A TRAVELOGUE:

BAKER TECHNOLOGY LIMITED
CORPORATE JOURNEY 2012

CONTENTS

EVERY YEAR IS A JOURNEY.

AND WHAT A JOURNEY 2012 HAS BEEN, FILLED WITH MOMENTOUS HIGHLIGHTS AND MEMORABLE STORIES. IN THE SPIRIT OF AN EPIC JOURNEY, WE HAVE DECIDED TO RECORD 2012 IN A TRAVELOGUE STYLE, DOCUMENTING ALL THE PROGRESS MADE, LESSONS LEARNT, AND SIGNIFICANT DEVELOPMENTS. LIKE A WELL-TREASURED SCRAPBOOK, EVERY PAGE IS CRAMMED FULL OF MEMORIES, SCRIBBLES, AND NOTES ON BAKER TECHNOLOGY'S ACHIEVEMENTS.

WINNER OF BEST ANNUAL REPORT (SILVER) AWARD AT THE SINGAPORE CORPORATE AWARDS 2012

(For Companies With Market Capitalisation Of Less Than S$300 Million)

MEMOIRS OF 2012

KEY FIGURES FOR 2012

$173.9M
cash reserves
of 23.6 cents per share

$268.1M
net assets
of 36.4 cents per share

$81.6M
net profit
increased ten-fold

$98.2M
revenue
rose 21% to a record high of almost $100 million.

$69.1M
gains from disposal
of PPLH ($58.2 million) and York ($10.9 million)

10 cents
dividend per share
up ten-fold from 1.0 cent to 10 cents, including a 8.5 cents special dividend

11.5 cents
earnings per share
increased 945%

KEY MILESTONES

2000

JULY
Name changed to Baker Technology Limited.

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

2004

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

2005

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

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.

2007

OCTOBER
TRF Singapore Pte Ltd took up 51% stake in York Transport Equipment (Asia) Pte Ltd.

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

KEY MILESTONES

2008

OCTOBER
Upgraded to SGX-ST Mainboard.

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

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.

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.

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.

2012

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

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

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

May
High Court judgement ruled in favour of PPL Holdings Pte. Ltd. against Sembcorp Marine Ltd. Baker Technology Limited recognised the gain on disposal of PPL Holdings Pte. Ltd.

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

CORPORATE STRUCTURE

Baker Technology Limited ("Baker Tech") is an investment holding company. The Group's primary business is the design and production of high-quality specialised solutions for the offshore oil and gas industry. Having built up advanced engineering capabilities, the Group has an outstanding reputation for innovation, quality, and reliability.

Sea Deep Shipyard Pte. Ltd. ("Sea Deep"), its wholly-owned subsidiary, is a leading manufacturer and provider of specialised equipment and engineering solutions to oil companies and rig builders in China, the Middle East, Asia, and USA.

Baker Tech also owns a 20% equity interest in Oslo-listed Discovery Offshore S.A. ("DO"), an ultra high-specification jack-up drilling company, which currently has two premium jack-up rigs under construction.

Baker Tech continues to strive for excellence in its core business, whilst investing in product innovation and exploring strategic partnerships to extend its reach into new markets. The Group believes in adhering to best corporate governance practices, nurturing its people, and serving the community. Through this, the Group aims to achieve sustainable, high quality returns for shareholders.

CORPORATE INFORMATION

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

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

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

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

COMPANY SECRETARY
Nga Ko Nie
Abdul Jabbar Bin Karam Din
(resigned on 20 December 2012)

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

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

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

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Australia and New Zealand Banking Group Limited
Standard Chartered Bank

CHECKLIST

- ☑ Passport
- ☑ Visa
- ☑ Travellers Cheques
- ☑ Cash
- ☑ Driving Licence
- ☑ Insurance
- ☑ Guide Book
- ☑ Medical Supplies
- ☑ Camera
- ☑ Mobile Phone
- ☑ Note Pad
- ☑ Pen/Pencil
- ☑ Books
- ☑ Padlock and Key
- ☑ Singapore
- ☑ China
- ☑ United Kingdom
- ☑ Germany
- ☑ UAE
- ☑ Norway

AIR MAIL AIR MAIL

DISCOVERY OFFSHORE

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

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.

Asia

Though we travel the world over to find the beautiful, we must carry it with us or we find it not.

~Ralph Waldo Emerson

A PERSONAL ACCOUNT OF FY2012

FY2012 has been a year of triumphs and challenges. Although the world economic situation remains uncertain, we continue to rise to the challenge of meeting customer needs to the best of our ability. The Group's strategy during the year was to strengthen its asset portfolio and at the same time look for business opportunities to leverage on for future growth. But at the end of it all, we believe in maximising shareholder value and paving the way for long term growth and expansion.

A PERSONAL ACCOUNT OF FY2012

CHAIRMAN'S MESSAGE

MR LIM HO SENG

Dear Shareholders,

This year we have decided to present Baker Technology's Annual Report in the form of a travelogue. We wanted to document the Group's milestones, travails and successes in its corporate journey to date, even as we prepare to embark on the next new and exciting voyage.

FY2012 FINANCIAL PERFORMANCE

FY2012 was a stellar year for Baker Tech. The Group achieved record revenue of S$98.2 million, on the progressive recognition of contracts mainly secured in the last two years. Our performance was further boosted by total gains of S$69.1 million from the recognition of deferred gain from the disposal of PPL Holdings Pte Ltd ("PPLH") and gain from the disposal of York Transport Equipment (Asia) Pte Ltd ("York"). As a result, the Group's net profit rose almost ten-fold to S$81.6 million.

The Group's financial position remains robust. We ended the year with S$173.9 million in cash and very little debt.

RECORD DIVIDENDS

With the strong performance and the victory in the legal suit, I am pleased to announce that the Directors have recommended dividends of 10 cents per share, comprising a first and final tax exempt (one-tier) dividend of 1.5 cents per share and a special tax exempt (one-tier) dividend of 8.5 cents per share.

MEMORABLE ALBEIT CHALLENGING TIMES

The last twelve months were memorable, albeit challenging, but the Group prevailed in its continuing efforts to deliver value to our shareholders.

In the face of a global economy buffeted by the Euro crisis, jitters over the US fiscal cliff, and the ensuing tight credit market, the operating environment for the Group's core business had been difficult. Order intake for the core marine offshore equipment business continued to ease further, especially in the second half of 2012. Notwithstanding, the core business was able to maintain its profitability in FY2012 due to the recognition of orders from two years ago.

A PERSONAL ACCOUNT OF FY2012

CHAIRMAN'S MESSAGE

In March last year, the Group disposed of its remaining 49% stake in York, a manufacturer of trailer axles for the heavy transportation industry.The disposal was in line with the Group's strategic focus on the marine offshore sector.

The Group also persevered through a 24-month legal suit with Sembcorp Marine Ltd and in May 2012, judgement was declared in favour of PPLH.

RECOGNITION FOR CORPORATE GOVERNANCE

Raising the level of corporate disclosure is an enduring commitment that the Group has made to its shareholders. Every year, we review our corporate governance practices to align them to best practices. I am glad to inform our shareholders that Baker Tech has improved its performance in the Governance and Transparency Index ("GTI"), which is co-published by The Business Times and the NUS Corporate Governance and Financial Reporting Centre. Our GTI score in 2012 improved by 12 points, from 54 in 2011 to 66.

As a result, Baker Tech was ranked 30th amongst more than 600 companies in the 2012 issue of the GTI, a vast improvement from its ranking of 292nd in 2009.

I am pleased that our efforts in corporate disclosure have also been recognised at the Singapore Corporate Awards 2012, Baker Tech won its second consecutive Silver award for Best Annual Report (for companies under S$300 million in market capitalisation).The award acknowledges outstanding annual reports for excellence in financial reporting presentation, high level of corporate disclosures and transparency. In the previous three consecutive years, the Group had also won awards in the "Best Managed Board" category.

JOURNEYING FORWARD

Our journey with you, dear shareholders, continues with renewed vigour. The Group begins 2013 with a committed focus on growing its presence in the marine offshore sector, by leveraging on its strong foundation in offshore engineering and deep knowledge of the sector.

A PERSONAL ACCOUNT OF FY2012
CHAIRMAN'S MESSAGE

Even after paying out the proposed special dividend, the Group believes that it would still have significant cash reserves for future investments and acquisitions to support the next course of growth for Baker Tech.

Over the years, our core operating subsidiary Sea Deep Shipyard Pte. Ltd. ("Sea Deep"), has grown to be a reputable niche manufacturer and provider of highly specialised and critical components for use on drilling rigs in the offshore environment. It has a proven track record for superior performance and reliability, an attribute that is much valued by customers in an environment of increasingly stringent safety standards.

In the wake of the global financial crisis and continued concerns over the Eurozone, Sea Deep's net order book had decreased from US$80 million to US$49 million as at end 2012, and these orders are expected to be delivered over the next 12 – 18 months. We expect the order book to improve this year as the charter rates for jack-up drilling rigs have increased steadily.

As the global economic environment remains challenging and uncertain over the next 12 months, the industry continues to be weighed down by the tight availability of credit in the financial markets. To enhance its market competitiveness, Sea Deep will continue to differentiate itself through product excellence, continuous innovation, on-time delivery and superior customer service.

During the year, we also increased our stake in Oslo-listed Discovery Offshore S.A. ("DO") from 17% to 20%, making it an associated company of the Group. We are optimistic about the prospects of DO who owns two ultra-high specifications rigs under construction. Oil and gas operators increasingly prefer newer assets with greater capacity and efficiencies that are capable of handling more demanding drilling requirements and stricter operating environments. As a result, charter opportunities and charter rates for new ultra high specification, harsh environment jack-up rigs are expected to be robust in the coming years. DO takes delivery of its first rig in June 2013 and the second in September 2013.

The Group expects to remain profitable in 2013.

APPRECIATION

On behalf of the Board, I present my heartfelt thanks to our shareholders for their support and patience. We are also grateful for the trust and support of our customers and suppliers, business partners, industry professionals and our staff.

I would like to acknowledge the hard work and loyalty of the management team who pressed on in the face of a tough operating environment and a long drawn out legal suit.

I also wish to thank my committed colleagues on the Board for their guidance, wise counsel and solidarity as we embark on the next leg of our journey together.

"It is good to have an end to journey toward; but it is the journey that matters, in the end."

- Ernest Hemingway

We look forward to continuing the journey with you,

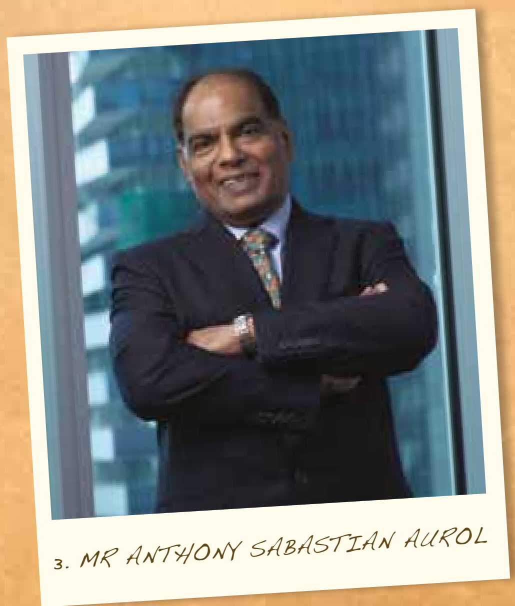
LIM HO SENG
Chairman of the Board
April 2013

A JOURNAL OF OUR CORPORATE LEADERS

BOARD OF DIRECTORS

1. MR LIM HO SENG

2. DR BENETY CHANG



3. MR ANTHONY SABASTIAN AUROL

A JOURNAL OF OUR CORPORATE LEADERS
BOARD OF DIRECTORS

1. MR LIM HO SENG
Chairman

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

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

Mr Lim is a Fellow of the Institute of 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.

2. DR BENETY CHANG
Chief Executive Officer

Dr Benety Chang is the Chief Executive Officer of Baker Tech and was appointed to the Board since 5 May 2000. He was last re-elected on 25 April 2012. Dr Chang, who is an Executive Director, is also a member of the Nominating Committee. He was the Deputy Chairman of PPL Shipyard Pte Ltd which specialises in manufacturing its own design jackup rigs until his resignation in July 2012. Dr Chang holds a MBBS degree from the University of Singapore.

3. MR ANTHONY SABASTIAN AUROL
Chief Operating Officer

Mr Anthony Sabastian Aurol is the Chief Operating Officer of the Company and was appointed to the Board since 5 May 2000. He was last re-elected on 25 April 2012. 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.

4. MR TAN YANG GUAN

5. MR WONG KWAN SENG ROBERT

6. MR WONG MENG YENG

4. MR TAN YANG GUAN
Non-Executive Director

Mr Tan Yang Guan was appointed to the Board since 5 May 2000 and 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.

Mr Tan has more than 37 years of extensive experience in accounting, auditing and financial management. He started his career in audit with Ernst & Young in 1975. In 1988, he joined rig-builder, PPL Shipyard Pte Ltd ("PPLS") and was responsible for its financial, treasury and corporate finance functions. He was the Finance Director of PPLS from 1995 until his resignation in November 2012.

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.

5. MR WONG KWAN SENG ROBERT
Non Independent Non-Executive Director

Mr Wong Kwan Seng Robert was appointed to the Board since 24 February 1998 and was last re-elected on 29 April 2011. Mr Wong is a Non 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 issue, issue of debentures, takeovers, mergers and acquisition and joint ventures.

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

6. MR WONG MENG YENG
Independent Director

Mr Wong Meng Yeng was appointed to the Board since 3 June 2010 and was last re-elected on 29 April 2011. An Independent Director, he chairs the Nominating Committee and is a member of the Audit 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. Mr Wong graduated from the National University of Singapore in 1983 with a Bachelor of Laws (Honours) Degree.

7. MR ONG THIAN WHEE ALBERT

8. MR TAN KENG TIONG ALVIN

9. MR TAN KIANG KHERNG

A JOURNAL OF OUR CORPORATE LEADERS

KEY EXECUTIVES

7. 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. ("Sea Deep") and was appointed since 1 September 2006. He also sits on the board of Sea Deep's subsidiary, Interseas Shipping (Private) Limited.

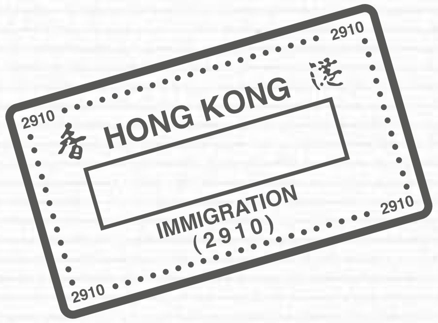
He has been in the oil and gas industry since 1975, and has accumulated extensive industry experience and built numerous valuable business relationships within the industry.

8. MR TAN KENG TIONG ALVIN
Senior Vice President –
Business Development

Mr Tan Keng Tiong Alvin is responsible for the overall business development for the Group. Mr Tan started his career in the marine oil and gas industry and has held several senior positions with various companies in the marine transport sector before joining the Group in 2001. He holds a Bachelor of Business degree from Curtin University of Technology, a Master's degree in Business Administration from the Nanyang Technological University and has completed the Advanced Management Programme at Haas School of Business, University of California Berkeley in 2011.

9. MR TAN KIANG KHERNG
Financial Controller

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



China

The World is a book, and those who do not travel read only a page.

~Saint Augustine

BUSINESS JOURNAL

The success of our business is founded on a deep understanding of the industry that we operate in and the in-depth knowledge and dedication of our people. As we forge ahead to expand our market presence, we will also remember our commitment to our stakeholders. Building upon our strengths, nurturing our people and doing our part to make a difference in the community will continue to be our focus as we take the Group to the next level.

Leading manufacturer and solution provider

Established as an international engineering company with outstanding engineering expertise, Sea Deep sails through the year in review and is a valuable business to Baker Tech. Since its acqusition in 2008, Sea Deep Shipyard Pte. Ltd. ("Sea Deep") continues to integrate its team of highly skilled and experienced engineers and high-end multi-engineering disciplines to deliver innovative solutions and comprehensive support to its global clientele.

Sea Deep is one of the leading manufacturer specialising in offshore jack-up drilling rig components, re-engineering, upgrading and modification of a variety of drilling rigs of various designs. Its design expertise and meticulous attention to detail have garnered long standing support with suppliers and stakeholders.

Together with its fully-owned subsidiary Interseas Shipping (Private) Limited., Sea-Deep achieves continued reliability, cost effectiveness, low-maintenance overheads, user-friendliness and timely delivery.

With a fully operational modern shipyard housing a full-facility workshop located at the Southern Tuas Basin in Singapore, Sea Deep is well-equipped to undertake a variety of turnkey projects and offers a comprehensive suite of products and services.

These products and services include:
- Conversion/ refurbishment of jacking systems
- Offshore pedestal cranes
- Skidding systems
- Raw water tower structures
- Anchor winches
- Steel products and component fabrication

BUSINESS JOURNAL

SEA DEEP

Meeting the increasingly sophisticated needs of the offshore marine oil and gas industry

A major driver of the growth of Sea Deep is its active dedication towards continuous investment in research and development to augment and complement its existing range of products and services. With innovation and efficiency in mind, the company actively partakes in project management and turnkey conversions with proprietary designs and construction supervision.

Anchoring on its core business, Sea Deep is dedicated to consistently developing and formulating new improvements on its range of products and services to cater to new technological advances in the offshore marine oil and gas industry. Through these efforts, Sea Deep is able to enhance its products and services for potential and existing customer base.

Besides new developments and improvements to its business, Sea Deep is committed to establishing long term relationships with its global network, based on quality, timely delivery and anticipation of the needs of its sophisticated clientele.

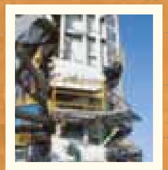
Sea Deep Shipyard Pte. Ltd.
Website: www.seadeep.com.sg

SEA DEEP INTERSEAS

BUSINESS
JOURNAL

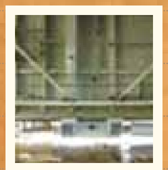
SEA DEEP

KEY BUSINESS PRODUCTS



CONVERSION/REFURBISHMENT OF JACKING SYSTEMS

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



1 SKIDDING SYSTEMS

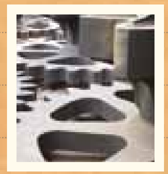
Our skidding systems are among the most respected and are custom built to classification standards. We offer a variety of skidding systems including the lift and shift/roll systems, claw assembly with hydraulic cylinders as well as rack and pinion skidding units.

2 RAW WATER TOWER STRUCTURES

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

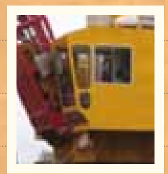
3 RACK CHORDS

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



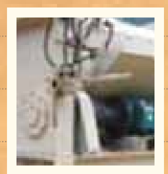
CUSTOMISATION & ENGINEERING WORKS

Our engineering works adhere to 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.



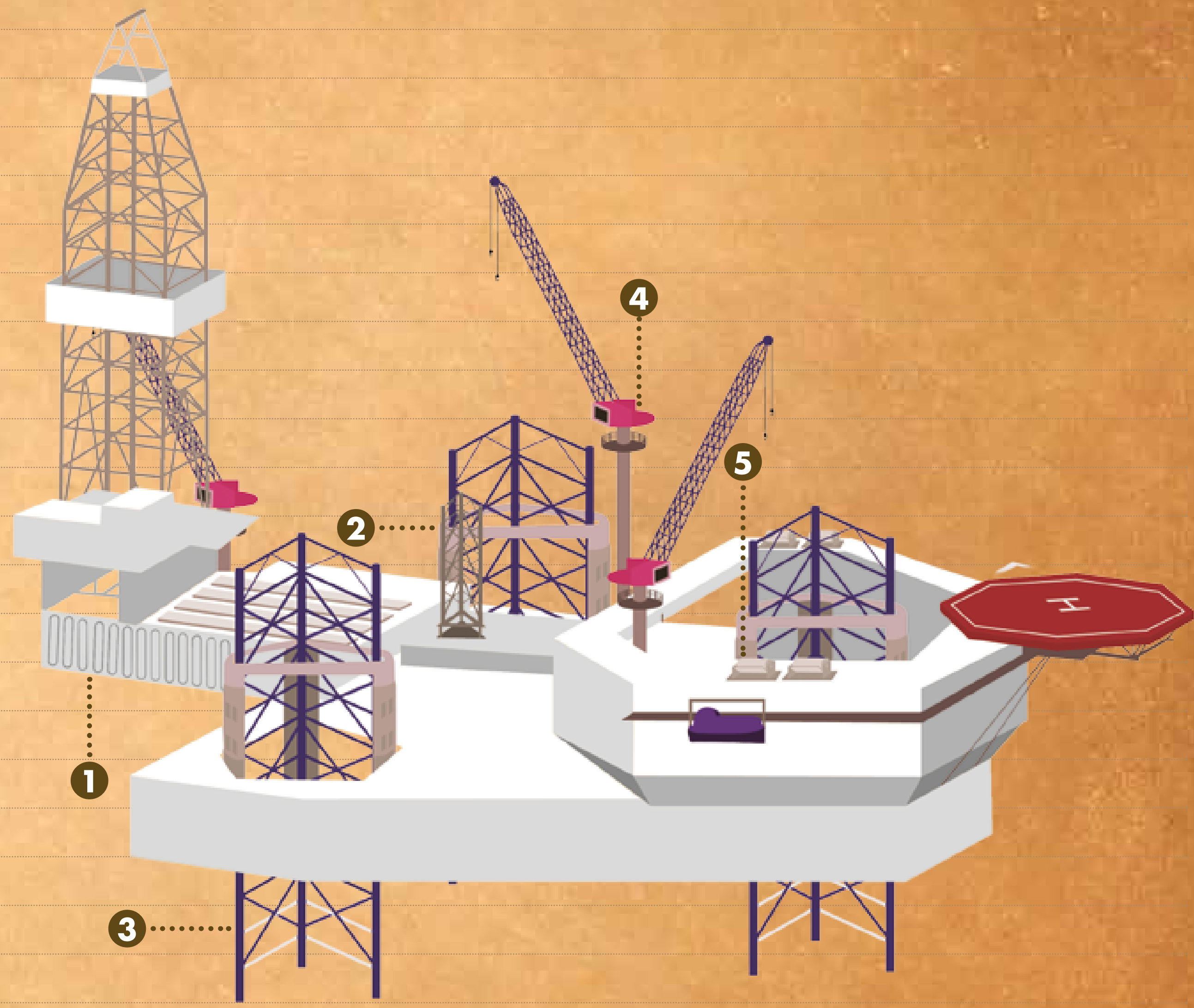
4 OFFSHORE PEDESTAL CRANES

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.



5 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).



DISCOVERY OFFSHORE

DISCOVERY OFFSHORE

Baker Tech holds a 20% stake in DO

Discovery Offshore is an ultra-high specification jack-up drilling company

From our initial venture in 2011, Baker Tech has steadily acquired an increase of approximately 3%, bringing the Company's total investment stake to 20% in Oslo-listed Discovery Offshore S.A. ("DO"). This propels Baker Tech forward, as one of the top three major shareholders in DO.

Incorporated in Luxembourg on 12 January 2011, DO is a pure-play, ultra-high specification jack-up drilling company. On the 2 May 2011, DO began trading on Oslo Axess Stock Exchange. With its strong focus on two new build premium jack-up rigs, DO will strategically market and endeavor deep into the North Sea. Once DO rig fleet is operationally ready, it is set to be amongst the most elite jack-up drilling rigs available globally.

The rigs, named Discovery Triumph and Discovery Resilience, are scheduled for delivery in June 2013 and in the fourth quarter of 2013 respectively.

Both rigs are constructed based on the advanced Keppel FELS "Super A" Class, designed to withstand harsh environments and is equipped with the highest drilling capabilities and efficiencies.

DO is managed by Hercules Offshore Inc., ("Hercules Offshore"), a world renowned provider of offshore contract drilling with an impressive fleet of jack-up rigs. Hercules Offshore manages the overall rig construction process, oversees all marketing efforts and ensures the operational readiness and timely delivery of the rigs.

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

WORKPLACE SAFETY AND HEALTH

Caring and creating a positive impact on our stakeholders, staff and community

WORKPLACE SAFETY AND HEALTH

Baker Tech endeavours to be an employer of choice through a work environment that promotes health and safety, which is cultivated across all individuals. In the year of review, Sea Deep's Workplace Safety and Health ("WSH") practitioner aid in fostering excellence in safety and health for a better informed workplace. The WSH practitioner stayed current with latest developments in WSH and network with many others in a similar capacity through active participation in seminars and workshops organised by the Singapore Institute of Safety Officers ("SISO").

Safety excellence at the workplace is regulated with safety checks and safety meetings. Coupled with regular drills and other WSH practices, all employees are well aware and prepared for an emergency situation in the workplace.

Providing better opportunities

Selected employees, who undergo the Risk Assessment Certification programme, work diligently together with the WSH practitioner to ensure preparedness and cooperativeness during emergency situations. Sea Deep has clocked 369 non-reporting accident-free days. The previous record was 275 days.

Baker Tech also places high importance in ensuring that its people are able to perform to the best of their abilities. The Company provides a safe haven for its workers by accommodating them in a comfortable well-ventilated hostel equipped with shower stalls and other amenities catering to their needs.

To further cultivate a work environment promoting and emphasising health and safety, Sea Deep provides a convenient shuttle bus service to ferry its employees to and from work.

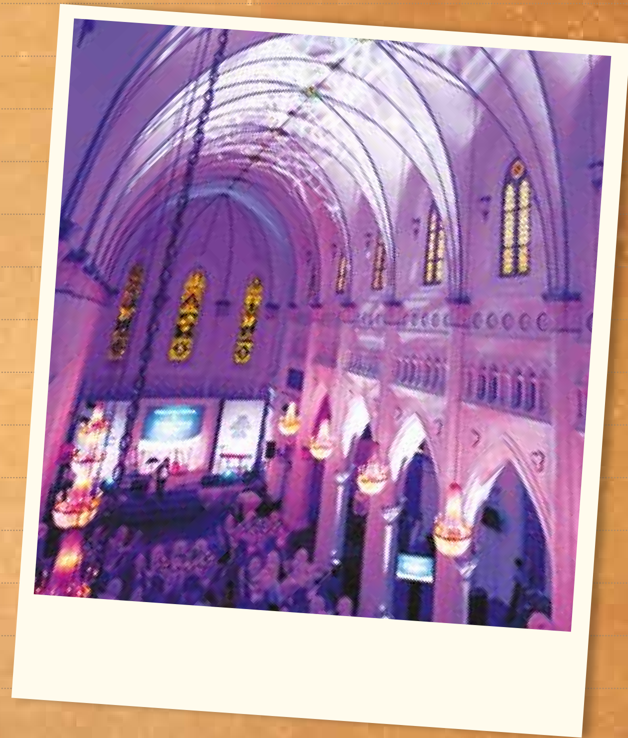
NURTURING TALENTS

In addition to placing high importance of health and safety in the workplace, Baker Tech's human capital is given the opportunities for continuous training and development and the company looks to nurture a culture that emphasises work-life balance.

Talent management programmes and human resource policies are readily available to assist employees to realise their utmost potential. The Company identifies, develops and challenges its people to continuously realise their full potential to meet its current and future business needs. Regular assessments and training opportunities are made to recognise staff displaying potential and excelling in their job scope. Potential leaders are also groomed and given external training or learning seminar opportunities to further advance their potential.

Staff engagement programmes are held regularly to facilitate communication and staff interaction across all levels. These programmes help cultivate and foster a learning environment as well as serve as a feedback channel for all staff.

Committed to making a difference in the lives of many children and more



At Baker Tech, success is recognised by its business achievements and through its continuing efforts to be a socially responsible corporate citizen. This year, Baker Tech remembers those who are less fortunate and the biggest reward came from knowing that the lives of children and more from Infant Jesus Homes and Children's Centre and Caritas – Agape Village will be improved significantly.

MAKING A DIFFERENCE – INFANT JESUS HOMES AND CHILDREN'S CENTRES

Infant Jesus Homes and Children's Centre ("IJHCC") has been providing comfort and shelter to numerous disadvantaged children and youths-at-risk and is a community home for the elderly, for over thirty years. IJHCC also provides residential care to orphans and children of all races and religion who come from underprivileged or troubled backgrounds. It runs school-based training and community outreach programmes to aid the children in their process of self-discovery and development.

Over time, IJHCC's facilities had deteriorated and the existing structures pose potential danger to the many residents. Consequently, IJHCC is slated to commence year-long alternation and refurbishment works to re-build and re-establish itself. The newly built centre will be known as IJ Village and will continue to provide assistance and foster emotional support for disadvantaged children, families and the community. Located in Ang Mo Kio, the construction costs an estimated S$4.5 million and is set to open its doors by the third quarter of 2013.

Baker Tech contributed to a charity dinner and auction organised by IJHCC to raise funds for the construction of the IJ Village.

Charity Dinner organised by IJHCC

SPIRIT OF GIVING – CARITAS- AGAPE VILLAGE

In the spirit of giving back to the community, Baker Tech also made a generous donation towards a fund raising project organised by Caritas Singapore for the funding and operations of the Agape Village.

The Agape Village is a Catholic Church initiative to serve and contribute to the underprivileged community, regardless of their background or religion. It seeks to help the poor raise their standards of living and to foster emotional support by building and establishing a reliable social network for the community. Apart from providing financial aid and support, Agape Village also seeks to provide education, training and enrichment programmes and to find equal employment opportunities for the community.

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

Over the course of 2012, the Group's share price has risen 33% on the back of a strong performance from both the broader oil & gas sector as well as the benchmark STI index. Through the year, the market was kept updated on major developments including the judgement of the legal dispute with SembCorp Marine Ltd, and the divestment of its interests in York Transport Equipment (Asia) Pte Ltd.

The Investor Relations team proactively engages the investment community through several key events in the year. In keeping with past practices, briefings are held twice a year for the reporting of the Group's half-year and full year financial results. The Annual General Meeting ("AGM") also provides a key platform for shareholder engagement, and this was held on 25 April 2012 at the Republic of Singapore Yacht Club. The 2012 AGM was attended by members of the public, and the Group directors and senior management were present to answer questions from shareholders. 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 Investor Relations page on the Company's corporate website.

Baker Tech's efforts in improving its disclosure practices were recognised at the Singapore Corporate Awards 2012, where the Group's 2011 Annual Report won a Silver award in the category for companies with a market capitalisation under S$300 million. The Group will continue to study and adopt best practices in corporate governance and reporting, to uphold its reputation as a quality company for shareholders.

RISK MANAGEMENT AND MITIGATION

Whilst playing an active role in society, Baker Tech also values the need to balance financial sustainability. Managing risk is explicitly on the management's agenda and mitigation strategies are consistently being reviewed. Given the volatility of the oil and gas industry, coupled with unpredictable changes in the economy and business environment, it is increasingly clear that a need exists for a robust enterprise risk management framework. This aims to ensure that the Company identifies and effectively manages risks and that its strategic objectives are achieved whilst complying with internal and external controls.

INDUSTRY- RELATED RISKS

Sea Deep, the Group's key subsidiary, faces a myriad of risks in today's global marketplace as it manufactures and specialises in engineering components for the offshore marine oil and gas industry. These risks range from the volatile commodity prices linked to economic activity and the sensitivity to demand and supply of oil and gas price factors.

To successfully mitigate these risk factors, Baker Tech looks for business opportunities for diversification to its core business and invests in research and development. With the Group's continuous pursuits in research and development, the Group is able to stay current with the technological developments and product innovation is offered to its existing range of products to attract a bigger pool of clientele.

Steel is a primary raw material used in Sea Deep's projects. Therefore, the Group is vulnerable to the cyclical nature of demand for steel and the volatility of steel prices. As a result, projects may face a longer completion date causing the Group's financial performance to be negatively affected. For timely delivery and as a precautionary measure, Sea Deep maintains amiable working relationships with its long-term suppliers and practices inventory control. In addition, Sea Deep forecasts the price changes of steel for its contracts with customers. This helps the Company to effectively manage price fluctuations for the cost of raw materials.

BUSINESS JOURNAL

RISK MANAGEMENT

FINANCIAL RISK

Baker Tech's activities are exposed to the unpredictability of the financial markets such as changes in foreign currency exchange rates and interest rates. Generally, the Group sells in US$ and Euro and procures in US$, S$ and Euro. Fluctuations in these exchange rates can amount to foreign exchange losses and cause damage to the financial position of the Group. While the Group does not actively engage in formal hedging, it takes advantage of natural hedging where possible and attempts to procure resources in the same currency as the sales currency. Excess foreign currencies are converted to S$ where possible. To capitalise on favorable foreign exchange movement for foreign currency conversion, the Group monitors the movement of foreign exchange markets regularly.

With most of the Group's operations being project-based and carried out over a period of time, payments are made progressively upon the completion of different stages of each project. This move exposes the Group to credit risks and may result in default payments made by customers.

To minimise the impact of these credit risks, the Group subjects customers to credit verifications and trade on credit terms with high credit quality counterparties. Before the commencement of each project, the Group ensures that all accepted orders are contracted from reputable companies with a healthy credit history. An upfront deposit is also made before the start of each project. Moreover, outstanding debts and debtors are reviewed on a monthly-basis to ensure the timely delivery of orders and monitor the progressive payments being made.

OPERATING RISK

Baker Tech recognises the need to stand resilient in its daily operations in face of any unforeseen disruptions to fulfill its obligations to its customers. In this regard, the Group emphasises importance on creating a safe and healthy work environment for customers, employees, suppliers and the community.

Sea Deep's core business, being the manufacturing of oversized and heavy loads of offshore engineering equipment, poses a significant number of operating risks. To mitigate these risks successfully, the Group has several initiatives to minimise workplace injuries and mishaps and to ensure compliance with government safety regulations.

One such initiative is that of a safety management system which meets the Workplace Safety and Health ("WSH") Guidelines enforced by the Ministry of Manpower. A Safety Committee overseas all WSH procedures in the workplace and regular meetings are held to review and provide an update on safety issues including that of incidents, near-misses and necessary immediate actions.

Risk assessment is also carried out before any the start of production activities and daily toolbox meetings are conducted by supervisors to reinforce the importance of WSH to all workers. Workers have to attend external training seminars and re-training programs to enhance work safety and competency in equipment handling to minimise any injury or accidents. Fire evacuation drills are held periodically to ensure that the Group is well prepared for emergency situations.

In the event of any unforeseen global disease outbreak, the Group has a contingency plan which complies with the response measures as advised by the Ministry of Health. This ensures that the Group can continue its day-to-day operations with minimal disruptions.

With these internal and external controls in place, Baker Tech continues to manage the above mentioned risks as a routine part of its risk management process. With proper identification and management of risk, the Group continues to strengthen and improve to better maximise all potential business opportunities.

One's destination is never a place, but a new way of seeing things.

~Henry Miller

STATISTICS JOURNAL

The journey with two of our investments came to a close during the year. However, this heralds a positive development as the disposals unlocked significant value for shareholders, and now opens the door for the next step in our journey. Baker Tech continues to maintain a sustainable core business and a healthy financial position, ensuring quality returns by adhering to its principles of providing excellence and reliability.

FIVE-YEAR FINANCIAL HIGHLIGHTS

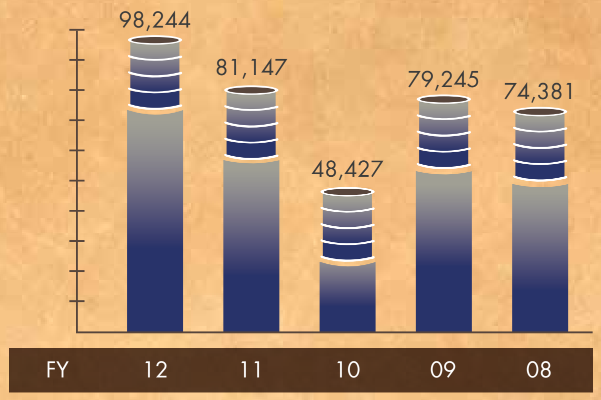
	2012	2011	2010	2009 (restated)	2008 (restated)
Financial Performance (S$'000)					
Revenue	98,244	81,147	48,427	79,245	74,381
Gross profit	25,084	23,510	24,931	51,299	21,942
Share of results from joint venture (PPLS)	-	-	15,823	55,411	17,256
Recognition of deferred gain on disposal of subsidiary	58,237	-	-	-	-
Gain on disposal of associate	10,894	-	-	-	-
EBITDA	85,825	12,152	31,988	98,085	35,711
Profit before tax (PBT)	84,799	10,630	30,389	96,130	34,418
Profit after tax (PAT)	81,591	7,631	27,401	88,580	30,764
Financial Position (S$'000)					
Total assets	292,485	267,375	263,300	198,299	136,873
Cash and short-term deposits	173,902	169,277	214,130	76,428	31,109
Loans & borrowings	3,678	-	99	145	245
Deferred gain on disposal of subsidiary	-	58,237	58,237	-	-
Net current assets	225,358	129,922	163,848	69,787	28,507
Shareholders' equity	268,143	171,791	187,133	166,285	77,253
Cash Flows (S$'000)					
Operating activities	(23,358)	(1,384)	(1,782)	39,704	27,411
Investing activities	17,044	(27,898)	146,084	5,264	(18,085)
Financing activities	10,939	(15,571)	(6,600)	351	(5,422)
Per Share Data (cents)					
EPS - Basic	11.5	1.1	4.1	13.9	4.9
EPS - Diluted	8.3	0.8	2.8	13.8	4.7
Net assets per share	36.4	24.5	27.4	25.4	12.2
Cash per share	23.6	24.2	31.4	11.7	4.9
Dividend per share	10.00	1.00	3.00	2.25	0.50

FIVE-YEAR FINANCIAL HIGHLIGHTS

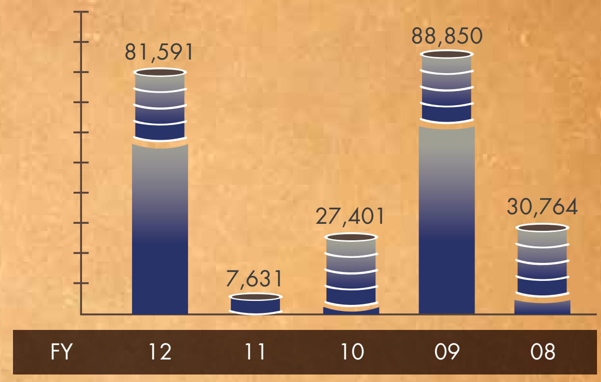
	2012	2011	2010	2009 (restated)	2008 (restated)
Other Information					
Return on shareholders' equity	30%	4%	15%	53%	40%
Return on assets	29%	4%	12%	48%	25%
Average number of employee	145	116	88	99	140
Revenue per employee (S$'000)	678	700	550	800	531
Net order book (US$'m)	49	80	33	7	57
Stock Information					
Number of shares on issue ('000)	736,807	700,169	682,578	654,768	631,379
Highest/Lowest share price (cents)	34.5/25.0	44.5/23.5	56.5/28.0	37.5/10.0	38.0/9.5
Year-end share price (cents)	32.5	24.5	38.5	32.5	12.5
Year-end market capitalisation (S$'m)	239.5	171.5	262.8	212.8	78.9

FIVE-YEAR FINANCIAL HIGHLIGHTS

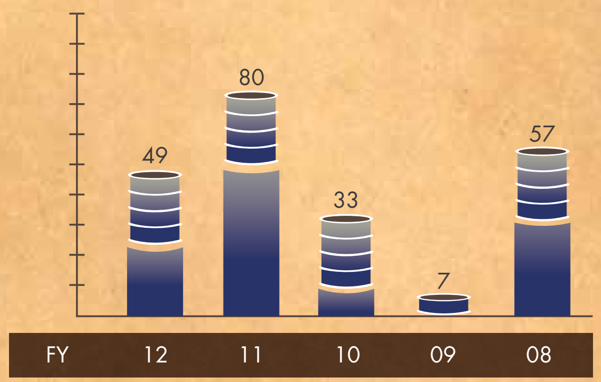
REVENUE (S$'000)



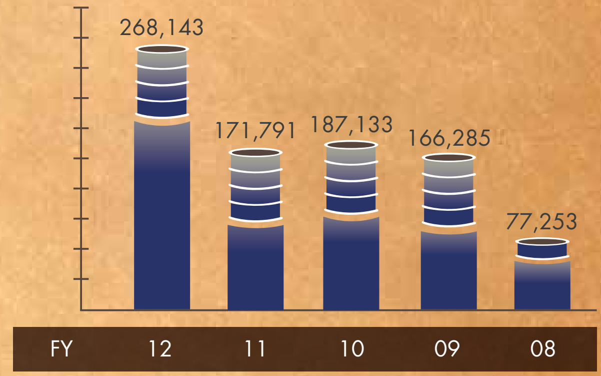
PROFIT AFTER TAX (S$'000)



NET ORDER BOOK (US$'M)



SHAREHOLDERS' EQUITY (S$'000)



SHARE PRICE PERFORMANCE

(S$)

OPERATING REVIEW

The Group reported record revenue of almost S$100 million for FY2012, and more than a ten-fold increase in net profit to S$81.6 million.

OVERVIEW

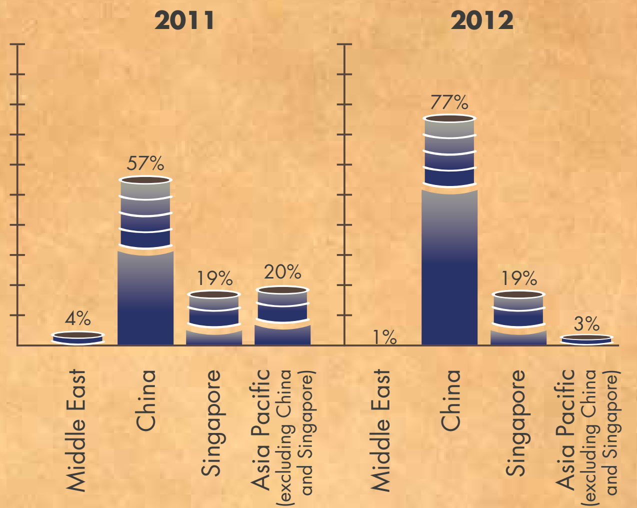
The increase in net profit was largely attributable to gains from disposal of two investments. In March 2012, The Group completed the divestment of its remaining 49% stake in York Transport Equipment (Asia) Pte Ltd ("York"), realising a S$10.9 million gain from the disposal. In May 2012, the High Court dismissed the claims made by Sembcorp Marine Ltd ("SCM") in its judgment of the suit relating to the disposal of PPL Holdings Pte Ltd ("PPLH") to QD Asia Pacific Ltd. ("QD"). As a result, the Group was finally able to recognise the deferred gain on the disposal of PPLH of S$58.2 million in FY2012.

MARINE OFFSHORE

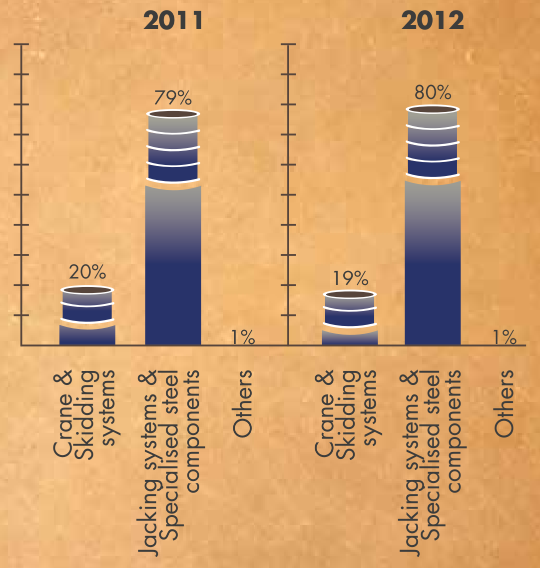
	2012 S$'000	2011 S$'000	% chg
Revenue	98,244	81,147	21%
EBITDA	21,534	21,099	2%
Pretax Profit	20,040	19,423	3%

The Group's principal activity is in the manufacture and provision of specialised marine offshore equipment and services for the oil and gas industry. Marine Offshore revenue grew 21% to a record S$98.2 million, due to the progressive recognition of orders secured in late 2011 and early 2012. Pre-tax profit was marginally higher due to the higher revenue achieved.

REVENUE BY GEOGRAPHICAL AREA



REVENUE BY PRODUCT

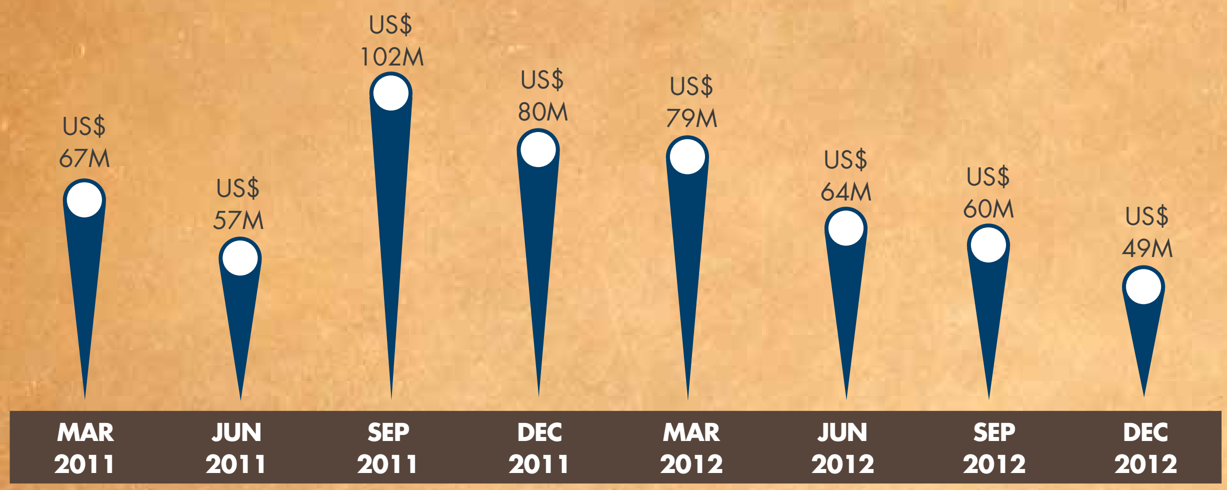


Revenue contribution from the Chinese market for the Group's products grew 64% last year and accounted for 77% of Group revenue in FY2012. In the last two years, the Chinese market has been a growth market for us; the Chinese government is encouraging its local shipyards to move into the offshore business and is targeting 20% of the global market for rigs, production facilities and other offshore products by 2015, according to the China Association of the National Shipbuilding Industry.

The strong contribution from the Chinese market was partially offset by lower sales to the Asia Pacific region (excluding China and Singapore) and the Middle East.

Jacking systems and specialised steel components made up 80% of 2012 revenue (2011: 79%), followed by crane and skidding systems at 19% (2011: 20%).

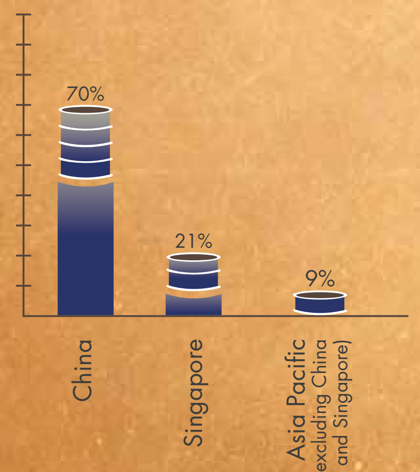
NET ORDER BOOK (US$ MILLION)



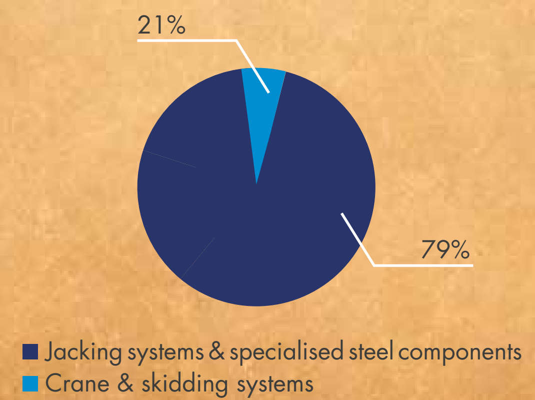
The Group's operating environment was difficult in 2012 as the prolonged Euro crisis, the US fiscal cliff and the tight credit markets continued to weigh heavily on the industry. Net orderbook eased throughout the year, especially in the second half of 2012. As at 31 December 2012, the net order book stood at US$49 million. These orders are expected to be completed within the next 12 to 18 months.

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

NET ORDER BOOK BY GEOGRAPHICAL AREA



NET ORDER BOOK BY PRODUCT



FINANCIAL REVIEW

Income Statement	2012 S$'000	2011 S$'000	Change %
Revenue	**98,244**	**81,147**	**21**
Cost of goods sold	(73,160)	(57,637)	27
Gross profit	**25,084**	**23,510**	**7**
Recognition of deferred gain on disposal of subsidiary	58,237	-	NM
Gain on disposal of associate	10,894	-	NM
Other operating income / (expenses), net	(173)	(734)	(76)
Administrative expenses	(9,708)	(11,878)	(18)
Finance costs	(122)	(21)	481
Share of results of associates	587	(247)	NM
Profit before tax	**84,799**	**10,630**	**698**
Income tax expenses	(3,208)	(2,999)	7
Profit after tax	**81,591**	**7,631**	**969**
Gross profit margin	**26%**	**29%**	

NM- Not meaningful

REVENUE

Revenue increased by 21% from S$81.1 million in 2011 to S$98.2 million in 2012. This increase can be attributed to higher progressive recognition of orders, particularly in the first half of 2012.

EARNINGS

Gross profit increased by 7% year-on-year, a smaller increase than the 27% growth in revenue due to lower margins as a result of a different product mix and keener competition.

Pre-tax profit increased 698%, from S$10.6 million in 2011 to S$84.8 million in 2012. The strong performance was boosted by gains from disposals of investments and lower administrative expenses. Following the High Court's ruling in favour of PPLH in the legal suit with SCM, the Group was able to recognise the deferred gain of S$58.2 million. During the year, the Group also disposed of its remaining 49% stake in York for S$21.9 million and recognised a gain of S$10.9 million from the disposal.

With the the conclusion of the legal suit in May 2012, administrative expenses decreased by 18% from S$11.9 million in 2011 to S$9.7 million in 2012 as a result of lower legal fees incurred.

FINANCIAL REVIEW

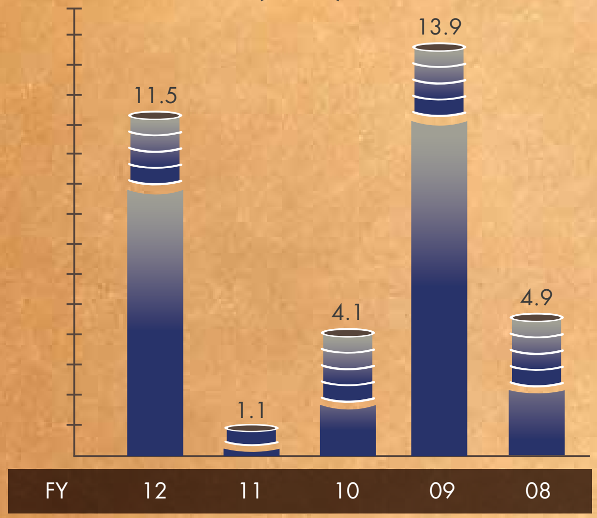
The Group's core operating subsidiary in the marine offshore segment, Sea Deep Shipyard Pte. Ltd., maintained its healthy contribution to the Group's earnings, with a pre-tax profit contribution of S$20.0 million for 2012, compared to S$19.4 million in 2011.

The Group's effective tax rate for FY2012 was 4% compared to 28% in 2011.

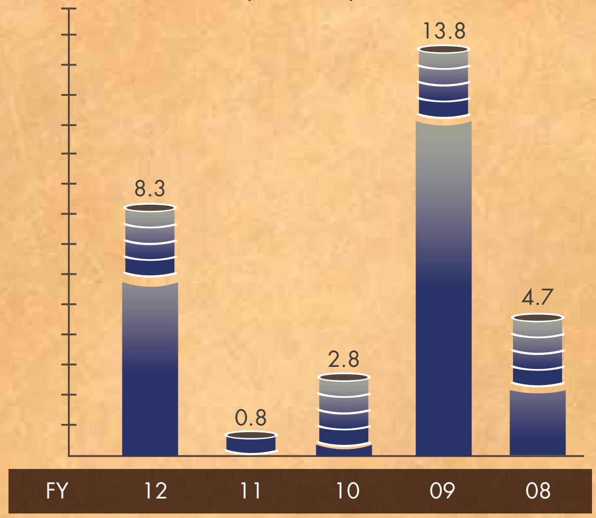
As the substantial gains from disposals were capital in nature, such gains were not subject to tax. Comparatively, effective tax rate in 2011 was higher than the statutory income tax rate of Singapore as administrative expenses incurred by the corporate head office could not be offset against taxable profits of its operating subsidiaries.

As a result, net profit increased almost ten-fold from S$7.6 million in 2011 to S$81.6 million in 2012.

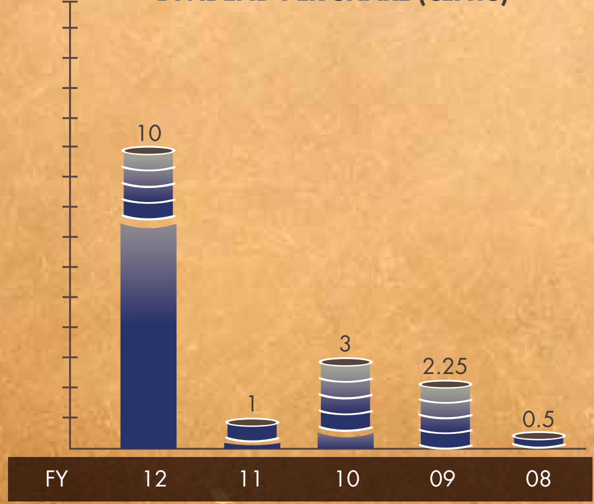
EARNINGS PER SHARE (CENTS) (BASIC)



EARNINGS PER SHARE (CENTS) (DILUTED)



DIVIDEND PER SHARE (CENTS)



Basic earnings per share were 11.5 cents for 2012, compared to 1.1 cents in 2011. Fully diluted earnings per share, were 8.3 cents, after adjusting for the dilutive effect of 280 million warrants outstanding.

The Directors have recommended a record dividend of 10 cents per share to be paid for the year ended 31 December 2012, comprising a first and final tax exempt (one-tier) dividend of 1.5 cents and a special dividend tax exempt (one-tier) of 8.3 cents. This is subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

FINANCIAL POSITION

Balance Sheet	2012 S$'000	2011 S$'000	Change %
Non-current assets			
Investment in associates	32,020	10,358	209
Available-for-sale investment	-	20,118	NM
Property, plant and equipment (PPE)	2,822	3,842	(27)
Goodwill	7,551	7,551	-
Deferred tax assets	392	-	NM
	42,785	41,869	2
Current assets	249,700	225,505	11
Current liabilities	(24,342)	(95,583)	(75)
Net current assets	225,358	129,922	73
Net assets	268,143	171,791	56
Share capital	50,317	36,053	40
Reserves	217,826	135,738	60
Shareholders' equity	268,143	171,791	56

NM- Not meaningful

Shareholders' equity increased by S$96.4 million mainly due to the higher profits retained for the year as well as the increase in share capital. Share capital increased by S$14.3 million as a result of the conversion of warrants amounting to S$11.7 million during the year, as well as the issuance of approximately 280 million warrants in June 2012, resulting in net proceeds of S$2.6 million.

As a result, the Group's net asset value per share improved from 24.5 cents in 2011 to 36.4 cents in 2012.

The Group's investment in associates in 2012 reflected its investment in Discovery Offshore S.A. ("DO"). During 2012, the Group purchased 2.06 million additional shares in DO in the open market for S$4.4 million, thereby increasing its interest in DO from 17% to 20%. With the increase of the stake, the investment in DO has been re-designated from an available-for-sale investment to an associate. Prior to the re-designation, the appreciation in value of DO's share price enabled the Group to record a net gain on the fair value changes of available-for-sale investment of S$7.5 million.

The 2011 comparative figure for investment in associates reflected that of the Group's 49% interest in York. In March 2012, the Group disposed of its stake in York for S$21.9 million, resulting in a gain of S$10.9 million.

The Group's current assets increased from S$225.5 million to S$249.7 million in 2012, comprising mainly of S$173.9 million in cash and short term deposits. Current liabilities decreased from S$95.6 million to S$24.3 million, mainly due to the recognition of the deferred gain on the Group's disposal of PPLH to QD back in October 2010 in the current period. The recognition of the gain on disposal was deferred previously due to the pending outcome of the legal dispute with SCM.

The Group's total borrowings amounted to S$3.7 million, comprising short term borrowings for working capital purposes.

CASH FLOWS

Cash Flows	2012 S$'000	2011 S$'000	Change %
Cash used in operating activities	(23,357)	(1,384)	1,588
Cash generated / (used) in investing activities	17,044	(27,898)	NM
Cash generated / (used) in financing activities	10,938	(15,571)	NM
Net increase / (decrease) in cash and cash equivalents	4,625	(44,853)	NM
Cash and cash equivalents as at end of year	173,902	169,277	3

NM- Not meaningful

The Group reported net cash used in operations of S$23.4 million, mainly due to higher working capital required for higher inventories and lower payables. However, this negative operating cash flows were offset by proceeds from the disposal of an associate (S$21.9 million), proceeds from the conversion of warrants and warrants issued (S$14,3 million), and net proceeds from loans and borrowings (S$3.7 million), which was partially offset by the acquisition of additional stakes in DO (S$4.4 million) and the payment of dividends to shareholders (S$7.7 million). This results in an overall positive cash flows of S$4.6 million for FY2012.

The Group's cash position remains very strong at S$173.9 million as at end 2012, or 23.6 cents per share.

For the comparative figures in 2011, the negative cash flows from investing and financing activities were mainly due to the acquisition of the 17% minority stake in DO of S$27.6 million and payment of S$21.0 million of dividends to shareholders. This was partially offset by the inflow of S$5.5 million from the conversion of warrants by warrant holders.

GROUP QUARTERLY RESULTS

	Q1 S$'000	Q2 S$'000	Q3 S$'000	Q4 S$'000	FY S$'000
Revenue					
2012	35,101	25,035	21,706	16,402	98,244
2011	10,645	19,268	18,496	32,738	81,147
Gross profit					
2012	4,909	7,061	8,109	5,005	25,084
2011	5,367	4,559	5,563	8,021	23,510
Pre-tax profit					
2012	14,244	62,290	6,905	1,360	84,799
2011	2,143	(556)	5,290	3,753	10,630
Net profit					
2012	13,604	61,330	5,705	952	81,591
2011	1,393	(886)	4,293	2,831	7,631
Gross profit margin					
2012	14%	28%	37%	31%	26%
2011	50%	24%	30%	25%	29%
Net profit margin					
2012	39%	245%	26%	6%	83%
2011	13%	-5%	23%	9%	9%

Group revenue increased 230% to S$35.1 million in 1Q2012 but declined progressively over the next three quarters. This was attributed mainly to the progressive recognition of a higher level of orders secured in early 2011 while order intake had also slowed down further since the last two quarters of 2012.

Gross profit margin tend to vary from quarter to quarter depending on the stage of construction of projects.

For 1Q2012, gross profit margin was lower at 14% due to the different product mix and competitive pricing. In addition, a significant portion of the Group's revenue for Q1 was from projects in their early stages of construction, where the margins recognised tend to be lower.

The surge in pre-tax profits in Q1 and Q2 were due to the gain on disposal of York (S$10.9 million) and recognition of the deferred gain on disposal of PPLH (S$58.2 million), respectively.

FIVE-YEAR PERFORMANCE REVIEW

	2012 S$'000	2011 S$'000	2010 S$'000	2009 S$'000	2008 S$'000
Revenue	98,244	81,147	48,427	79,245	74,381
Gross profit	25,084	23,510	24,931	51,299	21,942
Pre-tax profit	84,799	10,630	30,389	96,130	34,418
Pre-tax profit*	15,668	10,630	14,566	40,719	17,162
Net profit	81,591	7,631	27,401	88,580	30,764
Shareholders' equity	268,143	171,791	187,133	166,285	77,253
Loans & borrowings	3,678	-	99	145	245
Cash & short-term deposits	173,902	169,277	214,130	76,428	31,109
Basic earnings per share (cents)	11.5	1.1	4.1	13.9	4.9
Diluted earnings per share (cents)	8.3	0.8	2.8	13.8	4.7

* - Excluding share of results from PPLS and gains from disposal of PPLH and York

2008
2008 was a pivotal year for the Group as it acquired a 100% stake in Sea Deep Shipyard Pte. Ltd. ("Sea Deep") in April. With this strategic move, the Group transformed itself from a manufacturer and distributor of trailer axles, to a manufacturer and service provider in the oil and gas industry. The impact of this acquisition was immediately felt, with Sea Deep contributing about 50% to the Group's pre-tax profit in the eight months that it was part of the Group in 2008. The remaining profits were contributed by the share of results from PPLS.

2009
Despite a full 12-month contribution from Sea Deep, group revenue increased only marginally to S$79.3 million due to the slowdown of activities in the marine offshore sector following the onset of the global financial crisis. Credit availability had been affected by the global credit crunch, leading to delays in the finalisation of a number of offshore projects. As a result, the Group's net order book fell to a low of US$7 million as at December 2009, from US$57 million a year prior.

2009 (cont'd)
However, as a number of higher value projects that were secured in previous years for the fabrication of specialised steel structures were nearing completion, higher margins were recognised in their final stages. This resulted in a significant increase in gross profit from S$21.9 million in 2008 to S$51.3 million in 2009. Coupled with a strong performance from PPLS, where the Group's 15% share of profits amounted to S$55.4 million, the Group's pre-tax profit surged to a record S$96.1 million for the year.

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

2010 (cont'd)
The most notable development in 2010 was the Group's sale of its stake in PPLH for US$116.25 million (S$150.5 million). However, due to the pending legal suit between PPLH and SCM over the disposal, the gain on disposal of S$58.2 million had to be deferred until the final ruling was passed in 2012.

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

2011
2011 was a good year for the Group as order intake started to strengthen. The Group's net order book improved from US$33 million to a high of US$102 million in September 2011, before ending the year at US$80 million on 31 December 2011. As a result, revenue increased by 68%, from S$48.4 million in 2010 to S$81.1 million in 2011. However, gross profit decreased by 6% to S$23.5 million, mainly due to lower gross profit margins from some projects undertaken during the year with lesser opportunity for value-added services, as well as competitive pricing.

2011 (cont'd)
With the absence of contribution from PPLS, lower gross profit, and higher professional fees incurred for the legal dispute with SCM, the Group's pre-tax profit declined from S$30.4 million to S$10.6 million. The Group's cash position remained strong at S$169.3 million.

2012
2012 was a year of record revenue for the Group. Revenue increased 27%, from S$81.1 million in 2011 to S$98.2 million in 2012. The Group also disposed of its 49% stake in York for S$21.9 million, realising a gain of S$10.9 million from the disposal. Following the High Court ruling in the Group's favour in relation to the legal suit with SCM, the Group also recognised the deferred gain of S$58.2 million from the disposal of PPLH. As a result of the gains from the disposal of these investments, pre-tax profit surged to S$84.8 million.

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

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

All travel has its advantages. If the passenger visits better countries, he may learn to improve his own. And if fortune carries him to worse, he may learn to enjoy it.

~Samuel Johnson

CORPORATE GOVERNANCE

Baker Tech is committed to delivering timely, transparent and consistent disclosures to its stakeholders. It will be an ongoing journey where it strives to improve its corporate governance and accountability practices year after year. As such, the Board will continue to hold in utmost importance, the cultivation of long-term relationships with shareholders and the wider financial community.

Baker Tech received its second consecutive Silver award for Best Annual Report for companies under S$300 million in market capitalisation at the 2012 Singapore Corporate awards for excellence in the presentation of its financial reporting, high level of corporate disclosures and transparency. In the previous three consecutive years, the Group won awards in the "Best Managed Board" category. The Singapore Corporate Awards organised by The Business Times and supported by The Singapore Exchange is to showcase and honour excellence in shareholder communications and corporate governance amongst SGX-listed companies.

Since the inception of the Governance and Transparency Index ("GTI"), co-published by The Business Times and the NUS Corporate Governance and Financial Reporting Centre, Baker Tech has placed much emphasis on using it as a yard stick and striving to improve ourselves with each issue of the GTI ranking. Through continuous efforts, our GTI scores have improved by 12 points, from 54 in 2011 to 66 in 2012 and were ranked 30th amongst more than 600 companies.

This report describes the Company's corporate governance practices 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 as and when circumstances require. The Company's Articles of Association allow meetings to be conducted by way of telephonic and video-conferencing. In 2012, the Board met six times. To facilitate maximum attendance, meeting dates of Board and Board Committees are scheduled with ample notice.

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 Directors at Board and committee meetings in the financial year 2012 is as follows:

CORPORATE
GOVERNANCE

DIRECTORS' ATTENDANCE FOR YEAR 2012

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	6	6	100	5	5	100	1	1	100	1	1	100
Dr Benety Chang	6	6	100	5	5*	100	1	1	100	1	1*	100
Anthony Sabastian Aurol	6	6	100	5	4*	80	1	1*	100	1	1*	100
Tan Yang Guan	6	6	100	5	5	100	1	1*	100	1	1	100
Wong Kwan Seng Robert	6	6	100	5	5*	100	1	1*	100	1	1*	100
Wong Meng Yeng	6	6	100	5	5	100	1	1	100	1	1	100

Note
* By invitation

During the year, Directors are provided with regular updates and informed of changes in the relevant laws and regulations to enable them to keep pace with regulatory changes or which have a material bearing on the Group. In addition, when there are events on seminars or training in areas such as accounting and legal etc including updates which are relevant to the Group, the Directors are encouraged to attend at the Company's expense.

New Directors are provided with information on the corporate background, key personnel, core businesses, group structure and financial statements of the Group. Directors are also kept abreast 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. No new Director was appointed in FY2012.

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 of Directors, the Board considers the current board size of six Directors to be appropriate, taking into account the nature and scope of the Group's operations. The current Board has a good mix of core competencies including accounting, compliance, legal, finance, business and management experience. Please refer to the Board of Directors' section in the Annual Report for key information on the Directors.

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 task.

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 as 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.

Under the Company's Articles of Association, one-third of the directors are required to retire from office by rotation every year and each director shall retire from office at least once every three (3) years, and subject themselves to re-election by shareholders at the Company's Annual General Meeting ("AGM"). All directors to be appointed and re-elected have to be assessed and recommended by the NC before submission to the Board for approval. In recommending a director for re-election to the Board, the NC takes into consideration the Directors' contribution and performance at Board meetings, including attendance, preparedness, participation and candour. Each NC member abstains from participating in matters in which he is interested. The NC has recommended the nomination of Mr Lim Ho Seng and Mr Tan Yang Guan for re-election at the forthcoming AGM. The Board has accepted this recommendation and being eligible, Mr Lim Ho Seng and Mr Tan Yang Guan will be offering themselves for re-election at the AGM.

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 effective meetings. The Board members are provided with monthly management accounts and analysis. In addition, they are also furnished with information on budgets, forecasts, cashflow projections and manpower statistics.

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

REMUNERATION MATTERS

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 Baker Group Share Option Scheme 2002 expired in May 2012.

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 FY2012.

CORPORATE GOVERNANCE

A breakdown showing the level and mix of the Directors' remuneration payable for FY2012 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	-	273,310	1,045,000	22,000	1,340,310
Anthony Sabastian Aurol	-	433,390	1,031,000	22,400	1,486,790
Tan Yang Guan	-	-	-	169,110**	169,110
Wong Kwan Seng Robert	35,000*	-	-	-	35,000
Wong Meng Yeng	56,875*	-	-	-	56,875

* 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 2012, 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 confirms that it has complied with Rules 712 and 715 of the Listing Manual issued by SGX-ST in relation to the 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 Board, with the concurrence of the AC, is of the opinion that the internal controls and systems maintained by Management during the financial year and up to the date of this report are adequate in addressing financial, operational and compliance risks and to meet the current scope of the Group's business operations. The AC and the Board note that no system of internal controls is capable of providing absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

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"), a firm specialising in governance, risk and consulting. 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 its guiding principles of transparency and accountability. It has engaged NRA Capital Pte Ltd as its external Investor Relations ("IR") agency to support it 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 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 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 Group has issued internal guidelines on dealings in the securities of the Company to the Directors and employees of the Company and its subsidiaries. During the year, the Group's "black-out" policy was revised and now Directors and employees are advised that they are prohibited from dealing in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year; and one month before the announcement of the Company's full year financial results, and ending on the date of the announcement of the relevant results.

Directors and officers are 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. The aggregate value of interested person transactions entered into for the financial year under review is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000)
Mr Wong Kwan Seng Robert	$131,783*

* The amount, for the provision of legal services, was paid to Straits Law Practice LLC, a firm in which Mr Wong Kwan Seng Robert is a shareholder and director.

MATERIAL CONTRACTS

Except as disclosed under the section on Interested Person Transactions above, there were no material contracts of the Company and its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

MAJOR PROPERTY

The Company's subsidiary, Sea Deep Shipyard Pte. Ltd. holds the following property in Singapore:

Location	Description	Tenure of land	Area (sqm)	Open market valuation (S$'000)
6 Pioneer Sector 1, Singapore 628418	A purpose-built shipyard complex with single-storey workshops, 3-storey office, stores, water frontage and paint blasting/open fabricating	Expiring on 31 December 2023	31,094	2,300

KEY EXECUTIVES' REMUNERATION

Name of top three key executives	Designation	Salary & CPF (S$)	Bonus (S$)	Allowance & other benefits (S$)	Total (S$)
Ong Thian Whee Albert	Managing Director (Sea Deep Shipyard Pte. Ltd.)	245,625	1,218,482	7,066	1,471,173
Tan Keng Tiong Alvin	Senior Vice President – Business Development (Baker Technology Limited)	178,540	82,470	26,400	287,410
Tan Kiang Kherng	Financial Controller (Baker Technology Limited)	178,540	116,832	26,400	321,772

BOOK KEEPING JOURNAL

FINANCIAL CONTENTS

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Baker Technology Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2012.

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, Lim Ho Seng and Tan Yang Guan retire and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

Name of director	Direct interest At the beginning of financial year	Direct interest At the end of financial year	Deemed interest At the beginning of financial year	Deemed interest At the end of financial year
The Company				
Baker Technology Limited				
Ordinary shares				
Lim Ho Seng	810,000	810,000	–	–
Dr Benety Chang	305,516,348	305,516,348	68,399,183	68,399,183
Anthony Sabastian Aurol	68,399,183	68,399,183	–	–
Tan Yang Guan	14,744,836	14,744,836	–	–
Wong Kwan Seng Robert	300,000	300,000	–	–
2009 Warrants				
Dr Benety Chang	152,758,174	–	34,199,591	–
Anthony Sabastian Aurol	34,199,591	–	–	–
Tan Yang Guan	7,372,419	–	–	–
2012 Warrants				
Lim Ho Seng	–	324,000	–	–
Dr Benety Chang	–	122,206,539	–	27,359,673
Anthony Sabastian Aurol	–	27,359,673	–	–
Tan Yang Guan	–	5,897,934	–	–
Wong Kwan Seng Robert	–	120,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2013.

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. Under the Scheme, options are granted for terms of 5 to 10 years to purchase the Company's ordinary shares. The Scheme expired on 21 May 2012.

The Company does not have any outstanding options as at 31 December 2012.

AUDIT COMMITTEE

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

1. reviewing the scope, changes, results and cost effectiveness of the external audit plan and process;
2. reviewing the Group's quarterly and full year results announcement, the accounting principles adopted and the external auditor's report on the financial statements of the Group before submitting such documents to the Board for approval;
3. reviewing 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 effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
6. meets with the external and internal auditors and management in separate executive sections to discuss any matters that these groups believe should be discussed privately with the AC;
7. reviewing the independence and objectivity of the external auditors;
8. recommending the reappointment of the external auditor to the Board;

DIRECTORS' REPORT

AUDIT COMMITTEE (CONT'D)

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

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

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

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

AUDITOR

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

On behalf of the board of directors:

Dr Benety Chang
Chief Executive Officer

Anthony Sabastian Aurol
Chief Operating Officer

Singapore
19 March 2013

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 Auditor's Report for the financial year ended 31 December 2012 by Ernst & Young LLP dated 19 March 2013), 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 2012 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 2013

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 72 to 143, which comprise the balance sheets of the Group and the Company as at 31 December 2012, 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 2010, 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 Group's retained earnings as at 31 December 2010, and 31 December 2011 and the opening retained earnings for the current financial year ended 31 December 2012.

Basis for qualified opinion(cont'd)

In addition, as disclosed in Note 25 to the financial statements, the Group had 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 sheet as at 31 December 2011. As discussed in that note, management had deferred the recognition of this gain due to the pending outcome of the legal case then. The legal case was finalised during the current financial year and management has recognised this amount in the Group's consolidated profit and loss for the current financial year.

Our audit opinion on the financial statements for the year ended 31 December 2011 was modified because we were unable to carry out audit procedures necessary to satisfy ourselves on the appropriateness of the $15,823,500 included in the Group's retained earnings as at 31 December 2011, and the appropriateness of the deferred gain of $58,237,148 recorded in the Group's balance sheet for that year as the $15,823,500 was also used to compute the deferred gain amount.

Consequently, any changes required to the share of PPLS's results recognised in the financial year ended 31 December 2010 will result in a change to the gain on disposal on $58,237,148 recognised in the Group's consolidated profit and loss for the current financial year.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs on the Group's consolidated statement of comprehensive income, statement of changes in equity and cash flow statement, 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 2012 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore
19 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 $	Group 2011 $
Revenue	5	98,244,113	81,147,126
Cost of goods sold		(73,160,150)	(57,637,043)
Gross profit		25,083,963	23,510,083
Other operating income	6	69,958,287	332,870
Administrative expenses		(9,708,158)	(11,878,099)
Finance costs		(121,913)	(20,621)
Other operating expenses	7	(999,821)	(1,067,626)
Share of results of associates		586,800	(246,906)
Profit before tax	8	84,799,158	10,629,701
Income tax expense	9	(3,208,000)	(2,998,918)
Profit for the year		81,591,158	7,630,783
Other comprehensive income, net of tax			
Reversal/(loss) on fair value changes of available-for-sale investment		7,500,000	(7,500,000)
Total comprehensive income for the year attributable to owners of the Company		89,091,158	130,783
Earnings per share	10		
Basic (in cents)		11.5	1.1
Diluted (in cents)		8.3	0.8

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

BALANCE SHEETS

AS AT 31 DECEMBER 2012

	Note	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Non-current assets					
Property, plant and equipment	11	2,821,924	3,841,786	9,610	19,894
Goodwill	12	7,551,331	7,551,331	–	–
Investment in subsidiaries	13	–	–	20,000,000	20,000,000
Investment in associates	14	32,019,623	10,358,423	32,030,623	9,616,388
Available-for-sale investment	15	–	20,118,028	–	20,118,028
Deferred tax assets	16	392,000	–	–	–
		42,784,878	41,869,568	52,040,233	49,754,310
Current assets					
Gross amount due from customers for contract work-in-progress	17	25,844,908	31,561,117	–	–
Inventories	18	19,162,177	6,357,410	–	–
Trade and other receivables	19	19,679,741	11,753,144	167,652	22,223
Prepaid operating expenses		44,531	56,472	16,637	9,089
Amounts due from subsidiaries	20	–	–	2,700,000	600,000
Pledged deposits	21	11,067,427	6,500,000	–	–
Cash and short-term deposits	22	173,901,562	169,276,813	167,789,758	142,122,891
		249,700,346	225,504,956	170,674,047	142,754,203
Less : Current liabilities					
Gross amount due to customers for contract work-in-progress	17	1,844,795	7,118,091	–	–
Loans and borrowings	23	3,678,049	–	–	–
Trade and other payables	24	14,746,029	27,131,707	3,139,566	1,564,475
Deferred gain on disposal of subsidiary	25	–	58,237,148	–	141,941,392
Tax payable		4,073,458	3,096,321	4,656	9,161
		24,342,331	95,583,267	3,144,222	143,515,028

BALANCE SHEETS

AS AT 31 DECEMBER 2012

	Note	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Net current assets/(liabilities)		225,358,015	129,921,689	167,529,825	(760,825)
Net assets		268,142,893	171,791,257	219,570,058	48,993,485
Equity attributable to owners of the Company					
Share capital	26	50,316,870	36,053,443	50,316,870	36,053,443
Reserves		217,826,023	135,737,814	169,253,188	12,940,042
Total equity		268,142,893	171,791,257	219,570,058	48,993,485

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

GROUP	Share capital (Note 26)	Capital reserve (1)	Retained earnings	Fair value reserve	Total reserves	Total equity
	Attributable to owners of the Company					
	$	$	$	$	$	$
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

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

COMPANY	Attributable to owners of the Company					
	Share capital (Note 26)	**Capital reserve [1]**	**Retained earnings**	**Fair Value reserve**	**Total reserves**	**Total equity**
	$	$	$	$	$	$
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

[1] Capital reserve arose from restructuring exercise in prior years.

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	2012	**2011**
	$	$
Cash flows from operating activities		
Profit before tax	84,799,158	10,629,701
Adjustments for :		
Depreciation of property, plant and equipment	1,413,853	1,716,588
Loss on disposal of property, plant and equipment	326	85,044
Recognition of deferred gain on disposal of subsidiary	(58,237,148)	–
Gain on disposal of associated company	(10,894,451)	–
Interest income	(509,738)	(215,270)
Interest expense	121,913	20,621
Share of results of associates	(586,800)	246,906
Inventories written-down	–	3,300
Operating cash flows before working capital changes	16,107,113	12,486,890
(Increase)/decrease in inventories	(12,804,767)	2,205,405
Decrease/(increase) in gross amount due from customers for contract work-in-progress	5,716,209	(30,081,119)
(Decrease)/increase in gross amount due to customers for contract work-in-progress	(5,273,296)	3,276,474
Increase in trade and other receivables	(7,926,597)	(3,648,565)
Decrease/(increase) in prepaid operating expenses	11,941	(12,465)
(Increase)/decrease in pledged deposits	(4,567,427)	955,245
(Decrease)/increase in trade and other payables	(12,385,678)	16,256,529
Cash flows (used in)/from operations	(21,122,502)	1,438,394
Interest paid	(121,913)	(20,621)
Interest received	509,738	215,270
Income tax paid	(2,622,863)	(3,017,062)
Net cash flows used in operating activities	(23,357,540)	(1,384,019)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	2012	2011
	$	$
Cash flows from investing activities :		
Dividend received	–	101,170
Purchase of property, plant and equipment	(394,317)	(381,359)
Net proceeds from disposal of associated company	21,850,674	–
Purchase of available-for-sale investment	(4,412,595)	(27,618,028)
Net cash flows from/(used in) investing activities	17,043,762	(27,898,217)
Cash flows from financing activities		
Net proceeds from conversion of warrants	11,720,257	5,524,822
Net proceeds from warrant issue	2,543,170	–
Dividends paid on ordinary shares	(7,002,949)	(20,997,099)
Repayment of obligations under finance leases	–	(99,048)
Proceeds from loans and borrowings	17,666,533	–
Repayment of loans and borrowings	(13,988,484)	–
Net cash flows from/(used in) in financing activities	10,938,527	(15,571,325)
Net increase/(decrease) in cash and cash equivalents	4,624,749	(44,853,561)
Cash and cash equivalents at beginning of financial year	169,276,813	214,130,374
Cash and cash equivalents at end of financial year (Note 22)	173,901,562	169,276,813

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

1. CORPORATE INFORMATION

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

The registered office and principal place of business of the Company is at 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.

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 2012. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.2 *Standards issued but not yet effective*

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

Description	***Effective for annual periods beginning on or after***
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013
Amendments to FRS 107 *Disclosure – Offsetting Financial Assets and Financial Liabilities*	1 January 2013

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

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

Description	***Effective for annual periods beginning on or after***
Improvements to FRSs 2012	
- Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
- Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
- Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

Except for the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112 are described below.

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 the 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 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures*

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures* are effective for financial periods beginning on or after 1 January 2014.

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

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

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures* (cont'd)

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have rights to the assets and obligations for the liabilities whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies equity method for its joint ventures.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 *Disclosure of Interests in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

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 sheet 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. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

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.

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)

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

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

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

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

Basis of consolidation prior to 1 January 2010

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

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

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

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

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

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

(b) Business combinations

Business combinations from 1 January 2010

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

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

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

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) 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 2.9. 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.

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

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

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

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

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

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

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

2.4 *Foreign currency*

The 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.

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

(b) Consolidated financial statements

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

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

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

2.5 *Subsidiaries*

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

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

2.6 *Associates*

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

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

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

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

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

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

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

2.6 *Associates (cont'd)*

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.

2.7 *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.

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

2.7 *Joint venture (cont'd)*

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.

2.8 *Property, plant and equipment*

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

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

Leasehold 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 leasehold 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.

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

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

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

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

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

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

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

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

2.9 *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.

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

2.9 *Goodwill (cont'd)*

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.

2.10 *Impairment of non-financial assets*

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, 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 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 asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

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

2.11 *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

(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.

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

2.11 *Financial assets (cont'd)*

Subsequent measurement (cont'd)

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

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

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

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

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

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

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.

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

2.11 *Financial assets (cont'd)*

De-recognition

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

Regular way purchase or sale of a financial assets

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.12 *Impairment of financial assets*

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

(a) ***Financial assets carried at amortised cost***

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

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

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

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

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

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

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

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

(b) ***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.

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.

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

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

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

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.

2.13 *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.

2.14 *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)

2.15 *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:

(a) ***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.

(b) ***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.

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

2.15 *Financial liabilities (cont'd)*

De-recognition

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

2.16 *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.

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

2.18 *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.

2.19 *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.

2.20 *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.

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

2.20 *Leases (cont'd)*

(a) ***As lessee (cont'd)***

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

2.21 *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.

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

2.21 *Revenue (cont'd)*

(a) ***Contract revenue (cont'd)***

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.

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

2.22 *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.

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.

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

2.22 *Taxes (cont'd)*

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

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.

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

2.23 *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.

2.24 *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.

2.25 *Contingencies*

A contingent liability is:

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

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

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

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

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

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

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

2.26 *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.

2.27 *Related parties*

A related party is defined as follows:

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 *Judgments made in applying accounting policies*

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

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

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

(b) ***Equity accounting of the share of results of 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). In 2010, the Group was not able to obtain the financial results of 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 retained earnings as at 31 December 2010 and 31 December 2011 and the opening retained earnings for the current financial year ended 31 December 2012.

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 PPLS in its consolidated balance sheets as at 31 December 2011. The management has deferred the recognition of this gain on disposal due to the pending outcome of the legal case then. The legal case was finalised during the current financial year and management has recognised this amount in the Group's consolidated profit and loss for the current financial year.

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

3.2 *Key sources of estimation uncertainty*

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

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

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 12 to the financial statements.

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'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 and deferred tax assets as at 31 December 2012 was $4,073,458 and $392,000 (2011: $3,096,321 and Nil), respectively. The gain on disposal of a subsidiary and associated company are capital in nature and not taxable.

(d) ***Contract revenue***

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

4. SEGMENT INFORMATION

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

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

(ii) The investments segment relates to the Group's 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 20% interest in Discovery Offshore S.A. and the recognition of the deferred gain on disposal of subsidiary.

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

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

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

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

4. SEGMENT INFORMATION (CONT'D)

	Marine offshore		Investments		Corporate		Adjustments and elimination		Per consolidated financial statements	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	$	$	$	$	$	$	$	$	$	$
Revenue – external customers	98,244,113	81,147,126	–	–	–	–	–	–	98,244,113	81,147,126
Results:										
EBITDA *	21,534,163	21,098,947	–	–	(4,827,376)	(8,100,401)	(600,000)	(600,000)	16,106,787	12,398,546
Depreciation and amortisation	(1,400,791)	(1,704,547)	–	–	(13,062)	(12,041)	–	–	(1,413,853)	(1,716,588)
Interest expense	(121,913)	(20,621)	–	–	–	–	–	–	(121,913)	(20,621)
Interest income	28,883	49,467	–	–	480,855	165,803	–	–	509,738	215,270
Dividend income from associates	–	–	–	101,170	–	–	–	(101,170)	–	–
Recognition of deferred gain on disposal of subsidiary	–	–	58,237,148	–	–	–	–	–	58,237,148	–
Gain on disposal of associates	–	–	10,894,451	–	–	–	–	–	10,894,451	–
Share of results of associates	–	–	586,800	(246,906)	–	–	–	–	586,800	(246,906)
Segment profit/(loss)	20,040,342	19,423,246	69,718,399	(145,736)	(4,359,583)	(7,946,639)	(600,000)	(701,170)	84,799,158	10,629,701
Segment assets	84,930,613	87,172,645	32,019,623	30,476,451	175,534,988	149,725,428	–	–	292,485,224	267,374,524
Segment liabilities	21,198,109	35,772,483	–	–	3,144,222	59,810,784	–	–	24,342,331	95,583,267
Other segment information:										
Available-for-sale investment	–	–	–	20,118,028	–	–	–	–	–	20,118,028
Investment in associates	–	–	32,019,623	10,358,423	–	–	–	–	32,019,623	10,358,423
Additions to non-current assets	391,539	372,200	–	–	2,778	9,159	–	–	394,317	381,359

* *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	
	2012	**2011**
	$	$
China	76,063,916	46,434,562
Singapore	18,102,991	15,099,770
Middle East	1,020,267	3,238,158
Asia Pacific (excluding China and Singapore)	3,047,944	16,360,782
Others	8,995	13,854
	98,244,113	81,147,126

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.

<u>Information about a major customer</u>

Revenue from one major customer amounted to approximately $34,286,000 (2011: $29,347,000), 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 $384,694 (2011: $642,240) which relates to engineering services rendered on projects.

6. OTHER OPERATING INCOME

	Group	
	2012	**2011**
	$	$
Rental income	117,600	117,600
Interest income from short term deposits	509,738	215,270
Recognition of deferred gain on disposal of subsidiary (Note 25)	58,237,148	–
Gain on disposal of associated company (Note 14)	10,894,451	–
Other income	199,350	–
	69,958,287	332,870

7. OTHER OPERATING EXPENSES

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

	Group	
	2012	**2011**
	$	$
Foreign exchange loss	871,495	874,862
Loss on disposal of property, plant and equipment	326	85,044

8. PROFIT BEFORE TAX

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

	Group 2012 $	Group 2011 $
Depreciation of property, plant and equipment	1,413,853	1,716,588
Consultancy service fee paid/payable to directors	187,110	187,110
Finance costs:		
Interest expense on bank overdrafts	–	10
Finance charges payable under finance leases	–	20,611
Loans and borrowings	121,913	–
Inventories written-down	–	3,300
Operating lease expenses	1,137,891	721,201
Employee benefit expense (including executive directors):		
- Contributions to defined contribution plans	564,874	439,213
- Salaries, wages, bonuses and other costs	7,914,876	6,780,772
Audit fees paid to:		
- Auditors of the Company	178,666	168,595
Non-audit fees paid to:		
- Auditors of the Company	5,992	7,693
- Other auditors	62,145	48,000
Legal and other professional fees *	1,322,082	4,336,100

* Included in legal and other professional fees is an amount of $131,783 (2011: $1,167,784) paid to a firm in which a director of the Company is a director.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 2012 $	Group 2011 $
Statement of comprehensive income :		
Current income tax:		
- Current income taxation	3,600,000	3,086,000
- Underprovision in respect of prior years	–	71,918
	3,600,000	3,157,918
Deferred income tax:		
- Origination and reversal of temporary difference (Note 16)	(241,249)	(173,465)
- (Over)/underprovision in respect of prior years	(150,751)	14,465
	(392,000)	(159,000)
Income tax expense recognised in the statement of comprehensive income	3,208,000	2,998,918

9. INCOME TAX EXPENSE (CONT'D)

(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	
	2012	**2011**
	$	$
Accounting profit before tax	84,799,158	10,629,701
Income tax expense at the applicable tax rate of 17% (2011: 17%)	14,415,857	1,807,049
Adjustments for tax effect of:		
Income not subject to taxation	(12,083,728)	–
Non-deductible expenses	1,079,636	1,397,398
(Over)/underprovision in respect of prior years	(150,751)	86,383
Movement of deferred income tax not recognised	–	(238,634)
Tax exemption	(52,060)	(59,529)
Others, net	(954)	6,251
Income tax expense recognised in profit or loss	3,208,000	2,998,918

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

10. EARNINGS PER SHARE

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

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

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

	2012	**2011**
	$	$
Profit for the financial year attributable to owners of the Company used in the computation of basic and diluted earnings per ordinary share	81,591,158	7,630,783
Weighted average number of ordinary shares for basic earnings per share computation	707,031,802	694,098,861
Dilutive effect of warrants (Note 26)	280,040,952	282,662,881
Weighted average number of ordinary shares for diluted earnings per share computation	987,072,754	976,761,742

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings	Leasehold improvements	Assets under construction	Furniture and fittings	Office equipment	Motor vehicles	Plant and equipment	Total
	$	$	$	$	$	$	$	$
Cost:								
At 1 January 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 and 1 January 2012	7,165,966	2,966,341	173,580	26,492	316,347	116,032	4,678,191	15,442,949
Additions	–	12,940	299,016	5,240	20,841	–	56,280	394,317
Disposal	–	–	–	–	(950)	–	–	(950)
Reclassification	–	31,550	(418,330)	–	–	–	386,780	–
At 31 December 2012	7,165,966	3,010,831	54,266	31,732	336,238	116,032	5,121,251	15,836,316
Accumulated depreciation:								
At 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 and 1 January 2012	5,940,131	1,423,756	–	20,919	264,551	38,203	3,913,603	11,601,163
Depreciation charge for the year	355,429	494,727	–	2,665	27,941	23,206	509,885	1,413,853
Disposal	–	–	–	–	(624)	–	–	(624)
At 31 December 2012	6,295,560	1,918,483	–	23,584	291,868	61,409	4,423,488	13,014,392
Net carrying amount :								
At 31 December 2011	1,225,835	1,542,585	173,580	5,573	51,796	77,829	764,588	3,841,786
At 31 December 2012	870,406	1,092,348	54,266	8,148	44,370	54,623	697,763	2,821,924

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

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

(b) Depreciation charge of $1,190,010 (2011: $1,498,635) has been included in the Group's cost of goods sold.

	Office equipment
	$
Company	
Cost :	
At 1 January 2011	37,355
Additions	9,159
At 31 December 2011 and 1 January 2012	46,514
Additions	2,778
At 31 December 2012	49,292
Accumulated depreciation :	
At 1 January 2011	14,579
Depreciation charge for the year	12,041
At 31 December 2011 and 1 January 2012	26,620
Depreciation charge for the year	13,062
At 31 December 2012	39,682
Net carrying amount :	
At 31 December 2011	19,894
At 31 December 2012	9,610

12. GOODWILL

	$
Group	
Cost :	
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	7,551,331
Accumulated impairment :	
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	–
Net carrying amount :	
31 December 2011 and 31 December 2012	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	
	2012	2011
	$	$
Sea Deep Shipyard Pte. Ltd.	7,551,331	7,551,331

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

A pre-tax discount rate of 10% (2011: 10%) per annum, which is commonly adopted within the industry, was applied to the cash flow projections. In addition, management has also adopted a conservative forecasted growth rate of 3% (2011: Nil) per annum for 5 years cash flow projections. The bulk of the Group's profit relates to the operations of the Sea Deep Group. Given this information, the recoverable amount is not sensitive to other assumptions.

No impairment loss was required for the carrying amount of goodwill assessed as at 31 December 2012 and 2011 as the recoverable amount of the CGU was in excess of the carrying value.

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13. INVESTMENT IN SUBSIDIARIES

	Company	
	2012	2011
	$	$
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 2012	Cost of investment 2011	Percentage of equity held by the Group 2012	Percentage of equity held by the Group 2011	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 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Shares, at cost	32,030,623	9,616,388	32,030,623	9,616,388
Share of post-acquisition reserves	(11,000)	742,035	–	–
	32,019,623	10,358,423	32,030,623	9,616,388

The carrying cost of the investment in associates is represented by:

	Group 2012 $	Group 2011 $
Share of net assets	29,659,623	10,358,423
Goodwill on acquisition	2,360,000	–
	32,019,623	10,358,423

Associates (Country of incorporation)	Percentage of equity held by the Group 2012 %	Percentage of equity held by the Group 2011 %	Principal activity
[(1)] York Transport Equipment (Asia) Pte Ltd (Singapore)	–	49	Production and distribution of axles and related components
[(2)] Discovery Offshore S.A. (Luxembourg)	20	–	Ownership of jack-up rigs to serve customers in the exploration and production sector

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by Ernst & Young LLP, Luxembourg

14. INVESTMENT IN ASSOCIATES (CONT'D)

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

	Group 2012 $	Group 2011 $
Assets and liabilities :		
Total assets	149,609,810	55,709,849
Total liabilities	3,292,684	36,824,979
Results :		
Revenue	–	85,454,740
Net loss for the year	(1,919,038)	(503,890)

Acquisition of associate

During the current financial year, the Company purchased additional 2,060,513 shares in Discovery Offshore S.A. ("DO") from the open market for a total consideration of $4,412,595. As a result, the Company now holds approximately 20% in the issued share capital of DO. The Company has also re-designated its investment in DO from that of an available-for-sale investment to an associate.

DO was 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 in year 2013. The shares of DO were listed on the Oslo Axess Stock Exchange since 2 May 2011. As at 31 December 2012, the fair value of instrument in DO for which there is published price quotation was approximately $31,947,000.

Disposal of associate

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.

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 prescribe any value to these call and put options since the date of inception.

14. INVESTMENT IN ASSOCIATES (CONT'D)

Disposal of associate (cont'd)

On 23 March 2012, TRF exercised its call option for the remaining 49% interest in York and accordingly, the Company received net proceed of $21,850,674 from the disposal. After the disposal, York ceased to be an associate of the Company. The gain on disposal for the Group and Company are computed as follows:

	Group	Company
	$	$
Proceeds from disposal	22,178,235	22,178,255
Less:		
Carrying value of the investment	(10,956,223)	(9,616,388)
Expenses on disposal	(327,561)	(327,581)
Gain on disposal	10,894,451	12,234,286

15. AVAILABLE-FOR-SALE INVESTMENT

	Group and Company	
	2012	2011
	$	$
Equity instruments (quoted), at fair value	–	20,118,028

This related to 11,140,849 quoted equity shares in DO, representing approximately 17% in its issued share capital.

This investment was designated as an available-for-sale financial asset as at 31 December 2011 and recorded at its fair value, which was determined by direct reference to its bid price quotations in an active market at the end of the reporting period.

This investment has been re-designated as an associate during the current financial year ended 31 December 2012.

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16. DEFERRED TAX

Deferred tax as at 31 December relates to the following :

	Group			
	Balance sheet		Statement of comprehensive income	
	2012	2011	2012	2011
	$	$	$	$
Deferred tax assets:				
Provisions	376,450	–	(376,450)	–
Differences in depreciation for tax purposes	34,100	–	(34,100)	–
Deferred tax liability:				
Differences in depreciation for tax purposes	(18,550)	–	18,550	(159,000)
	392,000	–	(392,000)	(159,000)

Tax consequence of proposed dividends

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

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

	Group	
	2012	2011
	$	$
*Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	91,209,924	71,227,383
Less: Progress billings and advances	(67,209,811)	(46,784,357)
	24,000,113	24,443,026
Presented as:		
Gross amount due from customers for contract work	25,844,908	31,561,117
Gross amount due to customers for contract work	(1,844,795)	(7,118,091)
	24,000,113	24,443,026
*Included in cost incurred is an amount of:		
Unused inventories on site	19,600,000	14,964,796
Advances received included in gross amount due to customers for contract work	1,622,732	14,562,479
Retention sums on construction contract included in trade receivables	2,159,400	552,500

18. INVENTORIES

	Group	
	2012	2011
	$	$
Balance sheet:		
Materials, components and spares	19,162,177	6,357,410
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales		
- Inventories written down	–	3,300

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

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Trade receivables	18,243,759	9,641,810	–	–
Deposits	654,048	147,513	22,223	22,223
Tax recoverable	558,558	1,877,464	–	–
Sundry receivables	223,376	86,357	145,429	–
Total trade and other receivables	19,679,741	11,753,144	167,652	22,223
Trade and other receivables excluding tax recoverable	19,121,183	9,875,680	167,652	22,223
Amount due from subsidiaries (Note 20)	–	–	2,700,000	600,000
Pledged deposits (Note 21)	11,067,427	6,500,000	–	–
Cash and short-term deposits (Note 22)	173,901,562	169,276,813	167,789,758	142,122,891
Total loans and receivables	204,090,172	185,652,493	170,657,410	142,745,114

19. TRADE AND OTHER RECEIVABLES (CONT'D)

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	
	2012	2011
	$	$
United States dollar	10,317,529	7,865,737
Euro	7,915,444	1,765,287

At the end of the reporting period, trade receivable amounting to $4,010,108 (2011: $5,075,444) was arranged to be settled via letter of credits issued by a reputable bank in country where the customer was based.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $6,299,351 (2011: $2,383,206) 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	
	2012	2011
	$	$
Trade receivables past due but not impaired :		
Lesser than 30 days	3,880,436	1,027,824
30 to 60 days	1,122,400	838,095
61 to 90 days	24,568	139,822
More than 90 days	1,271,947	377,465
	6,299,351	2,383,206

Of the trade receivables of $1,271,847 (2011: $377,465) which was past due for more than 90 days, $1,037,000 (2011: $Nil) relates to retention sums on construction contracts.

20. AMOUNTS DUE FROM SUBSIDIARIES

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Amount receivable on current account:				
Subsidiaries	–	–	2,700,000	600,000

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

21. 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. The pledged deposits are mainly related to the projects that arose from the Group's operating activities.

The pledged deposits are placed for period of three months and earn interests ranging from 0.03% to 0.77% (2011: 0.06% to 0.14%) per annum.

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

	Group	
	2012	2011
	$	$
United States dollar	8,399,606	6,500,000

22. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Cash at banks and in hand	100,555,589	127,244,008	94,443,785	100,090,086
Short term deposits	73,345,973	42,032,805	73,345,973	42,032,805
	173,901,562	169,276,813	167,789,758	142,122,891

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 0.01% to 0.41% (2011: 0.07% to 0.55%) per annum.

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

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
United States dollar	661,274	12,595,085	262,541	3,763,024
Euro	3,585,421	7,977,668	–	–

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

23. LOANS AND BORROWINGS

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

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Trade payables	6,993,743	20,894,872	–	–
Other payables	7,752,286	6,236,835	3,139,566	1,564,475
Total trade and other payables	14,746,029	27,131,707	3,139,566	1,564,475
Trade and other payables excluding provision for warranty	12,531,798	25,297,476	3,139,566	1,564,475
Loans and borrowings (Note 23)	3,678,049	–	–	–
Total financial liabilities carried at amortised cost	16,209,847	25,297,476	3,139,566	1,564,475

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 $2,214,000 (2011: $1,834,000). During the financial year, the Group provided an additional amount of approximately $380,000 (2011: wrote-back of $1,642,000). In line with the Group's policy as discussed in Note 2.17, the additional provision in 2012 and wrote-back in 2011 for warranty were resulted from the annual revision.

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

	Group	
	2012	2011
	$	$
United States dollar	4,138,180	17,674,172
Euro	413,164	283,444
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, Sembcorp Marine Ltd ("SCM"), which holds 85% shareholding in PPLS, commenced legal proceeding against PPLH and its wholly owned subsidiary, E-Interface Holdings Limited ("E-Interface") 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 shareholders' agreements are 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 shareholders' agreements.

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-emption over the 15% shareholdings in PPLS; or

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

then, QD shall:

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

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

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

On 30 May 2012, the High Court ruled in PPLH's favour and dismissed SCM's claims in their entirety.

On 29 June 2012, SCM filed an appeal against those parts of the High Court's decision which relate to:-

(i) whether the shareholders' agreements between SCM and PPLH is premised on equal shareholding and continues to apply in its entirety despite SCM's ownership in PPLS being raised from 50% to 85%;

(ii) whether SCM was entitled to terminate the shareholders agreements due to a breach by PPLH; and

(iii) certain resolutions and orders which are consequential on the findings relating to (i) and (ii).

The appeal does not affect the ownership of the 15% shareholdings of PPLH in PPLS and as a result the Group has fulfilled its obligation to QD under the amendment and novation agreement and the disposal of PPLH to QD is considered complete.

The Group had recorded an amount of $58,237,148 as deferred gain on the disposal of this investment in PPLS in its consolidated balance sheet as at 31 Decemeber 2011. Management has deferred the recognition of this gain due to the pending outcome of the legal case then. The legal case was finalised during the current financial year and management has recognised this amount to the consolidated profit and loss for the year.

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

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

26. SHARE CAPITAL

	Group and Company			
	2012		2011	
	No. of shares	$	No. of shares	$
Issued and fully paid :				
At 1 January	700,168,881	36,053,443	682,578,493	30,528,621
Issuance of new shares from conversion of warrants	36,637,833	11,720,257	17,590,388	5,524,822
Issuance of warrants	–	2,801,180	–	–
Warrant issue expenses	–	(258,010)	–	–
At 31 December	736,806,714	50,316,870	700,168,881	36,053,443

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	2012	2011
2009 Warrants	16 November 2012	$0.32	–	282,662,881
2012 Warrants	5 June 2015	$0.27	280,040,952	–
			280,040,952	282,662,881

In June 2012, the Company completed its renounceable non-underwritten rights issue of 280,117,952 warrants at an issue price of S$0.01 for each warrant ("2012 Warrants"). Each warrant carries the rights to subscribe for 1 new ordinary share in the capital of the Company at an exercise price of S$0.27 for each new share. The warrants were issued on the basis of 2 warrants for every 5 existing ordinary shares in the capital of the Company held by entitled shareholders as at book closure date.

During the year, 36,560,833 of 2009 warrants and 77,000 of 2012 warrants were exercised to subscribe for a total of 36,637,833 shares in the Company.

The remaining unexercised 246,102,048 of 2009 warrants expired on 16 November 2012.

Further details regarding the exercise price of the 2012 warrants are disclosed in Note 34.

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	
	2012	2011
	$	$
Not later than one year	513,802	539,497
Later than one year but no later than five years	1,883,240	1,834,736
Later than five years	2,864,369	3,164,094
	5,261,411	5,538,327

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 2012, the amount of contract revenue earned from a company related to its directors was approximately $14,542,000 (2011: $13,976,000).

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

28. RELATED PARTY TRANSACTIONS (CONT'D)

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

	Group	
	2012	**2011**
	$	$
Short-term employee benefits	5,257,065	3,751,146
Comprise amounts paid/payable to		
- Directors of the Company	3,176,710	1,659,225
- Other key management personnel	2,080,355	2,091,921
	5,257,065	3,751,146

29. DIRECTORS' AND EXECUTIVES' REMUNERATION

Directors' remuneration (including directors of subsidiaries) and fees amounted to $3,014,210 (2011: $1,496,725) and $162,500 (2011: $162,500) respectively.

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

	Company	
	2012	**2011**
$1,250,000 to $1,499,999	2	–
$1,000,000 to $1,249,999	–	1
$250,000 to $499,999	–	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 and procedures for the management of these risks. The AC provides independent oversight to the effectiveness of the risk management process.

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)

Group	2012 One year or less $	2011 One year or less $
Financial assets:		
Trade and other receivables	19,121,183	9,875,680
Pledged deposits	11,067,427	6,500,000
Cash and short-term deposits	173,901,562	169,276,813
Total undiscounted financial assets	204,090,172	185,652,493
Financial liabilities:		
Trade and other payables	12,531,798	25,297,476
Loans and borrowings	3,678,049	–
Total undiscounted financial liabilities	16,209,847	25,297,476
Total net undiscounted financial assets	187,880,325	160,355,017
Company		
Financial assets:		
Trade and other receivables	167,652	22,223
Amount due from subsidiaries	2,700,000	600,000
Cash and short-term deposits	167,789,758	142,122,891
Total undiscounted financial assets	170,657,410	142,745,114
Financial liabilities:		
Trade and other payables	3,139,566	1,564,475
Total undiscounted financial liabilities	3,139,566	1,564,475
Total net undiscounted financial assets	167,517,844	141,180,639

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

Credit risk

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

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

Credit risk concentration profile

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

	Group			
By country	**2012 $**	**% of total**	**2011 $**	**% of total**
Singapore	6,598,194	36	1,348,552	14
China	10,262,496	56	4,687,553	49
Middle East	172,424	1	568,663	6
Asia Pacific (excluding China and Singapore)	1,210,645	7	3,037,042	31
	18,243,759	100	9,641,810	100

At the end of the reporting period, approximately:

- 97% (2011: 90%) of the Group's trade receivables were due from 5 (2011: 5) major customers who are located in Singapore and China.

- A nominal amount of $39,040,000 (2011: $23,400,000) relating to a corporate guarantee provided by the Company to banks for its subsidiaries' banking facilities.

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

Credit risk (cont'd)

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

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% (2011: 99%) of the Group's sales are denominated in foreign currencies whilst about 61% (2011: 67%) 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 $4,247,000 (2011: $20,573,000) for the Group.

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

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

Foreign currency risk (cont'd)

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	
		2012	**2011**
		$'000	$'000
		Net profit	**Net profit**
USD/SGD	– strengthened 3% (2011: 3%)	+457	+279
	– weakened 3% (2011: 3%)	–457	–279
Euro/SGD	– strengthened 3% (2011: 3%)	+333	+284
	– weakened 3% (2011: 3%)	–333	–284

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.

The information related to the cash and loans and borrowings is disclosed in Note 22 and 23 respectively.

33. DIVIDEND

	Group and Company	
	2012	2011
	$	$
Declared and paid during the financial year:		
Dividend on ordinary shares:		
- First and final tax exempt (one-tier) dividend for 2011: 1.0 cent (2010: 3.0 cents) per share	7,002,949	20,997,099
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 2012: 1.5 cents (2011: 1.0 cent) per share	11,052,101	7,001,689
- Special tax exempt (one-tier) dividend for 2012: 8.5 cents (2011: Nil) per share	62,628,570	–
	73,680,671	7,001,689

34. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 22 February 2013, the Directors of the Company recommended a first and final tax exempt (one-tier) dividend of 1.5 cents and a special tax exempt (one-tier) dividend of 8.5 cents for each existing ordinary share in the capital of the Company in respect of financial year 2012. As the proposed special dividend, if declared, will be distributed out of reserves which are attributable to profits or gains arising from the disposal of investments by the Company, the Board is of the view that it is appropriate to adjust the exercise price of the 2012 Warrants of $0.270 per share to a lower exercise price of $0.185 per share so as to reflect the lower intrinsic value of the Company's shares after the proposed special dividend. The proposed adjustment to the exercise price of the 2012 Warrants will be effective from the commencement of the Market Day next following the record date of the proposed special dividend.

35. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 19 March 2013.

Number of Shares issued	:	746,633,714
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share

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

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	382	6.49	18,597	0.00
1,000 - 10,000	2,176	36.98	13,976,013	1.87
10,001 - 1,000,000	3,285	55.83	202,970,456	27.19
1,000,001 and above	41	0.70	529,668,648	70.94
	5,884	100.00	746,633,714	100.00

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1.	Benety Chang	305,516,348	40.92
2.	Heng Chin Ngor Doris	68,399,183	9.16
3.	Anthony Sabastian Aurol	30,399,183	4.07
4.	OCBC Securities Private Ltd	15,696,040	2.10
5.	Tan Yang Guan	14,744,836	1.97
6.	UOB Kay Hian Pte Ltd	9,490,000	1.27
7.	Phillip Securities Pte Ltd	7,788,743	1.04
8.	Citibank Nominees Singapore Pte Ltd	7,077,987	0.95
9.	United Overseas Bank Nominees Pte Ltd	5,781,000	0.77
10.	Maybank Kim Eng Securities Pte. Ltd.	5,703,995	0.76
11.	DBS Nominees Pte Ltd	4,992,043	0.67
12.	Khoo Aik Peng Bernard	3,203,000	0.43
13.	Ng Chai Hock	3,084,000	0.41
14.	Pua Beng Soon	3,000,000	0.40
15.	DBS Vickers Securities (S) Pte Ltd	2,624,000	0.35
16.	CIMB Securities (Singapore) Pte Ltd	2,384,000	0.32
17.	HSBC (Singapore) Nominees Pte Ltd	2,331,000	0.31
18.	OCBC Nominees Singapore Pte Ltd	2,206,009	0.30
19.	Booi Pang Hin	2,198,000	0.29
20.	DMG & Partners Securities Pte Ltd	2,177,000	0.29
	TOTAL:	498,796,367	66.78

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

Based on the information available to the Company, as at 11 March 2013, approximately 42.33% 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	40.92	68,399,183	9.16
Dr Doris Heng Chin Ngor [2]	68,399,183	9.16	305,516,348	40.92

Notes:

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

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

ANALYSIS OF WARRANTHOLDINGS (W150605)

AS AT 11 MARCH 2013

Warrants issued on	:	6 June 2012
Expiry Date of Warrants	:	5 June 2015
Exercise Price	:	S$0.27

DISTRIBUTION OF WARRANTHOLDINGS

Size of holdings	No. of Warrantholders	%	No. of Warrants	%
1 - 999	12	1.19	5,400	0.00
1,000 - 10,000	379	37.60	2,133,570	0.79
10,001 - 1,000,000	597	59.23	49,520,423	18.33
1,000,001 and above	20	1.98	218,554,559	80.88
	1,008	100.00	270,213,952	100.00

TWENTY LARGEST WARRANTHOLDERS

	Name	No. of Warrants	%
1.	Benety Chang	122,206,539	45.23
2.	Heng Chin Ngor Doris	27,359,673	10.13
3.	Anthony Sabastian Aurol	18,230,673	6.75
4.	OCBC Securities Private Ltd	7,630,400	2.82
5.	Tan Yang Guan	5,897,934	2.18
6.	DMG & Partners Securities Pte Ltd	5,876,200	2.17
7.	Phillip Securities Pte Ltd	4,610,000	1.71
8.	UOB Kay Hian Pte Ltd	3,358,200	1.24
9.	Chiam Toon Chew	3,008,000	1.11
10.	Sng Siew Khim	2,907,000	1.08
11.	Fok Chee Cheong @ Fok chee Chiong	2,739,000	1.01
12.	Low Chee Leng	2,200,000	0.81
13.	Sng Boon Chow	2,183,000	0.81
14.	Yeo Kok Hiong	2,150,000	0.80
15.	Suthin Hannirankoor	1,737,000	0.64
16.	Maybank Kim Eng Securities Pte. Ltd.	1,681,940	0.62
17.	Eio Hock Chuar	1,300,000	0.48
18.	Wee Hui Hian	1,200,000	0.44
19.	Citibank Nominees Singapore Pte Ltd	1,199,000	0.44
20.	Khoo Aik Peng Bernard	1,080,000	0.40
	TOTAL:	218,554,559	80.87

NOTICE OF ANNUAL GENERAL MEETING

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Baker Technology Limited (the "Company") will be held at NUSS Kent Ridge Guild House, 9 Kent Ridge Drive, Singapore 119241 on Thursday, 25 April 2013 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 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt (one-tier) dividend of 1.5 cents per ordinary share and a special tax exempt (one-tier) dividend of 8.5 cents per ordinary share for the year ended 31 December 2012. **(Resolution 2)**

3. To re-elect Mr Lim Ho Seng, 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 Tan Yang Guan, 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 2012 (2011: S$162,500). **(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

Nga Ko Nie
Company Secretary

Singapore, 8 April 2013

Notes:

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

2. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 6 Pioneer Sector 1, Singapore 628418 not less than 48 hours before the time appointed for holding the Annual General Meeting.

Explanatory Notes:

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

ii. Mr Tan Yang Guan will, upon re-election, continue as a member of the Audit and Remuneration Committees. He is considered a non independent non-executive 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.

BOOKS CLOSURE DATE

Notice had been given on 22 February 2013 that the Share Transfer Books and Register of Members of the Company will be closed on 10 May 2013 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 2013 will be registered to determine shareholders' entitlement to the proposed first and final and special dividends ("Dividends"). Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on 9 May 2013 will be entitled to the proposed Dividends.

The proposed Dividends, if approved by the shareholders at the Annual General Meeting will be paid on 23 May 2013.

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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 NUSS Kent Ridge Guild House, 9 Kent Ridge Drive, Singapore 119241 on Thursday, 25 April 2013 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.	Declaration of a First and Final Dividend and a Special Dividend		
3.	Re-election of Mr Lim Ho Seng as a Director		
4.	Re-election of Mr Tan Yang Guan 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 _____________ 2013

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.

Design by Pinkocchio

BAKER
Technology
Limited

Unique Entity Number:
198100637D

6 Pioneer Sector 1, Singapore 628418
Tel: (65) 6262 1380 Fax: (65) 6262 2108
Email: enquiry@bakertech.com.sg
www.bakertech.com.sg