. Furthermore, the Group closely monitors movement in foreign exchange to capitalise on favourable foreign exchange movement for conversion.

OPERATING RISKS

The Group is also susceptible to a number of risks that could affect the continuity of its operations. Sea Deep's core business, being in the designing and manufacturing of oversized and overweight offshore engineering equipment, is vulnerable to mishaps such as minor personal injuries or major accidents, leading to disruptions in the daily operations of the Group.

It is important to the Group to minimise the likelihood of these risks and to have a comprehensive contingency plan. The Group regularly reviews its safety procedures and practices. A safety management system, meeting and exceeding the Workplace Safety and Health ("WSH") guidelines set by the Ministry of Manpower, is in place to ensure the safety of its people.

In addition, a Safety Committee oversees all safety procedures and meets monthly to discuss and review safety issues such as near-misses, incidents and necessary remedial actions.

The Group also carries out risk assessment before the commencement of any production activities, and daily toolbox meetings are conducted by supervisors to reinforce the importance of safety to all workers. Adequate training in safety and competency in equipment handling is also provided to ensure that workers are not vulnerable to injury due to ineptitude, and evacuation drills are held regularly so that the Group is better prepared to handle emergency situations.

In the event of unforeseen outbreaks of pandemics or communicable diseases, such as the Influenza A (H1N1) or Severe Acute Respiratory Syndrome ("SARS") outbreaks, the Group also has in place a list of response measures based on the Ministry of Health's guidelines that will help the Group to continue running as smoothly as possible amidst such disruptions.

The Group believes that with these measures in place, it is prepared for any potential risks and will be able to maintain the smooth operation of its business. The Group will continually review and refine its Enterprise Risk Management framework to ensure the relevance and effectiveness of its system.

corporate information

BOARD OF DIRECTORS
Lim Ho Seng *Chairman*
Dr Benety Chang *Chief Executive Officer*
Anthony Sebastian 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 SECRETARIES
Abdul Jabbar Bin Karam Din
Nga Ko Nie

PRINCIPAL OFFICER
Tan Kiang Kherng *Financial Controller*

REGISTERED OFFICE
6 Pioneer Sector 1
Singapore 628418
Tel: (65) 6262 1380
Fax: (65) 6262 2108
Website: www.bakertech.com.sg

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

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

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

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Australia and New Zealand Banking Group Limited
Standard Chartered Bank
Bank Julius Baer & Co. Ltd.

THE CONQUEST

The greatest conqueror reflects on his past triumphs and reinvents his future missions. The cornerstone of Baker Tech's enduring success lies in the company's careful scrutiny of its performance each year, giving due recognition for a job well done but never becoming complacent.

FIVE-YEAR FINANCIAL HIGHLIGHTS

	2011	2010	2009 (restated)	2008 (restated)	2007 (restated)
Financial Performance (S$'000)					
Revenue	81,147	48,427	79,245	74,381	50,733
Gross profit	23,510	24,931	51,299	21,942	11,454
Share of results from joint venture (PPLS)	–	15,823	55,411	17,256	4,856
Exceptional items	–	–	–	–	17,918
EBITDA	12,367	32,188	98,240	35,746	26,357
Profit before tax (PBT)	10,630	30,389	96,130	34,418	25,696
Profit after tax (PAT)	7,631	27,401	88,580	30,764	24,836
Financial Position (S$'000)					
Total assets	267,375	263,300	198,299	136,873	48,877
Cash and short-term deposits	169,277	214,130	76,428	31,109	27,206
Loans & borrowings	–	99	145	245	–
Deferred gain on disposal of subsidiary	58,237	58,237	–	–	–
Net current assets	129,922	163,848	69,787	28,507	24,845
Shareholders' equity	171,791	187,133	166,285	77,253	46,484
Cash Flows (S$'000)					
Operating activities	(1,384)	(1,782)	39,704	27,411	2,585
Investing activities	(27,898)	146,084	5,264	(18,085)	24,258
Financing activities	(15,571)	(6,600)	351	(5,422)	(1,035)
Per Share Data (cents)					
EPS - Basic	1.1	4.1	13.9	4.9	3.9
EPS - Diluted	0.8	2.8	13.8	4.7	3.8
Net assets per share	24.5	27.4	25.4	12.2	7.4
Cash per share	24.2	31.4	11.7	4.9	4.3
Dividend per share	1.00	3.00	2.25	0.50	–
Other Information					
Return on shareholders' equity	4%	15%	53%	40%	53%
Return on assets	4%	12%	48%	25%	53%
Average number of employees	116	88	99	140	NM
Revenue per employee (S$'000)	700	550	800	531	NM
Net order book (US$'m)	80	33	7	57	NM
Stock Information					
Number of shares on issue ('000)	700,169	682,578	654,768	631,379	631,174
Highest / Lowest share price (cents)	44.5 / 23.5	56.5 / 28.0	37.5 / 10.0	38.0 / 9.5	53.0 / 3.0
Year-end share price (cents)	24.5	38.5	32.5	12.5	35.5
Year-end market capitalisation (S$'m)	171.5	262.8	212.8	78.9	224.1

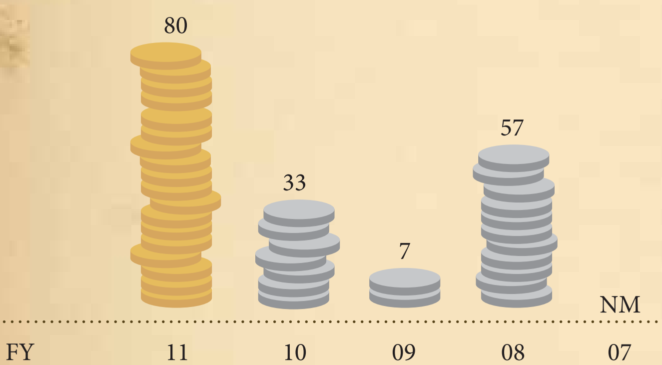
NM - Not meaningful as Sea Deep was only acquired in 2008. The Group's operations in 2007 consisted of York operations, until it disposed of 51% of York to TRF in October 2007.

FIVE-YEAR FINANCIAL HIGHLIGHTS

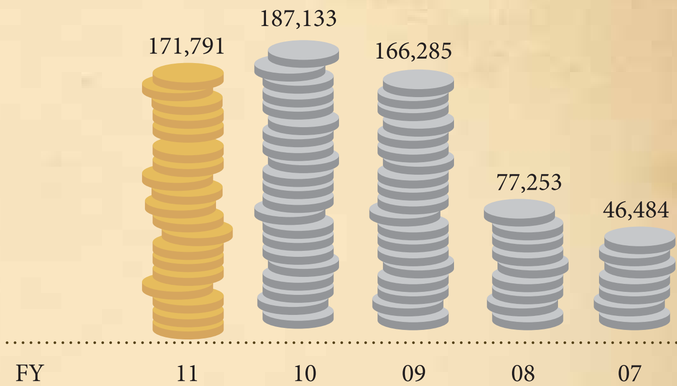
REVENUE (S$'000)

PROFIT AFTER TAX (S$'000)

NET ORDER BOOK (US$'M)



SHAREHOLDERS' EQUITY (S$'000)



SHARE PRICE PERFORMANCE

OPERATING & FINANCIAL REVIEW

The Group started FY2011 with a net order book of US$33 million, which improved to a record high of US$114 million in August 2011, before easing off to US$80 million in December 2011.

Income Statement	**2011 S$'000**	**2010 S$'000**	**Change %**
Revenue	**81,147**	**48,427**	**68**
Cost of goods sold	(57,637)	(23,496)	145
Gross profit	**23,510**	**24,931**	**(6)**
Other operating income / (expenses), net	(734)	(2,256)	(67)
Administrative expenses	(11,878)	(8,491)	40
Finance costs	(21)	(7)	200
Share of results of joint venture (PPLS)	-	15,823	(100)
Share of results of associates (York)	(247)	389	NM
Profit before tax	**10,630**	**30,389**	**(65)**
Income tax expense	(2,999)	(2,988)	-
Profit after tax	**7,631**	**27,401**	**(72)**

Since the completion of the disposal of 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 ("QD") in October 2010, the Group no longer equity accounts for its share of results from PPLS. The Group has also deferred the recognition of a S$58.2 million gain from the disposal of PPLH due to the legal suit between PPLH / E-Interface Holdings Limited and Sembcorp Marine Ltd ("SCM").

After 19 days of evidential hearings at the High Court, which ended on 15th October 2011, the relevant submissions by all parties in the legal suit have been made to the Court. The Group is currently awaiting the Court's decision.

OPERATING & FINANCIAL REVIEW

REVENUE

FY2011 was a bustling year for the Group as its diligent efforts bore fruit; the Group started the year with a net order book of US$33 million, which improved to a record high of US$114 million in August 2011, before easing off to US$102 million in September 2011. Notwithstanding the subsequent slowdown in order intake, the Group closed FY2011 with a net order book of US$80 million – a significant improvement from the net order book of US$33 million a year ago. These orders are expected to be completed within the next 12 to 18 months.

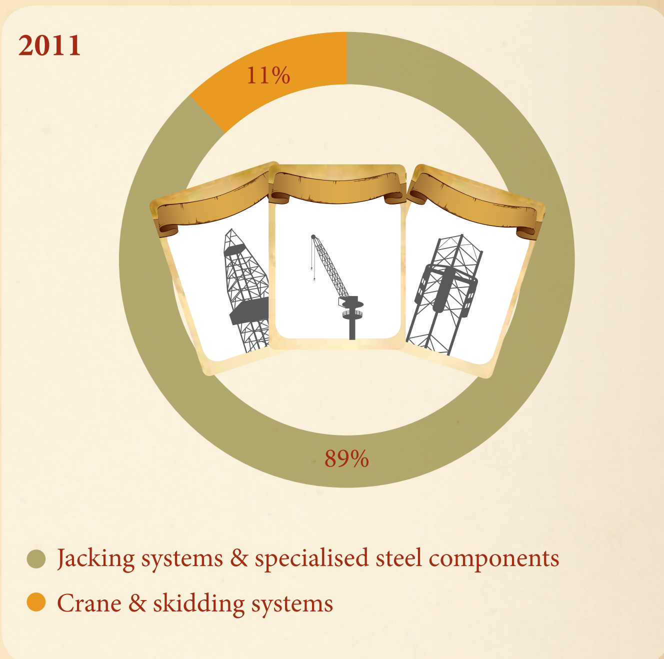
NET ORDER BOOK TREND

Net order book

The current net order book is largely made up of orders for jacking systems and specialised steel structures, and mostly originating from China customers.

BY GEOGRAPHICAL AREA

BY PRODUCTS



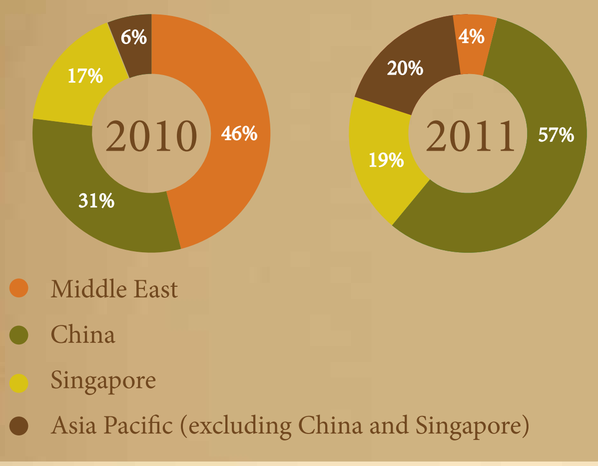
OPERATING & FINANCIAL REVIEW

On the back of improved intake of new orders and the progressive recognition of these newly clinched orders, Group revenue improved S$32.7 million, or 68%, to S$81.1 million in FY2011.

The Group's key products, jacking systems and specialised steel structures, accounted for 79% of the Group's revenue in both FY2011 and FY2010. China leads as the Group's key market accounting for about 60% of Group revenue in FY2011.

Revenue mix by geographical area and types of products in 2011 and 2010 are as follow:

REVENUE BREAKDOWN BY GEOGRPAHICAL AREA



REVENUE BREAKDOWN BY PRODUCTS

EARNINGS

Despite recording higher revenue for FY2011, gross profit decreased by 6% to S$23.5 million. This was mainly due to lower gross profit margins from some of the projects undertaken during the year that did not require as much value-added services as last year's, as well as competitive pricing.

Administrative expenses were 40% higher at S$11.9 million, due to an increase in legal fees of S$2.8 million from 2010 incurred for the legal suit with SCM. Share of results from the Group's 49% stake in York Transport Equipment (Asia) Pte Ltd reversed from a profit of S$389,000 to a loss of S$247,000 in FY2011, primarily due to foreign exchange losses which resulted from the weakening of the Indian Rupee against the US Dollar.

Pre-tax profit fell 65% to S$10.6 million in FY2011, mainly due to higher legal fees and the absence of the share of results from PPLS, as PPLH was disposed of in October 2010. The Group's core operating subsidiary in the marine offshore segment, Sea Deep, in fact, turned in a respectable pre-tax profit of S$19.4 million in FY2011, as compared to that of S$18.6 million in FY2010. The reduction in pre-tax profit for FY2011 was partially mitigated by a lower foreign exchange loss. The Group reported a lower foreign exchange loss of S$0.9 million in FY2011 due to a reduction in its US$ cash holdings during the year from about US$63 million December 2010 to about US$10 million in December 2011.

Although income tax expenses remained largely the same over the last two financial years, the effective tax rates for FY2011 and FY2010 were 28% and 10% respectively, differing significantly from Singapore's statutory tax rate of 17%. Effective tax rate for FY2011 was higher than the statutory rate due to administrative expenses incurred by the holding company, Baker Tech, which could not be offset against taxable profits by its operating subsidiaries. On the other hand, the effective tax rate was lower than the statutory tax rate in FY2010 as the Group's share of results in joint venture and associate were reported net of tax.

As a result, Group net profit for FY2011 was 72% lower at S$7.6 million; earnings per share were 1.1 cents (2010: 4.1cents).

OPERATING & FINANCIAL REVIEW

FINANCIAL POSITION

Balance Sheet	2011 S$'000	2010 S$'000	Change %
Non-current assets			
Available-for-sale investment	20,118	–	100
Investment in associates	10,358	10,707	(3)
Property, Plant and Equipment (PPE) & Goodwill	11,393	12,813	(11)
	41,869	23,520	78
Current assets	225,505	239,780	(6)
Current liabilities	(95,583)	(75,932)	26
Net current assets	129,922	163,848	(21)
Non-current liabilities	–	(235)	(100)
Net assets	171,791	187,133	(8)
Share capital	36,053	30,529	18
Reserves	135,738	156,604	(13)
Shareholders' equity	171,791	187,133	(8)

In FY2011, the Group invested S$27.6 million in acquiring a 17% minority stake in Discovery Offshore S.A., a company listed on the Oslo Axess Stock Exchange. Discovery Offshore S.A. is a Luxembourg-based company, incorporated on 12th January 2011 for the purpose of owning new ultra high-specification jack-up drilling rigs. Its main assets are two high-specification jack-up drilling rigs that are currently under construction by Keppel FELS Limited and scheduled for delivery in 2013. This investment is classified as an available-for-sale investment in the Group's balance sheet.

The Group's net current assets decreased from S$163.8 million to S$129.9 million in 2011 mainly due to a S$44.9 million reduction in cash, which was partially offset by a S$26.8 million increase in work-in-progress.

Group shareholders' equity decreased 8% to S$171.8 million in 2011. This was mainly attributable to the payment of dividends of S$21.0 million to its shareholders in May 2011, and a S$7.5 million adjustment for changes in fair value for its available-for-sale investment to reflect the current market value.

Net asset value per share was 24.5 cents (2010: 27.4 cents).

CASH FLOWS

Cash Flows	2011 S$'000	2010 S$'000	Change %
Cash used in operating activities	(1,384)	(1,782)	(22)
Cash (used) / generated in investing activities	(27,898)	146,083	NM
Cash used in financing activities	(15,571)	(6,599)	136
Net (decrease) / increase in cash & cash equivalents	(44,853)	137,702	NM
Cash & cash equivalents as at end of year	169,277	214,130	(21)

NM- Not meaningful

Cash used in operating activities was 22% lower at S$1.4 million due to lower profitability and higher working capital being utilised from higher production activity during the year.

Cash flow from investing activities reversed from a positive cash flow of S$146.1 million in FY2010, which was due to the receipt of the gross consideration of S$150.5 million from the disposal of PPLH, to a negative cash flow of S$27.9 million in FY2011, due to the acquisition of the 17% minority stake in Discovery Offshore S.A..

Cash used in financing activities in 2011 was S$15.6 million, mainly due to the payment of S$21.0 million of dividends to shareholders. However, this was partially offset by the inflow of S$5.5 million from the conversion of warrants by shareholders.

As at 31 December 2011, the Group has a cash balance of S$169.3 million. Based on the issue share capital of 700 million shares as of December 2011, cash per share was approximately 24.2 cents (2010: 31.4 cents).

THE DISCIPLINE

To stay victorious in the challenging business world, a strict code of conduct is paramount. Baker Tech adheres to best corporate governance practices, ensuring that all parties' interests are protected and potential conflicts are avoided.

CORPORATE GOVERNANCE

Baker Tech was awarded the prestigious Gold Award for Best Managed Board for companies with less than S$300 million in market capitalisation at the 2011 Singapore Corporate Awards, marking its third consecutive win; the Company was also awarded the Silver Award and Merit Award in 2010 and 2009 respectively. This award recognises the Board's commitment to corporate transparency, accountability and good processes and practices. However, as a Gold Award winner for Best Managed Board, Baker Tech will not be eligible to compete in the next two years. Baker Tech was also presented with the Silver Award for Best Annual Report at 2011 Singapore Corporate Awards where outstanding annual reports were recognised for excellence in financial reporting presentation, high level of corporate disclosures and transparency. The Singapore Corporate Awards is organised by The Business Times and supported by The Singapore Exchange, to showcase and honour excellence in shareholder communications and corporate governance amongst SGX-listed companies.

Baker Tech has been improving on its corporate governance and disclosure practices year after year. In the inaugural issue of the Governance and Transparency Index ("GTI") in 2009, Baker Tech was ranked 292nd but leapfrogged to 64th place in 2010. With an eight points improvement in its GTI score from 46 to 54, Baker Tech was ranked 38th amongst more than 800 companies in the 2011 issue of the GTI. The GTI is co-published by The Business Times and the NUS Corporate Governance and Financial Reporting Centre.

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 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 conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. Meetings by means of telephonic and video-conferencing are permitted in the Company's Articles of Association. In 2011, the Board met five times. To facilitate maximum attendance, meeting dates of Board and Board Committees are scheduled with ample notice.

CORPORATE GOVERNANCE

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 or make recommendations to the Board on matters within their specific terms of reference. The attendance of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings is disclosed in the table below.

Directors' Attendance for Year 2011

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	5	5	100	5	5	100	1	1	100	3	3	100
Dr Benety Chang	5	5	100	5	5*	100	1	1	100	3	2*	67
Anthony Sabastian Aurol	5	5	100	5	5*	100	1	1*	100	3	3*	100
Tan Yang Guan	5	5	100	5	5	100	1	1*	100	3	3	100
Wong Kwan Seng Robert	5	5	100	5	5*	100	1	1*	100	3	2*	67
Wong Meng Yeng	5	5	100	5	5	100	1	1	100	3	3	100

Note
* By invitation

As part of the Company's continuing education programme for all Directors, the Board maintains a policy for any Director to attend relevant seminars and courses at the Company's expense. During the year, Directors were also provided with regular updates and changes in the relevant laws and regulations to enable them to keep pace with regulatory changes, where such changes have a material bearing on the Group.

New Directors are provided with information on the corporate background, key personnel, core businesses, group structure and financial statements of the Group. Guidance is also given to all Directors on regulatory requirements concerning disclosure of interests and restrictions on dealings in securities. The Company also provides a write-up on the directors' duties and responsibilities to assist him in the exercise of his legal, fiduciary and statutory duties under the Singapore Companies Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Code, Singapore securities legislation and the internal guidelines on securities trading.

CORPORATE GOVERNANCE

Board Composition and Balance
Principle 2:
There should be a strong and independent element on the Board, which is able to exercise objective judgement 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
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
Wong Meng Yeng	Independent Director

The Independent Directors comprise one third of the Board members. The Independent Directors are Mr Lim Ho Seng and Mr Wong Meng Yeng. Although the Articles of Association of the Company do not provide for any maximum number of Directors, the Board considers the current board size of six Directors to be optimal, 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") with clear division of roles and responsibilities. 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") comprises Mr Wong Meng Yeng, Mr Lim Ho Seng and Dr Benety Chang.

Both Mr Wong and Mr Lim are independent and non-executive directors and Mr Wong, the Chairman, is neither a 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 tasks.

Where a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

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 appointment.

The Articles of Association of the Company provide that at least one-third of the directors for the time being, shall retire as directors at each AGM. The directors to retire every year shall be those who have been longest in office since their last election or appointment. The retiring directors are eligible to offer themselves for re-election. All new Directors appointed by the Board shall hold office until the next AGM, and be eligible for re-election at the said AGM. The NC had assessed and recommended to the Board that Messrs Dr Benety Chang and Anthony Sabastian Aurol be nominated for re-election at the forthcoming AGM. In recommending to the Board, the NC takes into consideration the Directors' contribution and performance at Board meetings, including attendance, preparedness, participation and candour. Each NC member abstains from participating in deliberations regarding himself. The Board has accepted the NC's recommendations and Messrs Dr Benety Chang and Anthony Sabastian Aurol 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. 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:
In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Information and data are important to the Board's understanding of the Group's business and essential in preparing the Board members for productive 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 on 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 Secretaries, one of whom is always in attendance at meetings of the Board as well as all Board Committee meetings. The Company Secretaries together with the Management, are also responsible for ensuring the compliance with the Companies Act, Cap. 50, the Listing Manual of the SGX-ST and all relevant rules and regulations which are applicable to the Group. The minutes of all Board and Committee meetings are circulated to the Board. The appointment and removal of the Company Secretaries are subject to the approval of the Board as a whole.

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. None of the RC members or Directors is involved in deliberations in respect of any remuneration, compensation or any form of benefit to be granted to him. The RC also has access to external professional advice on executive compensation and remuneration matters, if and when required.

The Group's remuneration policy comprises two components. One component is fixed in the form of a base salary which includes the 13th month based AWS. The other component is the variable bonus 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 maximum number of shares for 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 2011.

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.

There are no employees in the Company who are immediate family members of any of the directors or the CEO and whose remuneration exceeds S$150,000 during FY 2011.

A breakdown showing the level and mix of the Directors' remuneration payable for FY 2011 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	70,625	–	–	18,000	88,625
Dr Benety Chang	–	163,886	92,785	–	256,671
Anthony Sabastian Aurol	–	683,428	369,516	–	1,052,944
Tan Yang Guan	–	–	–	169,110	169,110
Wong Kwan Seng Robert	35,000	–	–	–	35,000
Wong Meng Yeng	56,875	–	–	–	56,875

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.

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 issues, aims to provide shareholders with a balanced and understandable assessment of the Group's financial performance, position and prospects.

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

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. The majority of the 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 to the Group by the external auditors, Ernst & Young LLP for FY 2011, and is of the opinion that the provision of such non-audit services does not affect their independence and objectivity of the external auditors. Accordingly, the AC has recommended to the Board the nomination of Ernst & Young LLP for re-appointment as external auditors at the forthcoming AGM.

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

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

The Company has a Code of Conduct Policy ("CCP") to regulate the ethical conduct of its employees. The CCP also extends to Directors of the Company and all consultants and agents engaged by the Group for the purpose of representing the Group in certain areas of works. The Company has also a whistle blowing policy, which serves to encourage and provide a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible fraud, improprieties in matters of financial reporting or other matters. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up actions.

Internal Controls
Principle 12:
The Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The AC ensures that there is periodic review of the effectiveness of the Company's internal controls, including financial, operational and administrative controls and 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 failure in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors in this respect.

The Company has in place an enterprise-wide risk management framework ("ERM Framework") to enhance its risk management capabilities. It has identified the key risks facing the Group and action plans are in place to mitigate them.

The adequacy of the ERM Framework is periodically reviewed by Management to ensure that the risk management practices are up-to-date.

The internal controls are designed to manage rather than eliminate business risks. The AC and the Board are satisfied that, in the absence of any evidence to the contrary, the internal controls and systems maintained by Management during the financial year and up to the date of this report are adequate to meet the current scope of the Group's business operations. The AC and the Board note that no system of internal controls is capable of providing absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

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 RSM Ethos Pte Ltd ("RSME"), the merged entity of Ethos Advisory Pte Ltd and Stone Forest Consulting Pte Ltd. Members of RSME 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 IR team regularly meets with investors through face-to-face meetings and email communications to address investor queries and to update them on the latest corporate developments. (For details on the Group's IR activities, please refer to the Investor Relations page on the Annual Report)

All material information, including our quarterly financial performance, position and prospects as well as materials from briefings, are disclosed and released regularly and in a timely manner via SGXNet onto the SGX-ST website before dissemination to the financial media. This information is also uploaded on the Investor Relations (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 active shareholder participation at AGM. 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 and Management are present at each general meeting to respond to questions from shareholders. The Company's external auditors are also present at AGMs to assist the Board in addressing queries from shareholders.

DEALINGS IN SECURITIES

The Company has issued internal guidelines on dealings in securities to the Directors and employees of the Group. 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 officers are required to comply with and observe the laws on insider trading even if they trade in the Company's shares outside the prohibited periods. They should not deal in the shares of the Company on short-term basis and should be mindful of the law on insider trading.

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$1.0 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	3,300

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.)	244,726	1,188,760	86,961	1,520,447
Tan Keng Tiong Alvin	Senior Vice President – Business Development (Baker Technology Limited)	171,607	92,960	26,400	290,967
Tan Kiang Kherng	Financial Controller (Baker Technology Limited)	161,147	92,960	26,400	280,507

THE QUEST RESULTS

FINANCIAL CONTENTS

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 2011.

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	

In accordance with Article 104 of the Company's Articles of Association, Dr Benety Chang and Anthony Sabastian Aurol retire and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	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 Company				
Baker Technology Limited				
Ordinary shares				
Lim Ho Seng	540,000	810,000	–	–
Dr Benety Chang	–	305,516,348	455,994,550	68,399,183
Anthony Sabastian Aurol	–	68,399,183	455,994,550	–
Tan Yang Guan	1,065,000	14,744,836	455,994,550	–
Wong Kwan Seng Robert	200,000	300,000	–	–

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

	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
Warrants – W121116				
Lim Ho Seng	270,000	–	–	–
Dr Benety Chang	–	152,758,174	227,997,275	34,199,591
Anthony Sabastian Aurol	–	34,199,591	227,997,275	–
Tan Yang Guan	532,500	7,372,419	227,997,275	–
Wong Kwan Seng Robert	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 2012.

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 2011.

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

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

AUDITORS

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors:

Dr Benety Chang
Chief Executive Officer

Anthony Sabastian Aurol
Chief Operating Officer

Singapore
19 March 2012

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 (including the section titled "Basis for Qualified Opinion" in the Independent Auditors' Report for the financial year ended 31 December 2011 by Ernst & Young LLP dated 19 March 2012), 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 2011 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
19 March 2012

TO THE MEMBERS OF BAKER TECHNOLOGY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Baker Technology Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 54 to 113, which comprise the balance sheets of the Group and the Company as at 31 December 2011, the statements of changes in equity of the Group and the Company, and the statement of comprehensive income and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

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.

Basis for Qualified Opinion

As disclosed in Note 3.1(b) to the financial statements, in the previous financial year, the Group was not able to obtain the financial results of PPL Shipyard Pte Ltd ("PPLS") for the period from 1 January 2010 to 26 October 2010 (date of disposal). The Group's share of PPLS's results of $15,823,500 recognised in the consolidated statement of comprehensive income for the financial year ended 31 December 2010 was based on the interim dividend received by the Group in April 2010. This amount was also included in the retained earnings as at 31 December 2010 which is carried forward as the opening retained earnings for the current financial year.

TO THE MEMBERS OF BAKER TECHNOLOGY LIMITED (CONT'D)

Basis for Qualified Opinion (cont'd)

In addition, as disclosed in Note 25 to the financial statements, the Group recorded an amount of $58,237,148 as deferred gain on disposal of the investment in PPL Holdings Pte Ltd ("PPLH"), which held the 15% shareholding in PPLS, in its consolidated balance sheets as at 31 December 2011 and 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.

In 2010, 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 audit procedures necessary to satisfy ourselves to the appropriateness of the $15,823,500 recorded in the consolidated statement of comprehensive income for the financial year ended 31 December 2010. As this amount is included in the opening retained earnings for the current financial year, consequently, we are also unable to assess the appropriateness of the retained earnings as at 31 December 2011. In addition, we are also unable to assess the appropriateness of the $58,237,148 deferred gain recorded in the consolidated balance sheets as at 31 December 2011 and as at 31 December 2010 as the $15,823,500 was also used to compute the deferred gain amount.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs, 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 2011 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 25 to the financial statements which discloses that the Group currently has a pending legal suit with Sembcorp Marine Ltd ("SCM") which holds the remaining 85% shareholding in PPLS. As disclosed in Note 25, 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.

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 2011 and 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
19 March 2012

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 $	Group 2010 $
Revenue	5	81,147,126	48,427,411
Cost of goods sold		(57,637,043)	(23,495,948)
Gross profit		23,510,083	24,931,463
Other operating income	6	332,870	317,762
Administrative expenses		(11,878,099)	(8,491,041)
Finance costs		(20,621)	(7,150)
Other operating expenses	7	(1,067,626)	(2,574,002)
Share of results of joint venture	3.1(b)	–	15,823,500
Share of results of associates		(246,906)	388,719
Profit before tax	8	10,629,701	30,389,251
Income tax expense	9	(2,998,918)	(2,988,295)
Profit for the year		7,630,783	27,400,956
Other comprehensive income, net of tax			
Net loss on fair value changes of available-for-sale investment		(7,500,000)	–
Total comprehensive income for the year attributable to owners of the Company		130,783	27,400,956
Earnings per share	10		
Basic (in cents)		1.1	4.1
Diluted (in cents)		0.8	2.8

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

BALANCE SHEETS

AS AT 31 DECEMBER 2011

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Non-current assets					
Property, plant and equipment	11	3,841,786	5,262,059	19,894	22,776
Goodwill	12	7,551,331	7,551,331	–	–
Investment in subsidiaries	13	–	–	20,000,000	20,000,000
Investment in associates	14	10,358,423	10,706,499	9,616,388	9,616,388
Available-for-sale investment	15	20,118,028	–	20,118,028	–
		41,869,568	23,519,889	49,754,310	29,639,164
Current assets					
Gross amount due from customers for contract work-in-progress	16	31,561,117	1,479,998	–	–
Inventories	17	6,357,410	8,566,115	–	–
Trade and other receivables	18	11,753,144	8,104,579	22,223	20,786
Prepaid operating expenses		56,472	44,007	9,089	8,363
Amounts due from subsidiaries	19	–	–	600,000	2,900,000
Pledged deposits	20	6,500,000	7,455,245	–	–
Cash and short-term deposits	21	169,276,813	214,130,374	142,122,891	181,676,039
		225,504,956	239,780,318	142,754,203	184,605,188
Less : Current liabilities					
Gross amount due to customers for contract work-in-progress	16	7,118,091	3,841,617	–	–
Obligations under finance leases	22	–	22,857	–	–
Trade and other payables	24	27,131,707	10,875,178	1,564,475	483,372
Deferred gain on disposal of subsidiary	25	58,237,148	58,237,148	141,941,392	141,941,392
Tax payable		3,096,321	2,955,465	9,161	7,358
		95,583,267	75,932,265	143,515,028	142,432,122
Net current assets/(liabilities)		129,921,689	163,848,053	(760,825)	42,173,066

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Non-current liabilities					
Obligations under finance leases	22	–	76,191	–	–
Deferred tax liabilities	23	–	159,000	–	–
Net assets		171,791,257	187,132,751	48,993,485	71,812,230
Equity attributable to owners of the Company					
Share capital	26	36,053,443	30,528,621	36,053,443	30,528,621
Reserves		135,737,814	156,604,130	12,940,042	41,283,609
Total Equity		171,791,257	187,132,751	48,993,485	71,812,230

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

	Attributable to owners of the Group					
	Share capital (Note 26)	**Capital reserve [1]**	**Retained earnings**	**Other reserve**	**Total reserves**	**Total equity**
GROUP	$	$	$	$	$	$
2011						
At 1 January 2011	30,528,621	2,344,269	154,259,861	–	156,604,130	187,132,751
Profit for the year	–	–	7,630,783	–	7,630,783	7,630,783
Other comprehensive income for the year						
Net loss on fair value changes of available-for-sale investment	–	–	–	(7,500,000)	(7,500,000)	(7,500,000)
Total comprehensive income for the year	–	–	7,630,783	(7,500,000)	130,783	130,783
Contributions by and distributions to owners						
Dividends on ordinary shares (Note 33)	–	–	(20,997,099)	–	(20,997,099)	(20,997,099)
Issuance of new shares from conversion of warrants	5,524,822	–	–	–	–	5,524,822
At 31 December 2011	36,053,443	2,344,269	140,893,545	(7,500,000)	135,737,814	171,791,257
2010						
At 1 January 2010	21,725,689	2,344,269	142,214,951	–	144,559,220	166,284,909
Profit for the year	–	–	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 33)	–	–	(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

	Attributable to owners of the Company					
	Share capital (Note 26)	Capital reserve (1)	Retained earnings	Other reserve	Total reserves	Total equity
COMPANY	$	$	$	$	$	$
2011						
At 1 January 2011	30,528,621	2,344,269	38,939,340	–	41,283,609	71,812,230
Profit for the year	–	–	153,532	–	153,532	153,532
Other comprehensive income for the year						
Net loss on fair value changes of available-for-sale investment	–	–	–	(7,500,000)	(7,500,000)	(7,500,000)
Total comprehensive income for the year	–	–	153,532	(7,500,000)	(7,346,468)	(7,346,468)
Contributions by and distributions to owners						
Dividends on ordinary shares (Note 33)	–	–	(20,997,099)	–	(20,997,099)	(20,997,099)
Issuance of new shares from conversion of warrants	5,524,822	–	–	–	–	5,524,822
At 31 December 2011	36,053,443	2,344,269	18,095,773	(7,500,000)	12,940,042	48,993,485
2010						
At January 2010	21,725,689	2,344,269	47,776,240	–	50,120,509	71,846,198
Profit for the year	–	–	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 (Note 33)	–	–	(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

(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.

	2011	2010
	$	$
Cash flows from operating activities		
Profit before tax	10,629,701	30,389,251
Adjustments for :		
Depreciation of property, plant and equipment	1,716,588	1,792,047
Loss on disposal of property, plant and equipment	85,044	–
Interest income	(215,270)	(200,162)
Interest expense	20,621	7,150
Share of results of joint ventures	–	(15,823,500)
Share of results of associates	246,906	(388,719)
Inventories written-down	3,300	–
Operating cash flows before working capital changes	12,486,890	15,776,067
Decrease in inventories	2,205,405	2,247,476
(Increase)/decrease in gross amount due from customers for contract work-in-progress	(30,081,119)	302,766
Increase/(decrease) in gross amount due to customers for contract work-in-progress	3,276,474	(6,007,913)
Increase in trade and other receivables	(3,648,565)	(1,226,362)
(Increase)/decrease in prepaid operating expenses	(12,465)	9,338
Decrease/(increase) in pledged deposits	955,245	(2,058,816)
Increase/(decrease) in trade and other payables	16,256,529	(3,148,924)
Cash flows from operations	1,438,394	5,893,632
Interest paid	(20,621)	(7,150)
Interest received	215,270	200,162
Income tax paid	(3,017,062)	(7,868,949)
Net cash flows used in operating activities	(1,384,019)	(1,782,305)
Cash flows from investing activities :		
Dividend received	101,170	15,823,500
Purchase of property, plant and equipment	(381,359)	(87,390)
Disposal of investment in subsidiary, net of cash disposed (Note A)	–	130,347,843
Purchase of available-for-sale investment	(27,618,028)	–
Net cash flows (used in)/from investing activities	(27,898,217)	146,083,953

Consolidated Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	2011	2010
	$	$
Cash flows from financing activities		
Net proceeds from conversion of warrants	5,524,822	8,802,932
Dividends paid on ordinary shares	(20,997,099)	(15,356,046)
Repayment of obligations under finance leases	(99,048)	(46,417)
Net cash flows used in financing activities	(15,571,325)	(6,599,531)
Net (decrease)/increase in cash and cash equivalents	(44,853,561)	137,702,117
Cash and cash equivalents at beginning of financial year	214,130,374	76,428,257
Cash and cash equivalents at end of financial year (Note 21)	169,276,813	214,130,374

Note A

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 on disposal of a 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 registered office and principal place of business of the Company is 6 Pioneer Sector 1, Singapore 628418.

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

On 19 May 2011, Saberon Investments Pte Ltd ("Saberon") ceased to be the immediate and ultimate holding company of the Company due to the distribution of 455,994,550 ordinary shares and 227,997,275 warrants in the capital of the Company held by Saberon to its shareholders by way of a dividend-in-specie in proportion to their respective shareholdings in Saberon. There is no holding company for the Company at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

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

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below, and are presented in Singapore Dollars (S$ or $).

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011. 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.

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.

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

2.1 *Basis of preparation (cont'd)*

FRS and INT FRS effective for annual period beginning on or after 1 January 2011 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:

- Amendments to FRS 32 *Financial Instruments Presentation – Classification of Rights Issues*
- INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to INT FRS 114 *Prepayments of Minimum Funding Requirement*
- INT FRS 115 *Agreements for the Construction of Real Estate*
- Improvements to FRSs issued in 2010
    - Amendments to FRS 103 *Business Combinations*
    - Amendments to FRS 1 *Presentation of Financial Statements*
    - Amendments to transition requirements for amendments arising as a result of FRS 27 *Consolidated and Separate Financial Statements*
    - Amendments to INT FRS 113 *Customer Loyalty Programmes*

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***
Amendments to FRS 107 *Disclosures – Transfers of Financial Assets*	1 July 2011
Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2013
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013

Except for the FRS 112 and Amendments to FRS 1, the directors expect that the adoption of the 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 FRS 112 and the Amendments to FRS 1 are described below.

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

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

Amendments to FRS 1 Presentation of items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group upon adoption.

2.3 *Basis of consolidation and business combination*

(a) ***Basis of consolidation***

Basis of consolidation from 1 January 2010

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

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

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

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

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

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

(a) ***Basis of consolidation (cont'd)***

Basis of consolidation from 1 January 2010 (cont'd)

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

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

Basis of consolidation prior to 1 January 2010

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

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

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

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

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

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

(b) ***Business combinations***

Business combinations from 1 January 2010

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

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

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

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

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

(b) ***Business combinations (cont'd)***

Business combinations prior to 1 January 2010 (cont'd)

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

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

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

2.4 *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 Company.

2.5 *Foreign currency*

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

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

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

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

2.5 *Foreign currency (cont'd)*

(a) ***Transactions and balances (cont'd)***

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) ***Consolidated financial statements***

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

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

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.

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

2.7 *Associates (cont'd)*

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

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

The Group's share of the profit or loss of its associates is 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 and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

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

2.8 *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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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

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

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

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

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

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

2.10 *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 acquiree 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.

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.

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

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

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, recent market transactions are taken into account, if available. If no such transactions can be identified, 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.

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

Impairment losses of continuing operations are recognised in 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 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.

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

2.12 *Financial assets* (cont'd)

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.

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.

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

2.12 *Financial assets (cont'd)*

(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.

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

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

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 at fair value through profit or loss. 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*

General

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

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

Warranty provision

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

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

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

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

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.

(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, even if that right is not explicitly specified in an arrangement.

(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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The 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, usually on delivery of goods.

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

(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.

(d) ***Interest income***

Interest income is recognised using the effective interest method.

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

2.22 *Revenue (cont'd)*

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

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

(b) ***Deferred tax***

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

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

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

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

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

2.23 *Taxes (cont'd)*

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

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

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

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

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

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

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

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

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

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

2.23 *Taxes (cont'd)*

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.24 *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.

2.26 *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.

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

2.26 *Contingencies (cont'd)*

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.

3.1 *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.

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

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

(b) ***Equity accounting of the share of results of joint venture***

During 2010, the Group adopted FRS 31 *Interests in Joint Ventures* to account for its 15% investment in PPL Shipyard Pte Ltd ("PPLS"), held by its subsidiary, PPL Holdings Pte Ltd ("PPLH"). Due to the management's control in PPLS and the existence of the shareholders' agreements, the Group had accounted its investment in PPLS as a joint venture and had equity accounted for its share of results since acquisition in May 2007 until 26 October 2010, when the Group disposed of its investment in PPLH for a gross consideration of $150,543,750 (US$116,250,000). As 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 ass**ets*

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

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

(b) ***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.

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

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

(c) ***Income taxes***

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables as at 31 December 2011 was $3,096,321 (2010: $2,955,465).

(d) ***Contract revenue***

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

(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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	$	$	$	$	$	$	$	$	$	$
Revenue – external customers	81,147,126	48,427,411	–	–	–	–	–	–	81,147,126	48,427,411
Results:										
EBITDA *	21,098,947	20,321,948	–	–	(8,100,401)	(3,945,881)	(600,000)	(600,000)	12,398,546	15,776,067
Depreciation and amortisation	(1,704,547)	(1,783,708)	–	–	(12,041)	(8,339)	–	–	(1,716,588)	(1,792,047)
Interest expense	(20,621)	(7,150)	–	–	–	–	–	–	(20,621)	(7,150)
Interest income	49,467	55,182	–	–	165,803	144,980	–	–	215,270	200,162
Dividend income from associates	–	–	101,170	–	–	–	(101,170)	–	–	–
Share of results of joint venture	–	–	–	15,823,500	–	–	–	–	–	15,823,500
Share of results of associates	–	–	(246,906)	388,719	–	–	–	–	(246,906)	388,719
Segment profit/(loss)	19,423,246	18,586,272	(145,736)	16,212,219	(7,946,639)	(3,809,240)	(701,170)	(600,000)	10,629,701	30,389,251
Segment assets	87,172,645	70,865,744	30,476,451	10,706,499	149,725,428	181,727,964	–	–	267,374,524	263,300,207
Segment liabilities	35,772,483	17,439,579	–	–	59,810,784	58,727,877	–	–	95,583,267	76,167,456
Other segment information:										
Available-for-sale investment	–	–	20,118,028	–	–	–	–	–	20,118,028	–
Investment in associates	–	–	10,358,423	10,706,499	–	–	–	–	10,358,423	10,706,499
Additions to non-current assets	372,200	59,785	–	–	9,159	27,605	–	–	381,359	87,390

* 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	
	2011	**2010**
	$	$
China	46,434,562	15,254,275
Singapore	15,099,770	8,071,681
Middle East	3,238,158	22,078,843
Asia Pacific (excluding China and Singapore)	16,360,782	2,890,214
Others	13,854	132,398
	81,147,126	48,427,411

Except for the Group's available-for-sale investment, which is located in Europe, all the assets and capital expenditure of the Group are located in Singapore.

Information about a major customer

Revenue from one major customer amounted to approximately $29,347,000 (2010: $16,242,000), arising from the provision of specialised 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. Included in the revenue is an amount of $642,240 (2010: $731,213) which relates to engineering services rendered on projects.

6. OTHER OPERATING INCOME

	Group	
	2011	**2010**
	$	$
Rental income	117,600	117,600
Interest income from short term deposits	215,270	200,162
	332,870	317,762

7. OTHER OPERATING EXPENSES

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

	Group	
	2011	2010
	$	$
Foreign exchange loss	874,862	2,457,592
Loss on disposal of property, plant and equipment	85,044	–

8. PROFIT BEFORE TAX

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

	Group	
	2011	2010
	$	$
Depreciation of property, plant and equipment	1,716,588	1,792,047
Consultancy service fee paid/payable to directors	187,110	181,140
Finance costs:		
Interest expense on bank overdrafts	10	–
Finance charges payable under finance leases	20,611	7,150
Inventories written-down	3,300	–
Operating lease expenses	721,201	673,776
Employee benefit expense (including executive directors):		
- Contributions to defined contribution plans	439,213	295,277
- Salaries, wages, bonuses and other costs	6,780,772	5,576,897
Audit fees paid to:		
- Auditors of the Company	168,595	143,237
Non-audit fees paid to:		
- Auditors of the Company	7,693	13,750
- Other auditors	48,000	50,714
Legal and other professional fees*	4,336,100	1,704,173

* Included in legal and other professional fees is an amount of $1,167,784 (2010:$610,560) paid to a firm in which a director of the Company is a director.

9. INCOME TAX EXPENSE

(a) *Major components of income tax expense*

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

	Group	
	2011	**2010**
	$	$
Statement of comprehensive income:		
Current income tax:		
- Current income taxation	3,086,000	2,791,800
- Underprovision in respect of prior years	71,918	137,495
	3,157,918	2,929,295
Deferred income tax:		
- Origination and reversal of temporary difference (Note 23)	(173,465)	(197,160)
- Under provision in respect of prior years	14,465	256,160
Income tax expense recognised in the statement of comprehensive income	2,998,918	2,988,295

(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	
	2011	**2010**
	$	$
Accounting profit before tax	10,629,701	30,389,251
Income tax expense at the applicable tax rate of 17% (2010: 17%)	1,807,049	5,166,173
Adjustments for tax effect of:		
Income not subject to taxation	–	(2,756,077)
Non-deductible expenses	1,397,398	647,261
Underprovision in respect of prior years	86,383	393,655
Movement of deferred income tax not recognised	(238,634)	(166,040)
Tax exemption	(59,529)	(57,575)
Others, net	6,251	(239,102)
Income tax expense recognised in profit or loss	2,998,918	2,988,295

10. EARNINGS PER SHARE

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

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

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

	2011 $	2010 $
Profit for the financial year attributable to owners of the Company used in the computation of basic and diluted earnings per ordinary share	7,630,783	27,400,956
Weighted average number of ordinary shares for basic earnings per share computation	694,098,861	673,536,701
Dilutive effect of warrants (Note 26)	282,662,881	300,305,334
Weighted average number of ordinary shares for diluted earnings per share computation	976,761,742	973,842,035

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 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 and 1 January 2011	7,166,856	2,890,881	–	26,132	284,630	228,888	4,653,191	15,250,578
Additions	–	75,460	173,580	360	30,827	76,132	25,000	381,359
Disposal	–	–	–	–	–	(188,988)	–	(188,988)
Reclassification	(890)	–	–	–	890	–	–	–
At 31 December 2011	7,165,966	2,966,341	173,580	26,492	316,347	116,032	4,678,191	15,442,949
Accumulated depreciation and impairment loss :								
At 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 and 1 January 2011	5,585,093	941,941	–	17,074	233,407	126,554	3,084,450	9,988,519
Depreciation charge for the year	355,038	481,815	–	3,845	31,144	15,593	829,153	1,716,588
Disposal	–	–	–	–	–	(103,944)	–	(103,944)
At 31 December 2011	5,940,131	1,423,756	–	20,919	264,551	38,203	3,913,603	11,601,163
Net carrying amount :								
At 31 December 2010	1,581,763	1,948,940	–	9,058	51,223	102,334	1,568,741	5,262,059
At 31 December 2011	1,225,835	1,542,585	173,580	5,573	51,796	77,829	764,588	3,841,786

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

(a) The carrying amount of assets held under finance leases as at 31 December 2011 was $Nil (2010: $85,044). Leased assets are pledged as security for related finance lease liabilities.

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

(c) Depreciation charge of $1,498,635 (2010: $1,537,836) has been included in the Group's cost of goods sold.

	Office equipment $
Company	
Cost :	
At 1 January 2010	9,750
Additions	27,605
At 31 December 2010 and 1 January 2011	37,355
Additions	9,159
At 31 December 2011	46,514
Accumulated depreciation :	
At 1 January 2010	6,240
Depreciation charge for the year	8,339
At 31 December 2010 and 1 January 2011	14,579
Depreciation charge for the year	12,041
At 31 December 2011	26,620
Net carrying amount :	
At 31 December 2010	22,776
At 31 December 2011	19,894

12. GOODWILL

	$
Group	
Cost :	
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	7,551,331
Accumulated impairment :	
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	–
Net carrying amount :	
31 December 2010	7,551,331
31 December 2011	7,551,331

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	
	2011	**2010**
	$	$
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 10% (2010: 12%) per annum, 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 2011 as the recoverable amount of the CGU was in excess of the carrying value.

13. INVESTMENT IN SUBSIDIARIES

	Company 2011 $	Company 2010 $
Shares, at cost	20,000,000	20,000,000

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

Subsidiaries (Country of incorporation)	Cost of investment 2011 $	Cost of investment 2010 $	Percentage of equity held by the Group 2011 %	Percentage of equity held by the Group 2010 %	Principal activities (Place of business)
[(1)] 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	20,000,000			

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

[(1)] 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 Ernst & Young LLP, Singapore.

14. INVESTMENT IN ASSOCIATES

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Shares, at cost	9,616,388	9,616,388	9,616,388	9,616,388
Share of post-acquisition reserves	742,035	1,090,111	–	–
	10,358,423	10,706,499	9,616,388	9,616,388

Associate (Country of incorporation)	Percentage of equity held by the Group		Principal activity
	2011	2010	
	%	%	
[(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	
	2011	2010
	$'000	$'000
Assets and liabilities :		
Total assets	55,710	42,640
Total liabilities	36,826	23,386
Results :		
Revenue	85,455	69,442
Net (loss)/profit for the year	(504)	793

The Company had entered into a Call and Put Options Agreement on 5 October 2007 with TRF Limited ("TRF"), the other 51% shareholder of York Transport Equipment (Asia) Pte Ltd ("York") for its remaining 49% stake in York.

14. INVESTMENT IN ASSOCIATES (CONT'D)

Under the agreement, the Company had granted a call option to TRF and TRF had also granted a put option to the Company, which when exercised, the Company will sell its remaining 49% stake in York to TRF at a base price of $18,425,000 plus 49% of the consolidated undistributed net profit of York from 1 January 2008. The Company will receive an additional amount of equal to 15% of $18,425,000 if the call option is exercised. The Company did not prescribed any value to these call and put options since the date of inception.

15. AVAILABLE-FOR-SALE INVESTMENT

	Group and Company	
	2011	2010
	$	$
Equity instruments (quoted), at fair value	20,118,028	–

This relates to 11,140,849 quoted equity shares in Discovery Offshore S.A., representing approximately 17.0% in its issued share capital. The shares of Discovery Offshore S.A. were listed on the Oslo Axess Stock Exchange since 2 May 2011.

This investment is designated as an available-for-sale financial asset and recorded at its fair value, which is determined by direct reference to its bid price quotation in an active market at the end of the reporting period.

Discovery Offshore S.A. is a Luxembourg-based company, incorporated on 12 January 2011 with the purpose of owning new ultra high-specification jack-up drilling rigs. Its main assets are two high specification jack-up drilling rigs that are currently under construction, with delivery scheduled for year 2013.

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

	Group	
	2011	**2010**
	$	$
*Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	71,227,383	33,892,467
Less: Progress billings and advances	(46,784,357)	(36,254,086)
	24,443,026	(2,361,619)
Presented as:		
Gross amount due from customers for contract work	31,561,117	1,479,998
Gross amount due to customers for contract work	(7,118,091)	(3,841,617)
	24,443,026	(2,361,619)
*Included in cost incurred is an amount of: Unused inventories on site	14,964,796	–
Advances received included in gross amount due to customers for contract work	14,562,479	–
Retention sums on construction contract included in trade receivables	552,500	1,318,400

17. INVENTORIES

	Group	
	2011	**2010**
	$	$
Balance sheet:		
Materials, components and spares	6,357,410	8,566,115
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales		
– Inventories written down	3,300	–

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Trade receivables	9,641,810	7,854,415	–	–
Deposits	147,513	96,886	22,223	20,786
Tax recoverable	1,877,464	153,278	–	–
Sundry receivables	86,357	–	–	–
Total trade and other receivables	11,753,144	8,104,579	22,223	20,786
Trade and other receivables excluding tax recoverable	9,875,680	7,951,301	22,223	20,786
Amount due from subsidiaries (Note 19)	–	–	600,000	2,900,000
Pledged deposits (Note 20)	6,500,000	7,455,245	–	–
Cash and short-term deposits (Note 21)	169,276,813	214,130,374	142,122,891	181,676,039
Total loans and receivables	185,652,493	229,536,920	142,745,114	184,596,825

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	
	2011	2010
	$	$
United States dollar	7,865,737	7,781,494
Euro	1,765,287	–

At the end of the reporting period, trade receivable amounting to $5,075,444 (2010: $3,118,808) was arranged to be settled via letter of credits issued by a 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 $2,383,206 (2010: $2,411,268) 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	
	2011	**2010**
	$	$
Trade receivables past due but not impaired :		
Lesser than 30 days	1,027,824	312,162
30 to 60 days	838,095	40,059
61 to 90 days	139,822	26,778
More than 90 days	377,465	2,032,269
	2,383,206	2,411,268

Of the trade receivables of $377,465 (2010: $2,032,269) which was past due for more than 90 days, $Nil (2010: $1,318,400) relates to retention sums on construction contracts.

19. AMOUNTS DUE FROM SUBSIDIARIES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Amount receivable on current account:				
Subsidiaries	–	–	600,000	2,900,000

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 $6,500,000 (2010: $7,455,245), amounts of $6,500,000 (2010: $2,265,000) are placed for period of three months and earn interests ranging from 0.06% to 0.14% (2010: 0.05% to 0.14%) per annum.

20. PLEDGED DEPOSITS (CONT'D)

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

	Group	
	2011	2010
	$	$
United States dollar	6,500,000	7,405,245

21. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Cash at banks and in hand	127,244,008	81,036,061	100,090,086	48,581,726
Short term deposits	42,032,805	133,094,313	42,032,805	133,094,313
	169,276,813	214,130,374	142,122,891	181,676,039

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week to three months depending on the immediate cash requirements of the Group and Company, and earn interests at the respective short-term deposit rates ranging from 0.07% to 0.55% (2010: 0.01% to 0.66%) per annum.

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
United States dollar	12,595,085	80,588,965	3,763,024	61,161,942
Euro	7,977,668	42,110	–	–

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

22. OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2011	2010
	$	$
Current	–	22,857
Non-current	–	76,191
	–	99,048

In 2010, certain of the Group's motor vehicles were under leased facilities. The average discount implicit in the leases were 2.99% p.a. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments were as follows:

	Group			
	Minimum lease payments 2011	Present value of payments 2011	Minimum lease payments 2010	Present value of payments 2010
	$	$	$	$
Not later than one year	–	–	27,648	22,857
Later than one year but not later than five years	–	–	92,112	76,191
Later than five years	–	–	–	–
Total minimum lease payments	–	–	119,760	99,048
Less : Amounts representing finance charges	–	–	(20,712)	–
Present value of minimum lease payments	–	–	99,048	99,048

23. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2011	2010	2011	2010
	$	$	$	$
Deferred tax liabilities:				
Differences in depreciation for tax purposes	–	159,000	(159,000)	59,000

23. DEFERRED TAX (CONT'D)

Tax consequence of proposed dividends

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

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Trade payables	20,894,872	4,282,522	–	–
Other payables	6,236,835	6,592,656	1,564,475	483,372
Total trade and other payables	27,131,707	10,875,178	1,564,475	483,372
Trade and other payables excluding provision for warranty	25,297,476	7,397,678	1,564,475	483,372
Obligations under finance leases (Note 22)	–	99,048	–	–
Total financial liabilities carried at amortised cost	25,297,476	7,496,726	1,564,475	483,372

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

The Group's other payables includes a provision for warranty of approximately $1,834,000 (2010: $3,477,500). During the financial year, the Group wrote back an amount of approximately $1,644,000 from the Group's cost of goods sold (2010: $1,120,000).

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

	Group	
	2011	2010
	$	$
United States dollar	17,674,172	1,122,976
Euro	283,444	309,872
Australian dollar	53,222	–

25. DEFERRED GAIN ON DISPOSAL OF SUBSIDIARY

On 16 April 2010, the Company received an unsolicited offer from Yangzijiang Shipbuilding (Holdings) Ltd ("YZJ") to acquire the entire share capital of PPLH, a company which holds an aggregate of 15% interest in PPLS, for US$155,000,000. The Company accepted the offer on 23 April 2010.

On 15 May 2010, SCM, which holds 85% shareholding in PPLS, commenced legal proceeding against PPLH and its wholly owned subsidiary, E-Interface Holdings Limited ("E-Interface") in which PPLS is also a party as second defendant to the counter claim (Suit no. S351/2010/H). SCM has asked the High Court of Singapore to rule, inter alia, that the 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 its tendered payment of gross S$59,433,522, and to order them to pay damages for disclosing or causing to disclose confidential information of PPLS to the third party buyer in breach of the JV Agreement.

On 1 September 2010, the Company entered into an amendment and novation agreement with YZJ and a new buyer, QD Asia Pacific Ltd ("QD"), to vary the terms of the original offer, including substituting the original buyer with a new buyer and a revision of consideration from US$155,000,000 to US$116,250,000. Under the revised offer, it was also provided that in the event that a final judgment or order of the Supreme Court of Singapore in the legal suit determines, or it is agreed by a settlement agreement between SCM, PPLH, and E-Interface, that:

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

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

then, QD shall:

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

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

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

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

The current status of the suit is as follows:

1. The evidential hearing ended on 5 October 2011, after 19 hearing days.

2. Parties were directed to file written submissions, in sequence. SCM, PPLS and PPLH/E-Interface have filed their written submissions.

3. The High Court will render a decision after considering all the submissions.

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

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.

The deferred gain on disposal 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.

26. SHARE CAPITAL

	Group and Company			
	No. of shares	**2011** $	**No. of shares**	**2010** $
Issued and fully paid:				
At 1 January	682,578,493	30,528,621	654,768,017	21,725,689
Issuance of new shares from conversion of warrants	17,590,388	5,524,822	27,810,476	8,802,932
At 31 December	700,168,881	36,053,443	682,578,493	30,528,621

26. SHARE CAPITAL (CONT'D)

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

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

			No. of warrants	
	Expiry date	Exercise price	2011	2010
W110613	13 June 2011	$0.025	–	404,953
W121116	16 November 2012	$0.320	282,662,881	299,900,381
			282,662,881	300,305,334

During the year, 352,888 warrants (W110613) and 17,237,500 warrants (W121116) were exercised to subscribe for a total of 17,590,388 shares in the Company.

The remaining unexercised 52,065 warrants (W110613) expired on 13 June 2011.

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.

27. 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. These leases have an average tenure of between one to six years with no contingent rent provision included in the contracts. There are restrictions placed on subleasing the leased equipments and property to third party.

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

	Group	
	2011	2010
	$	$
Not later than one year	539,497	462,689
Later than one year but no later than five years	1,834,736	1,686,239
Later than five years	3,164,094	3,422,915
	5,538,327	5,571,843

28. RELATED PARTY TRANSACTIONS

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

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

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

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

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

During the financial year 2011, the amount of contract revenue earned from a related party was $Nil (2010: $6,603,000).

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	
	2011	**2010**
	$	$
Short-term employee benefits	3,751,146	3,250,596
Comprise amounts paid/payable to		
- Directors of the Company	1,659,225	1,334,754
- Other key management personnel	2,091,921	1,915,842
	3,751,146	3,250,596

29. DIRECTORS' AND EXECUTIVES' REMUNERATION

Directors' remuneration (including directors of subsidiaries) and fees amounted to $1,496,725 (2010: $1,162,837) and $162,500 (2010: $171,917) 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	
	2011	**2010**
$500,000 and above	1	1
$250,000 to $499,999	1	1
Below $250,000	4	4
Total	6	6

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Analysis of financial instruments by remaining contractual maturities

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

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

Liquidity risk (cont'd)

	2011			2010		
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	9,875,680	–	9,875,680	7,951,301	–	7,951,301
Pledged deposits	6,500,000	–	6,500,000	7,455,245	–	7,455,245
Cash and short-term deposits	169,276,813	–	169,276,813	214,130,374	–	214,130,374
Total undiscounted financial assets	185,652,493	–	185,652,493	229,536,920	–	229,536,920
Financial liabilities:						
Trade and other payables	25,297,476	–	25,297,476	7,397,678	–	7,397,678
Obligations under finance leases	–	–	–	22,857	76,191	99,048
Total undiscounted financial liabilities	25,297,476	–	25,297,476	7,420,535	76,191	7,496,726
Total net undiscounted financial assets/ (liabilities)	160,355,017	–	160,355,017	222,116,385	(76,191)	222,040,194

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

Liquidity risk (cont'd)

Company	2011 One year or less	2011 One to five years	2011 Total	2010 One year or less	2010 One to five years	2010 Total
	$	$	$	$	$	$
Financial assets:						
Trade and other receivables	22,223	–	22,223	20,786	–	20,786
Pledged deposits	600,000	–	600,000	2,900,000	–	2,900,000
Cash and short-term deposits	142,122,891	–	142,122,891	181,676,039	–	181,676,039
Total undiscounted financial assets	142,745,114	–	142,745,114	184,596,825	–	184,596,825
Financial liabilities:						
Trade and other payables	1,564,475	–	1,564,475	483,372	–	483,372
Total undiscounted financial liabilities	1,564,475	–	1,564,475	483,372	–	483,372
Total net undiscounted financial assets	141,180,639	–	141,180,639	184,113,453	–	184,113,453

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

Credit risk

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

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

Credit risk concentration profile

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

	Group			
	2011	**% of**	**2010**	**% of**
By country	**$**	**total**	**$**	**total**
Singapore	1,348,552	14	2,626,488	34
China	4,687,553	49	4,437,208	56
Middle East	568,663	6	485,516	6
Asia Pacific (excluding China and Singapore)	3,037,042	31	305,203	4
	9,641,810	100	7,854,415	100

At the end of the reporting period, approximately:

- 90% (2010: 88%) of the Group's trade receivables were due from 5 (2010: 3) major customers who are located in Singapore, China, India and Korea.
- A nominal amount of $23,400,000 (2010: $12,800,000) 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).

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

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than SGD. The foreign currencies in which these transactions are denominated are mainly US Dollars (USD) and Euro. Approximately 99% (2010: 99%) of the Group's sales are denominated in foreign currencies whilst about 67% (2010: 40%) of costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (mainly in USD and Euro) amount to approximately $20,573,000 (2010: $80,631,000) for the Group.

The Group does not use forward currency contracts to eliminate its currency exposures. However, to minimise foreign exchange risks, the Group practises natural hedging as much as possible. The Group also monitors movement in foreign exchange closely so as to capitalise on favourable exchange rates to convert excess foreign currencies back to SGD where possible.

Sensitivity analysis for foreign currency risk

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

		Group	
		2011	**2010**
		$'000	$'000
		Net Profit	**Net Profit**
USD/SGD	– strengthened 3% (2010: 3%)	+279	+2,840
	– weakened 3% (2010: 3%)	–279	–2,840
Euro/SGD	– strengthened 3% (2010: 3%)	+284	–8
	– weakened 3% (2010: 3%)	–284	+8

31. 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.

32. CAPITAL MANAGEMENT

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

33. DIVIDEND

	Group and Company	
	2011	**2010**
	$	$
Declared and paid during the financial year:		
Dividend on ordinary shares:		
- First and final tax-exempt (one-tier) dividend for 2010: 3.00 cents (2009: 2.25 cents) per share	20,997,099	15,356,046
Proposed but not recognised as a liability as at 31 December:		
Dividend on ordinary shares, subject to shareholders' approval at the AGM:		
- First and final tax-exempt (one-tier) dividend for 2011: 1.00 cent (2010: 3.00 cents) per share	7,001,689	20,477,355

34. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 1 March 2012, the Company announced a proposed renounceable non-underwritten rights issue (the "Warrants Issue") of up to 393,132,704 warrants at an issue price of $0.01 for each warrant. Each warrant will carry the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of $0.27 for each new share during the exercise period. The Warrants Issue will be made on the basis of two warrants for every five existing ordinary shares in the capital of the Company held by entitled shareholders as at book closure date to be determined by the Directors. An application has been submitted to the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing of and quotation for the warrants and the new shares on the Main Board of the SGX-ST.

35. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 19 March 2012.

Number of Shares	**:**	**700,168,881**
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	258	5.94	15,875	0.00
1,000 - 10,000	1,700	39.16	9,764,097	1.40
10,001 - 1,000,000	2,352	54.18	142,718,213	20.38
1,000,001 and above	31	0.72	547,670,696	78.22
	4,341	100.00	700,168,881	100.00

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1.	Benety Chang	305,516,348	43.63
2.	Anthony Sabastian Aurol	68,399,183	9.77
3.	Heng Chin Ngor Doris	68,399,183	9.77
4.	OCBC Securities Private Ltd	16,347,022	2.33
5.	Tan Yang Guan	14,744,836	2.11
6.	Citibank Nominees Singapore Pte Ltd	10,288,000	1.47
7.	UOB Kay Hian Pte Ltd	6,438,000	0.92
8.	Maybank Kim Eng Securities Pte. Ltd.	4,915,995	0.70
9.	DMG & Partners Securities Pte Ltd	4,606,000	0.66
10.	United Overseas Bank Nominees Pte Ltd	4,236,004	0.60
11.	DBS Nominees Pte Ltd	4,062,107	0.58
12.	Sng Siew Khim	3,110,000	0.44
13.	Khoo Aik Peng Bernard	2,660,000	0.38
14.	Ng Chai Hock	2,584,000	0.37
15.	Phillip Securities Pte Ltd	2,425,173	0.35
16.	Lim & Tan Securities Pte Ltd	2,267,008	0.32
17.	DBS Vickers Securities (S) Pte Ltd	2,220,000	0.32
18.	OCBC Nominees Singapore Pte Ltd	2,191,004	0.31
19.	Hong Leong Finance Nominees Pte Ltd	2,105,000	0.30
20.	Raffles Nominees (Pte) Ltd	2,096,333	0.30
	TOTAL:	529,611,196	75.63

PUBLIC FLOAT

Based on the information available to the Company, as at 6 March 2012, approximately 33.05% 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**	**%**
Dr Benety Chang [(1)]	305,516,348	43.63	68,399,183	9.77
Dr Doris Heng Chin Ngor [(2)]	68,399,183	9.77	305,516,348	43.63
Anthony Sabastian Aurol	68,399,183	9.77	-	-

Notes:

(1) Dr Benety Chang deemed interests include 68,399,183 shares held by his wife, Dr Doris Heng Chin Ngor.

(2) Dr Doris Heng Chin Ngor's deemed interests include 305,516,348 shares held by her husband, Dr Benety Chang.

Analysis of Warrantholdings (W121116)

AS AT 6 MARCH 2012

Issued on	**:**	**17 November 2009**
Expiring on	**:**	**16 November 2012**
Exercise Price	**:**	**S$0.32**

DISTRIBUTION OF WARANTHOLDINGS

Size of Holdings	No. of Warrantholders	%	No. of Warrants	%
1 - 999	10	1.43	3,607	0.00
1,000 - 10,000	310	44.22	1,689,000	0.60
10,001 - 1,000,000	369	52.64	28,062,499	9.93
1,000,001 and above	12	1.71	252,907,775	89.47
	701	100.00	282,662,881	100.00

TWENTY LARGEST WARRANTHOLDERS

	Name	No. of Warrants	%
1.	Benety Chang	152,758,174	54.04
2.	Anthony Sabastian Aurol	34,199,591	12.10
3.	Heng Chin Ngor Doris	34,199,591	12.10
4.	OCBC Securities Private Ltd	8,650,000	3.06
5.	Tan Yang Guan	7,372,419	2.61
6.	Paul Go Kian Lee	3,739,000	1.32
7.	Seah Kheng Lun	2,896,000	1.02
8.	Sng Thiam Hock	2,634,000	0.93
9.	Ng Chew Oon	2,500,000	0.88
10.	DMG & Partners Securities Pte Ltd	1,578,000	0.56
11.	Yeap Lam Kang	1,353,000	0.48
12.	Khoo Aik Peng Bernard	1,028,000	0.36
13.	Lim Tow Seong @ Daw Seong @ Lim Dou Suang	1,000,000	0.35
14.	Thong Kar Kian	809,000	0.29
15.	Leow Chin Yee	788,000	0.28
16.	Citibank Consumer Nominees Pte Ltd	777,000	0.27
17.	Lee Yan Teck	649,000	0.23
18.	HSBC (Singapore) Nominees Pte Ltd	621,000	0.22
19.	Lim Choon Kim	600,000	0.21
20.	Gan Seng Kuei	558,000	0.20
	TOTAL:	258,709,775	91.51

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 Wednesday, 25 April 2012 at 10.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt (one-tier) dividend of 1 cent per ordinary share for the year ended 31 December 2011. **(Resolution 2)**

3. To re-elect Dr Benety Chang, who retires by rotation pursuant to Article 104 of the Articles of Association of the Company. [See Explanatory Note (i)] **(Resolution 3)**

4. To re-elect Mr Anthony Sabastian Aurol, who retires by rotation pursuant to Article 104 of the Articles of Association of the Company.
[See Explanatory Note (ii)] **(Resolution 4)**

5. To approve the payment of Directors' fees of S$162,500 for the year ended 31 December 2011 (2010: S$171,917). **(Resolution 5)**

6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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

AS SPECIAL BUSINESS

8. 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 and the listing rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), authority be and is hereby given to the Directors of the Company to:

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

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

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

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

provided that:

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

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

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

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

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

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

[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Nga Ko Nie
Company Secretaries

Singapore, 4 April 2012

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. Dr Benety Chang will, upon re-election, continue as a member of the Nominating Committee. He is considered a non-independent director.

ii. Mr Anthony Sabastian Aurol is considered a non-independent director.

iii. The Ordinary Resolution proposed in item 8, 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.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 10 May 2012 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 Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 up to 5.00 p.m. on 9 May 2012 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 9 May 2012 will be entitled to the proposed Dividend.

The proposed Dividend, if approved by the shareholders at the Annual General Meeting will be paid on 24 May 2012.

By Order of the Board

Abdul Jabbar Bin Karam Din
Nga Ko Nie
Company Secretaries

Singapore, 4 April 2012

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

I/We,____ NRIC/ Passport No./Company Registration No.

____________________of ____ (Address)

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

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

and/or (delete as appropriate)

and/or failing him/her, the Chairman of the Annual General Meeting ("AGM") as my/our proxy/proxies to vote for me/us 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 Wednesday, 25 April 2012 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions Relating to:	For*	Against*
	ORDINARY BUSINESS		
1.	Adoption of Directors' Report and Audited Financial Statements		
2.	Payment of proposed first and final dividend		
3.	Re-election of Dr Benety Chang as a Director		
4.	Re-election of Mr Anthony Sabastian Aurol as a Director		
5.	Approval of Directors' fees amounting to S$162,500		
6.	Re-appointment of Messrs Ernst & Young LLP as Auditors		
	SPECIAL BUSINESS		
7.	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50.		

* Please indicate your vote "For" or "Against" with an "X" within the box provided.

Signed this__________day of _____________2012

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

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

Notes: See overleaf

NOTES:

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

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

3. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 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, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and any second named proxy shall be deemed to be an alternate to the first named.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of 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 the instrument of proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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