Annual Report 2018 | FROM SEA TO SEA | Baker Technology Limited

FROM SEA TO SEA

"THE MANAGER HAS HIS EYE ON THE BOTTOM LINE; THE LEADER HAS HIS EYE ON THE HORIZON."

Warren Bennis

Baker Technology Limited

ANNUAL REPORT 2018

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CORPORATE PROFILE

Baker Technology Limited ("Baker Tech", together with its subsidiaries, the "Group") is a leading manufacturer and provider of specialised marine offshore equipment and services, focused on the offshore oil and gas industry.

The Group's core business is in the design, construction, operation and chartering of mobile offshore units and offshore supply vessels, along with the design and construction of a wide range of critical equipment and components for the offshore marine industry. These include offshore pedestal cranes, anchor winches, skidding systems, jacking systems and raw water tower structures. It also provides services such as project management, engineering services, quality assurance and construction supervision.

VISION

To strive for sustainable growth through innovation, diversification and organisational excellence, while staying committed to safeguarding stakeholders' interests and the Group's assets in order to deliver long-term value and growth to our shareholders.

MISSION

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

KEY MILESTONES

2000

MAY
Saberon Investments Pte Ltd acquired a controlling stake in the Company.

JULY
Name changed to Baker Technology Limited.

2004

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

2005

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

2006

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

2007

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

OCTOBER
Formed a strategic partnership with a TATA enterprise company (TRF Singapore Pte Ltd) which acquired a 51% stake in York Transport Equipment (Asia) Pte Ltd.

2008

APRIL
Acquired 100% of Sea Deep Shipyard Pte. Ltd.

OCTOBER
Upgraded to SGX-ST Mainboard.

2009

APRIL
Winner of Best Managed Board (Merit)* in the Singapore Corporate Awards.

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

2010

APRIL
Winner of Best Managed Board (Silver)* in the Singapore Corporate Awards.

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

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.

2011

MAY
Acquired a 10.5% stake in Discovery Offshore S.A.

JULY
Winner of Best Managed Board (Gold)* and Best Annual Report (Silver)* at the Singapore Corporate Awards.

* Denotes for companies with market capitalisation of less than $300 million

2012

MARCH
Disposed of remaining 49% stake in York Transport Equipment (Asia) Pte Ltd.

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

JULY
Winner of Best Annual Report (Silver)* at the Singapore Corporate Awards.

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

2013

MAY
Incorporation of wholly-owned subsidiary - Baker Engineering Pte. Ltd.

JUNE
Disposal of 20% stake in Discovery Offshore S.A.

JULY
Winner of Best Annual Report (Bronze)* at the Singapore Corporate Awards.

SEPTEMBER
Incorporation of wholly-owned subsidiary - BT Investment Pte. Ltd.

2014

JULY
Winner of Best Managed Board (Gold)* and Best Annual Report (Silver)* at the Singapore Corporate Awards.

AUGUST
Listed on Forbes Asia's Best Under a Billion and was one of only seven companies in Singapore on the list.

SEPTEMBER
Incorporation of wholly-owned subsidiary - BT Investment Pte. Ltd.

2015

JULY
Winner of Best Annual Report (Bronze)* at the Singapore Corporate Awards.

2016

JULY
Winner of Merit (Most Improved Category) Award at SIAS Investors' Choice Award.

OCTOBER
Incorporation of wholly-owned subsidiary - BT Titanium Pte. Ltd.

2017

JUNE
Incorporation of wholly-owned subsidiary - BT Offshore (Malaysia) Pte Ltd

JULY
Winner of Best Annual Report (Bronze)* at the Singapore Corporate Awards.

JULY
Winner of Transparency (Small & Mid Cap) Award at the SIAS Investors' Choice Award.

2018

APRIL
Naming ceremony of Baker Engineering's Blue Titanium liftboat.

MAY
Incorporation of wholly-owned subsidiary - BT Offshore (B) Sdn Bhd

JULY
Winner of Best Annual Report (Silver)* award at the Singapore Corporate Awards.

JULY
Acquired 52.72% stake in CH Offshore Ltd. (54.98% as of 13 Sep)

AUGUST
Incorporation of wholly-owned subsidiary - BT OSV 1 Pte. Ltd.

SEPTEMBER
Incorporation of wholly-owned subsidiary - BT Offshore Management Pte. Ltd.

OCTOBER
Incorporation of wholly-owned subsidiary - Interseas Pte. Ltd.

OCTOBER
Name changed from Interseas Shipping (Private) Limited to Sea Hercules Cranes Pte. Ltd.

CORPORATE STRUCTURE

Baker Technology Limited

- 100% Sea Deep Shipyard Pte. Ltd.
  - 100% Sea Hercules Cranes Pte. Ltd.*
- 100% Baker Engineering Pte. Ltd.
  - 100% BEL Design Pte. Ltd.
- 100% BT Investment Pte. Ltd.
  - 100% BT Titanium Pte. Ltd.
    - 100% BT Offshore (Malaysia) Pte Ltd
    - 50% BT Offshore (B) Sdn Bhd
  - 50% BT Offshore (B) Sdn Bhd
  - 100% BT Offshore Management Pte. Ltd.
  - 100% BT OSV 1 Pte. Ltd.
  - 100% Interseas Pte. Ltd.
  - 54.98% CH Offshore Ltd.

** formerly known as Interseas Shipping (Private) Limited.*

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
Lim Ho Seng - (Non-Executive)

Executive
Jeanette Chang - (Chief Executive Officer)
Dr Benety Chang

Non-Executive
Tan Yang Guan
Wong Meng Yeng - (Lead Independent)
Ang Miah Khiang - (Independent)
Han Sah Heok Vicky - (Independent)

AUDIT COMMITTEE
Ang Miah Khiang - (Chairman)
Han Sah Heok Vicky
Wong Meng Yeng

NOMINATING COMMITTEE
Wong Meng Yeng - (Chairman)
Han Sah Heok Vicky
Jeanette Chang

REMUNERATION COMMITTEE
Han Sah Heok Vicky - (Chairman)
Ang Miah Khiang
Lim Ho Seng

COMPANY SECRETARY
Nga Ko Nie

REGISTERED OFFICE
10 Jalan Samulun
Singapore 629124
Tel: (65) 6262 1380
Fax: (65) 6262 2108
Website: www.bakertech.com.sg

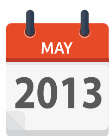
SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

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

Audit Partner-in-charge:
Lim Siew Koon
(appointed since financial year ended 31 December 2015)

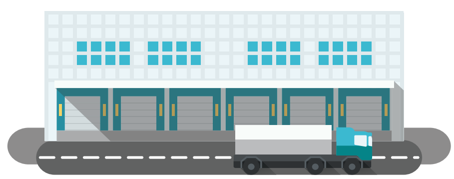
PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
DBS Bank Ltd
BNP Paribas, Singapore Branch

OUR BUSINESS
BAKER ENGINEERING PTE. LTD.



MAY 2013 - Baker Engineering Pte. Ltd. ("BEPL" or "Baker Engineering") incorporated as a wholly-owned subsidiary of Baker Tech.

DESIGN AND CONSTRUCT MOBILE OFFSHORE UNITS, critical equipment and components for the offshore marine industry.



Operates out of **THREE WATERFRONT SHIPYARDS** in Singapore, each equipped with open production facilities, office buildings, workshops and warehouses. Waterfront advantage provides our customers with an option to transport final products by sea.

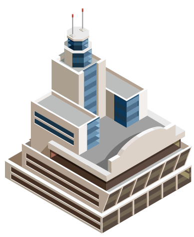
Onsite warehouses are **FULLY EQUIPPED WITH A LIVE ENTERPRISE RESOURCE PLANNING SYSTEM**, fully integrated with procurement division for inventory enhanced traceability.

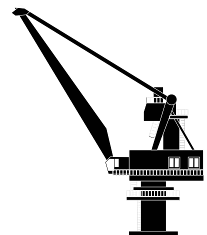
As an **ISO 9001 CERTIFIED COMPANY**, BEPL ensures that every aspect of its operations and production procedures conforms to the highest standards of quality control which produces exceptional results for each and every customer and project.

Attained the **INTERNATIONAL SHIP AND PORT FACILITY SECURITY (ISPS)** code for two of its shipyards.

The State-of-the-Art DP2 Liftboat, Blue Titanium, was constructed by BEPL and owned by BT Titanium Pte. Ltd., a wholly-owned subsidiary company of Baker Tech. The Blue Titanium was mobilised in the second quarter of 2018 and is currently on a time charter supporting rejuvenation works for oil and gas platform for a national oil company. She provides offshore workers with top-tier accommodation services, walk-to-work gangway and an on-board pedestal crane with lifting capacity of up to 300MT.

OUR BUSINESS
SEA DEEP SHIPYARD PTE. LTD.





SEPTEMBER 1996

Sea Deep Shipyard Pte. Ltd. ("Sea Deep") incorporated in 1996 and acquired by Baker Tech in 2008. A leader in manufacturing and production of high-quality steel products and components for specialised equipment, new builds, repairs, conversions and upgrades of jackup rigs and liftboats and provides product customisation services to meet customer specific requirements for specialised engineering products, while also providing refurbishment and replacement support.

With effect from **31 OCTOBER 2018**, Sea Deep's wholly-owned subsidiary, **INTERSEAS SHIPPING (PRIVATE) LIMITED**, has **CHANGED ITS NAME** to **SEA HERCULES CRANES PTE. LTD.** ("SHC" or "Sea Hercules Cranes") to better align with the subsidiary's business activities.

Operates out of a waterfront yard in Singapore, which is equipped with its own **PRODUCTION FACILITIES, OFFICE BUILDINGS,** and **WORKSHOPS.**

Produces **HIGH QUALITY STEEL PRODUCTS** and components for new builds, repairs and upgrades for jackup rigs and lifboats including **RACKS AND CHORDS.**

Designs and manufactures its proprietary **SEA HERCULES CRANES** for fixed and floating platforms. These cranes offer reliability and cost-effective maintenance thus earning them a proven track record and a strong presence in Asia Pacific and the Middle East.

As an **ISO 9001 CERTIFIED COMPANY**, Sea Deep ensures every aspect of the production procedures is subjected to stringent quality control whilst observing the highest standards of health and safety.

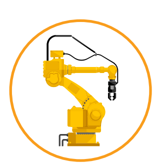
SEA DEEP'S RANGE OF PRODUCTS AND SERVICES ARE:

Offshore Pedestal Cranes – **SEA HERCULES KINGPOST CRANE**

Steel Products and Components Fabrication – **RACK CHORDS** and **PINIONS**

DESIGN and **ENGINEERING** Services

ANCILLARY EQUIPMENT – Elevating Systems, Skidding Systems, Raw Water Towers and Winches



MECHANICAL HANDLING EQUIPMENT

PROJECT MANAGEMENT and turnkey conversions with its proprietary designs

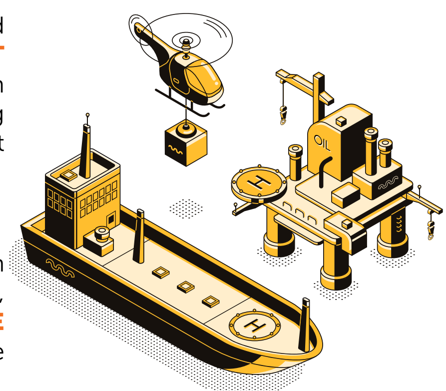
MAINTENANCE and **REPAIR SERVICES** for existing offshore equipment including cranes

OUR BUSINESS
BT INVESTMENT PTE. LTD.

SEPTEMBER 2013 – BT Investment Pte. Ltd. incorporated as a wholly-owned subsidiary of Baker Tech. An investment holding company focused on exploring new business opportunities to increase the Group's revenue stream and expansion of Baker Tech's product offerings through acquisitions and strategic alliances.

October 2016 – incorporated a wholly-owned subsidiary, **BT TITANIUM PTE. LTD.** which engages in the business of providing offshore marine logistics support services.

June 2017 - incorporated an indirect wholly-owned subsidiary, **BT OFFSHORE (MALAYSIA) PTE LTD**, which provides offshore marine logistics support and services.



May 2018 - **BT INVESTMENT** and **BT TITANIUM** incorporated a wholly-owned subsidiary in Brunei Darussalam, **BT OFFSHORE (B) SDN BHD,** to provide offshore marine logistics support and services.

August 2018 - incorporated a wholly-owned subsidiary **BT OSV 1 PTE. LTD.** for ship owning and provision of offshore marine logistics support services.

July 2018 - acquired 52.72% stake in CH Offshore Ltd. ("CHO"). Baker Tech's stake in CHO increased to **54.98%** in September 2018.

September 2018 – incorporated **BT OFFSHORE MANAGEMENT PTE. LTD.** which primary activities include vessel chartering and ship management services.

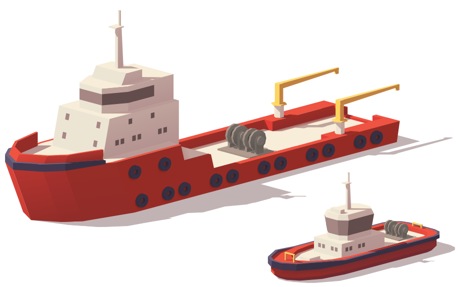
October 2018 - incorporated **INTERSEAS PTE. LTD.** a direct wholly-owned subsidiary which deals with being a manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry.

OUR BUSINESS
CH OFFSHORE LTD.

MARCH 1976 - incorporated as Mico Line Pte Ltd

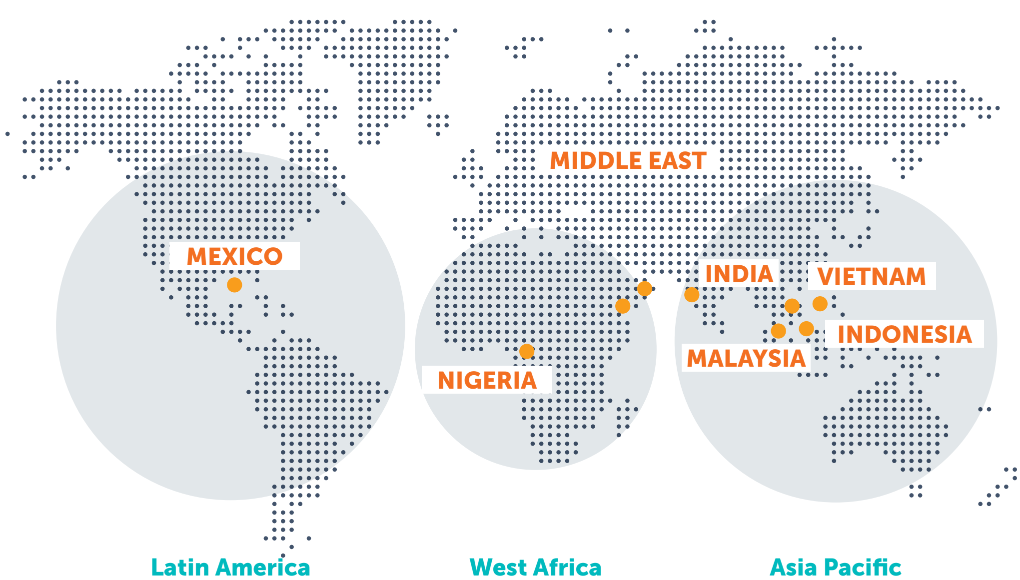
February 2003 - **LISTED** on the Singapore Exchange Securities Trading Limited under its new name **CH OFFSHORE LTD. ("CHO")**

September 2018 - BT Investment Pte. Ltd. acquired **54.98%** stake in **CHO**



CHO is involved in **SHIP MANAGEMENT, SHIP-OWNING** and **CHARTERING.** Operates **ONE** offshore support vessel (OSV) and **SIXTEEN** anchor handling tug supply (AHTS) vessels, **TWELVE** of which are wholly-owned. **SEVEN** of the newer AHTS are 12,240 bhp vessels equipped with state-of-the-art facilities for heavy offshore work in deeper waters.

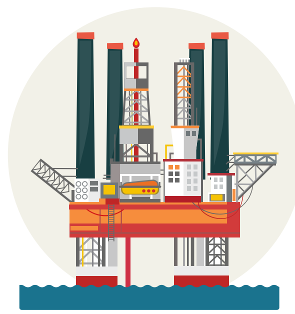
CHO's vessels are deployed globally.



● Vessel presence

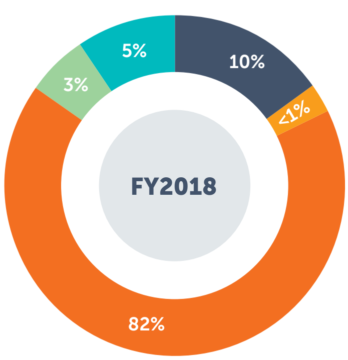
OPERATING REVIEW

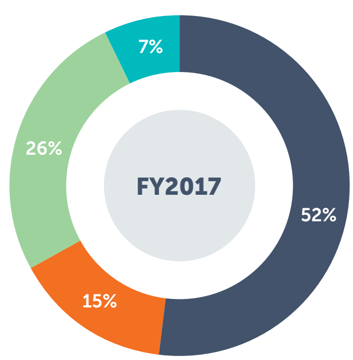
The Group continues to focus on the **MARINE OFFSHORE SEGMENT OF THE OIL & GAS INDUSTRY.**



2 KEY EVENTS for the Group in 2018 – the chartering of our liftboat, **BLUE TITANIUM** and the acquisition of **54.98% EQUITY INTEREST** in CH Offshore Ltd. ("CHO"), a company which owns and operates a fleet of offshore services vessels.

The Group derived its revenue solely from the marine offshore segment. About **82% OF THE REVENUE** was from the Asia Pacific (excluding China & Singapore) region as its liftboat, Blue Titanium, as well as the CHO vessels are mainly deployed in Southeast Asia.





Revenue By Geographical Area

	2018 $'000	2017 $'000
Middle East	3,205	2,608
China	41	15
Asia Pacific (excluding China & Singapore)	26,953	764
Singapore	969	1,288
Others	1,534	327
	32,702	**5,002**

FINANCIAL REVIEW

Income Statement

	2018 $'000	2017 $'000	Changes %	Explanatory Notes
Revenue	**32,702**	**5,002**	NM	Increase in revenue contributed by fabrication projects and services, charter income and acquisition of CHO
Cost of goods sold	(23,326)	(2,383)	NM	
Gross profits	**9,376**	**2,619**	NM	
Gross profit margin	**29%**	**52%**	NM	
Other operating income / (expenses), net	619	735	-16%	
Bargain purchase gain	24,709	-	NM	Acquisition of CHO
Foreign exchange gain / (loss)	320	(4,039)	NM	Gain due to strengthening of USD against SGD during the year
Administrative expenses	(17,264)	(10,598)	+63%	In line with increase in revenue
Finance cost	(206)	-	NM	
Share of results of associates	(3,101)	-	NM	Acquisition of CHO
Profit / (loss) before tax	**14,453**	**(11,283)**	NM	
Income tax (expenses) / credit	(138)	593	NM	
Profit / (loss) after tax	**14,315**	**(10,690)**	NM	
Attributable to:				
Owners of the Company	17,624	(10,690)	NM	
Non-controlling interest	(3,309)	-	NM	Losses attributed to the 45.02% minority shareholders of CHO
Profit / (loss) after tax	**14,315**	**(10,690)**	NM	

Cash Flows

	2018 $'000	2017 $'000	Changes %	Explanatory Notes
Cash used in operating activities	(9,330)	(16,363)	-43%	Shortfall in operating cash flows funded from internal cash resources (including warrant proceeds from rights issue in FY2012)
Cash (used in) / from investing activities	(49,244)	1,986	NM	Paid $47.1 million for 54.98% in CHO
Cash used in financing activities	-	(2,536)	-100%	No dividend payment during FY2018
Net decrease in cash & cash equivalents	(58,574)	(16,913)	246%	
Effect of exchange rate changes on cash and cash equivalents	852	(3,401)	NM	
Cash & cash equivalents at beginning of year	86,642	106,956	-19%	
Cash & cash equivalents at end of year	**28,920**	**86,642**	**-67%**	

** NM denotes Not Meaningful*

FINANCIAL REVIEW

Balance Sheets

	2018 $'000	2017 $'000	Changes %	Explanatory Notes
Non-current assets				
Property, plant and equipment	230,341	113,410	103%	Increase in vessels and dry-docking expenditure from the acquisition of CHO
Intangible assets	1,551	1,810	-14%	
Investment in associates	4,979	-	NM	Acquisition of CHO
Loan to associates	3,406	-	NM	
Investment securities	2,491	2,388	4%	
Deferred tax assets	-	17	-100%	
	242,768	117,625		
Current assets	61,811	91,248	-32%	Mainly due to reduction of cash and short-term deposits of $47.1 million for the acquisition of CHO
Current liabilities	(18,858)	(6,315)	199%	
Net current assets	42,953	84,933	-49%	
Non-current liabilities				
Deferred tax liabilities	(5,545)	(44)	NM	Acquisition of CHO
Loans and borrowings	(4,067)	-	NM	
	(9,612)	(44)	NM	
Net assets	**276,109**	**202,514**	**36%**	
Share capital	108,788	108,788	-	
Reserves	112,041	93,726	20%	Increase due to net profit for the year
Shareholders' equity	220,829	202,514	9%	
Non-controlling interests	55,280	-	NM	Relates to the 45.02% minority shareholders of CHO
Total equity	**276,109**	**202,514**	**36%**	

** NM denotes Not Meaningful*

Group Quarterly Results

	Q1 $'000	Q2 $'000	Q3 $'000	Q4 $'000	Full Year $'000
Revenue					
2018	683	3,516	9,973	18,530	32,702
2017	1,001	1,421	826	1,754	5,002
Net profit / (loss)					
2018	(4,847)	(983)	25,677	(5,532)	14,315
2017	(1,938)	(2,060)	(3,530)	(3,162)	(10,690)
Net profit / (loss)*					
2018	(4,123)	(2,779)	25,686	(4,789)	13,995
2017	(245)	(1,474)	(2,681)	(2,251)	(6,651)

** Excluding foreign exchange gain/losses*

Revenue has increased quarter-on-quarter through 2018, due to the deployment of the Blue Titanium from second quarter of the year and the impact from the consolidation of CHO from 27 August 2018.

However, weak demand stemming from uncertainties in the global oil and gas industry, led to lower margins for fabrication projects, higher start-up costs for vessels and the incurrence of operating expenditure for certain vessels that were off-hired during the year. As a result, the Group reported net losses for all quarters in 2018, except for the third quarter where it recorded a one-off bargain purchase gain of approximately $24.7 million from the acquisition of CHO.

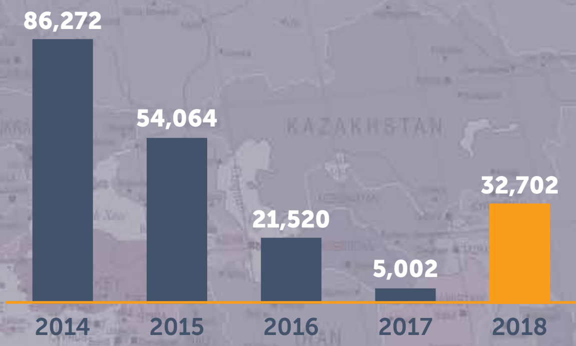
Given that the US dollar depreciated against the Singapore dollar by approximately 7.9% for FY2017 and appreciated against the Singapore dollar by approximately 2.4% for FY2018, the quarter-on-quarter foreign exchange movements were volatile. As a result, quarterly foreign exchange gain/losses fluctuated significantly.

FIVE-YEAR FINANCIAL HIGHLIGHTS

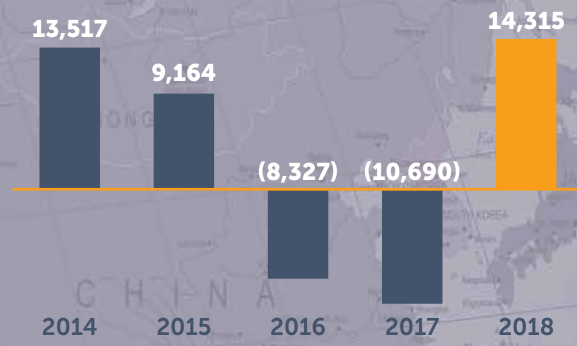
	2014	2015	2016	2017	2018
Financial Performance ($'000)					
Revenue	86,272	54,064	21,520	5,002	32,702
Gross profit	22,707	15,219	5,671	2,619	9,376
Share of results from associates	-	-	-	-	(3,101)
Bargain purchase gain	-	-	-	-	24,709
Pre-tax profit / (loss)	16,326	11,124	(9,222)	(11,283)	14,453
Profit / (loss) after tax	13,517	9,164	(8,327)	(10,690)	14,315
Profit / (loss) for the year attributable to owners of the Company	13,517	9,164	(8,327)	(10,690)	17,624
Financial Position ($'000)					
Total assets	236,049	246,066	224,590	208,873	304,579
Cash and short-term deposits	168,685	140,070	106,956	86,642	28,920
Net current assets	188,526	192,481	194,046	84,933	42,953
Loans and borrowings	-	-	-	-	12,514
Shareholders' equity	216,901	228,913	215,667	202,514	220,829
Non-controlling interests	-	-	-	-	55,280
Per Share Data (cents)*					
Earnings per share	7.5	4.7	(4.1)	(5.3)	8.7
Diluted earnings per share	7.1	4.7	(4.1)	(5.3)	8.7
Ordinary dividend per share	5.00	2.50	1.25	-	0.50
Cash per share	91.4	69.0	52.7	42.7	14.3
Net asset per share	117.5	112.8	106.3	99.8	108.8
Other Information					
Return on shareholders' equity	6%	4%	-4%	-5%	5%
Return on assets	7%	5%	-4%	-5%	5%
Dividend cover	1.5	1.9	-3.3	N/A	17.4
Stock Information*					
Number of shares on issue ('000)	184,614	202,878	202,878	202,878	202,878
Highest/lowest share price (cents)	167.5/120.0	132.5/90.5	99.5/54.5	76.0/56.0	64.0/42.5
Year-end share price (cents)	125.0	94.5	61.5	63.0	43.0
Year-end market capitalisation ($'m)	230.8	191.7	124.7	127.8	87.2

** Numbers are adjusted based on revised numbers of shares as a result of share consolidation in May 2016*

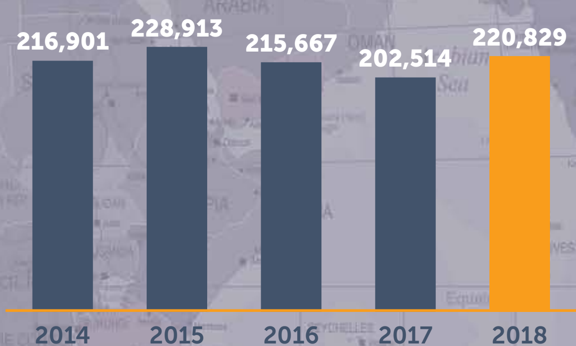
5-YEAR REVENUE
($'000)



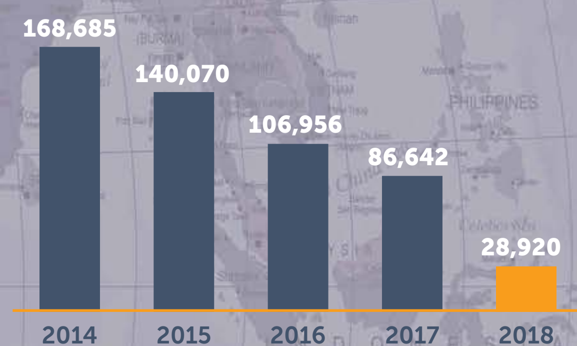
5-YEAR PROFIT / (LOSS) AFTER TAX
($'000)



5-YEAR SHAREHOLDERS' EQUITY
($'000)



5-YEAR CASH & SHORT-TERM DEPOSITS
($'000)



5 YEAR SHARE PRICE PERFORMANCE
($)

FIVE-YEAR PERFORMANCE REVIEW

	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000
Revenue	86,272	54,064	21,520	5,002	32,702
Gross profit	22,707	15,219	5,671	2,619	9,376
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Cash and short-term deposits	168,685	140,070	106,956	86,642	28,920
Earnings per share (cents)*	7.5	4.7	(4.1)	(5.3)	8.7
Diluted earnings per share (cents)*	7.1	4.7	(4.1)	(5.3)	8.7
Cash per share (cents)*	91.4	69.0	52.7	42.7	14.3

** Numbers are adjusted based on the revised numbers of shares as a result of share consolidation in May 2016*

2018

Group revenue improved from $5.0 million in 2017 to $32.7 million in 2018 mainly due to the deployment of the liftboat in second quarter of 2018 and the impact from the acquisition and consolidation of 54.98% equity interest in CHO (for $47.1 million). The acquisition was settled fully in cash, with the Group recording a bargain purchase gain of $24.7 million, which resulted in the Group turning round to a net profit of $14.3 million for the year.

The Group's cash position now stands at $28.9 million as at 31 December 2018, or 14.3 cents per share.

2017

Revenue decreased by 77% to $5.0 million, due to the continued weakness in the oil and gas industry. Coupled with a foreign exchange loss of $4.0 million arising from the weakening of the US dollar against the Singapore dollar, the Group's net loss for 2017 widened to $10.7 million. The construction of the liftboat was completed and the Group secured a time charter for this liftboat, deployed in second quarter of 2018 in Southeast Asia to support rejuvenation works for oil and gas platforms for a national oil company.

2016

Uncertainties and weak sentiment weighed on the oil and gas industry in 2016. Revenue decreased 60% to $21.5 million. With the persistent weakness in the industry, the Group recorded an impairment loss of $7.6 million on the goodwill in a subsidiary. As a result, the Group reported a net loss of $8.3 million for the year.

In May 2016, the Group completed a share consolidation exercise during which every five existing issued ordinary shares in the capital of the Company were consolidated into one ordinary share.

2015

With oil prices declining since the second half of 2014, demand has taken a substantial hit causing revenue to decline by 37% to $54.1 million. Correspondingly, pre-tax profit also reduced by 32% to $11.1 million for 2015.

2014

In 2014, the Group witnessed its revenue increasing 4% year-on-year. The Group's pre-tax profit of $16.3 million for 2014 was a slight decline compared to the pre-tax profit (excluding investment gain) of $17.8 million recorded for 2013.

With higher administrative expenses due to new operating subsidiaries, the Group incurred an additional administrative expense of $3.2 million in 2014. However, this increase was offset by higher exchange gain and lower taxation charge for the year.

From Partnership To Leadership

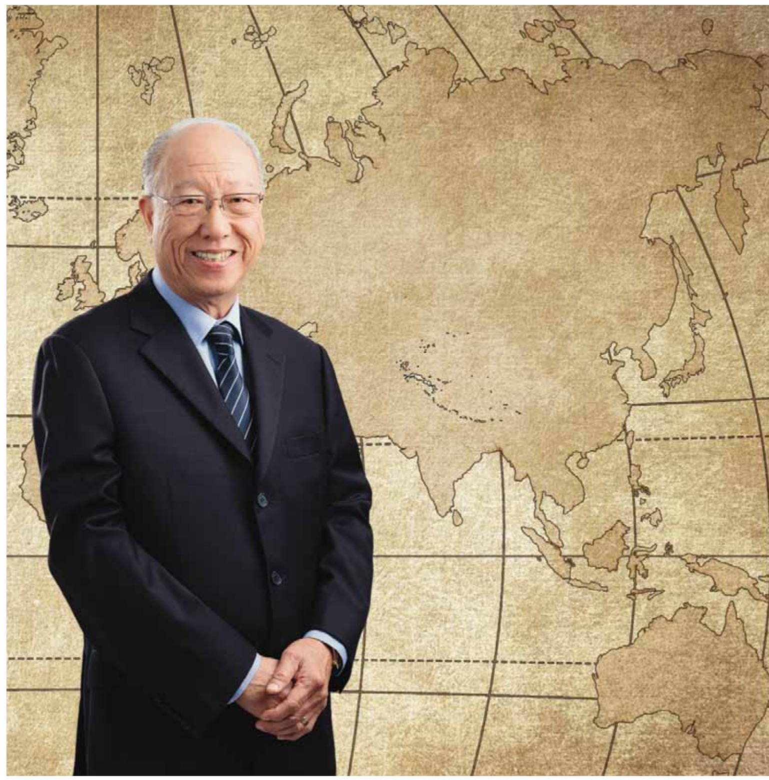
BUILDING ON EXPERIENCE AND EXPERTISE

WE BELIEVE THAT A CAPTAIN OF THE SHIP IS ONLY AS GOOD AS HIS CREW. BAKER TECH'S GROWTH JOURNEY REMAINS FUELLED BY THE TEAM SPIRIT FORGED AMONG MANAGEMENT AND STAFF. HARNESSING OUR COLLECTIVE EXPERIENCE AND EXPERTISE HAS LED US TO STEER THE GROUP IN THE RIGHT DIRECTION – BUILDING A BRAND SYNONYMOUS WITH QUALITY AND TRUST.

The Group's revenue was up at $18.5 million for the quarter ended 31 December 2018 ("4Q 2018") from $1.8 million for the corresponding period in 2017, contributed by fabrication projects and services, charter income and the consolidation of CH Offshore Ltd. Gross profit for 4Q 2018 also increased to $4.5 million from $0.5 million for 4Q 2017, as a result of higher revenue earned.

LIM HO SENG
Chairman
Baker Technology Limited

CHAIRMAN'S MESSAGE



DEAR SHAREHOLDERS,

On behalf of the Board of Directors ("Board"), I am pleased to present to you our annual report for the financial year ended 31 December 2018 ("FY2018").

2018 was an eventful year for the Group. The state-of-the-art DP2 Liftboat, Blue Titanium, designed and built by Baker Engineering Pte. Ltd. and owned by BT Titanium Pte. Ltd., a wholly-owned subsidiary of Baker Tech, was deployed during the second quarter of 2018. The Blue Titanium is currently on a time charter supporting rejuvenation works for oil and gas platforms for a national oil company. The Liftboat provides offshore workers with top-tier accommodation services and a walk-to-work gangway, and also has an on-board pedestal crane with a lifting capacity of up to 300MT.

Between July and September 2018, Baker Tech, through its subsidiary BT Investment Pte. Ltd. completed a 54.98% acquisition of vessel owning and chartering and ship management company, CH Offshore Ltd. ("CHO"). The acquisition is in line with the Company's strategy of exploring strategic opportunities and partnerships to extend its reach into new markets in order to enhance returns for shareholders.

The Company also announced the appointment of Ms Jeanette Chang as the Chief Executive Officer ("CEO") from 1 January 2019 as part of the Company's effort to adopt sustainable organisational development through leadership transition. Dr Benety Chang, who has held his position as CEO since 2000 remains as an Executive Director of the Company.

2018 ended on an uncertain note with a reversal of the year to date gains in Brent crude oil prices in the last quarter of 2018. Brent prices broadly trended upwards from approximately US$66/bbl at the start of the year, reaching a high of US$86/bbl in early October 2018 and falling rapidly to close around US$50/bbl by the end of the year. The sharp drop in oil prices was attributed to a more rapid than expected increase in supply as oil producing countries increased production to compensate for reducing supplies from Iran as a result of pending US sanctions. In addition, shale oil production in the US increased quickly with world crude inventories rising in fourth quarter of 2018 despite global supply fast outpacing demand. The volatility in oil prices as well as potential geopolitical risks continued to weigh on final investment decisions and capex commitment for exploration and production activity.

THE YEAR IN REVIEW

The Group's revenue for FY2018 rose to $32.7 million with a gross profit of $9.4 million compared to a gross profit of $2.6 million a year ago, which included a write-back of expired warranty provision of $1.2 million for FY2017. The impact of the bargain purchase gain, due to the 54.98% acquisition of CHO, resulted in a net profit of $14.3 million for FY2018 as compared to a net loss of $10.7 million in FY2017. After taking into account non-controlling interests, the net profit attributable to shareholders for FY2018 was $17.6 million.

The Group reported net operating cash outflows of $9.3 million for FY2018, to fund working capital required for operations. Cash and short-term deposits were at $28.9 million as at 31 December 2018. The Board is recommending a first and final tax exempt (one-tier) dividend of 0.5 cent per share for the financial year ended 31 December 2018.

Shareholders' funds as at 31 December 2018 stood at $220.8 million, up from $202.5 million as at 31 December 2017, due mainly to the net profit in FY2018.

LOOKING AHEAD

Oil prices will remain volatile in 2019 with many geopolitical factors sending mixed signals. Although on the upside the market expects a limited increase in oil demand, stemming from low oil prices, coupled with a further reduction in supply from Saudi Arabia, Russia, Iran (to name a few), the US-China trade tension is expected to weigh on global economic growth with surging US crude oil production adding pressure on oil prices.

The Group will remain prudent and cautious in managing its operational expenditure and business risk.

IN APPRECIATION

On behalf of the Board, I would like to extend my congratulations to Ms Chang and my thanks to Dr Chang for his service as well as extend a warm welcome to the board of directors, management and staff of CHO. I would also like to express my heartfelt gratitude to our shareholders, valued customers, suppliers and business associates for their patience and unwavering support and confidence in the Group.

We would also like to acknowledge the commitment, hard work, time and effort invested by our management and staff in pushing ahead through uncertain times.

Finally, my deep appreciation goes to my committed colleagues on the Board for their guidance, wise counsel, solidarity and professionalism in executing their corporate responsibilities.

LIM HO SENG
Chairman
Baker Technology Limited

BOARD
OF DIRECTORS

Lim Ho Seng / Age 75
Chairman

Appointed to the Board since 1 October 1999 and currently the Chairman of Baker Technology Limited ("Baker Tech"), Mr Lim, who is a Non-Executive Director, is also a member of the Remuneration Committee. He was last re-elected as a Director on 27 April 2018.

Mr Lim was an independent director of KS Energy Limited and a former Chief Executive Officer of NTUC Fairprice Co-operative Ltd.

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

Jeanette Chang / Age 42
Chief Executive Officer

Appointed to the Board as Executive Director on 1 September 2013, Ms Chang was redesignated to the position of Chief Executive Officer of Baker Tech on 1 January 2019 and appointed as a member of the Nominating Committee on 14 February 2019. Ms Chang was last re-elected as Director on 22 April 2016. She is due to retire by rotation at the 2019 Annual General Meeting ("AGM") and will be seeking re-election as Director at the 2019 AGM. Ms Chang is responsible for the overall management of the Group.

Ms Chang is also a Non-Executive Director of CH Offshore Ltd. ("CHO"). She has an engineering and finance background having previously worked with Mott MacDonald Group in London on UK and Singapore engineering projects. Prior to joining the Company, Ms Chang was a Director in the Equity Capital Markets team at Barclays Bank PLC where she worked for nine years. She has significant experience in corporate finance especially in relation to fund raising in the capital markets.

Ms Chang holds a Master in Engineering First Class (Civil Engineering) degree from Imperial College London and a Master of Business Administration with Distinction from London Business School.

Dr Benety Chang / Age 71
Executive Director

Appointed as Director and Chief Executive Officer of Baker Tech since 5 May 2000, Dr Chang was re-designated to the position of Executive Director of the Company on 31 December 2018. Dr Chang ceased to be a member of the Nominating Committee on 14 February 2019. Dr Chang is the major shareholder of the Company and was last re-elected as Director on 27 April 2018.

Dr Chang is an Executive Director and Chief Executive Director of CHO, a subsidiary of Baker Tech. Dr Chang has extensive experience in the offshore oil and gas industry and was the major founding shareholder and CEO of PPL Shipyard Pte Ltd until his resignation in July 2012.

Dr Chang holds a MBBS degree from the University of Singapore.

Tan Yang Guan / Age 65
Non-Executive Director

Appointed a Non-Executive Director of Baker Tech since 5 May 2000, Mr Tan was last re-elected as Director on 25 April 2017.

Mr Tan has more than 25 years of experience in the oil and gas industry. He joined PPL Shipyard Pte Ltd in 1988, was its Finance Director from 1995 to 2012 and was responsible for its accounting, financial and treasury functions. Prior to joining the oil and gas industry, he was an auditor with Ernst & Young.

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

BOARD OF DIRECTORS

Wong Meng Yeng / Age 60
Lead Independent Director

Appointed to the Board on 3 June 2010, Mr Wong was last re-elected as Director on 27 April 2018. As an Independent Director, Mr Wong chairs the Nominating Committee and is also a member of the Audit Committee. He was appointed as Lead Independent Director of the Company on 1 January 2014.

Mr Wong has been an advocate and solicitor in Singapore since 1984 and practices corporate commercial law. He is currently a director of Alliance LLC, a law firm in Singapore, since 2001. He is also an independent director of Multi-Chem Limited and Keong Hong Holdings Limited. Mr Wong was previously an independent director of KS Energy Limited.

Mr Wong holds a Bachelor of Laws (Honours) Degree from the National University of Singapore and is a member of the Singapore Institute of Directors.

Ang Miah Khiang / Age 65
Independent Director

Appointed to the Board on 1 November 2013, Mr Ang was last re-elected as Director on 25 April 2017. He will be due to retire by rotation at the 2019 AGM and will be seeking re-election as Director at the 2019 AGM. Mr Ang chairs the Audit Committee and is also a member of the Remuneration Committee.

Mr Ang spent the greater part of his career in the small-medium enterprise financing business, having held the position of Managing Director of GE Commercial Financing (S) Ltd (formerly known as Heller Financial (S) Ltd). He was also concurrently regional director for GE related businesses in the Asia Pacific. He is also an independent director of SK Jewellery Group Limited and PS Group Holdings Ltd. He was previously an independent director of Uni-Asia Holdings Limited and Katrina Group Ltd.

Mr Ang is a fellow of the Institute of Singapore Chartered Accountants and holds a Bachelor of Accountancy degree from the University of Singapore.

Han Sah Heok Vicky / Age 58
Independent Director

Appointed to the Board on 1 December 2013, Ms Han was last re-elected as Director on 25 April 2017. She will be due to retire by rotation at the 2019 AGM and will be seeking re-election as Director at the 2019 AGM. Ms Han is an Independent Director and the Chairman of Remuneration Committee, and is also a member of the Audit and Nominating Committees.

Ms Han is currently a director of BA Contracts Pte Ltd, a company that is principally engaged as a wholesaler, importer and exporter of various building materials and as a subcontractor in the building and construction industry.

Ms Han holds a Bachelor of Accountancy degree from the National University of Singapore and she has worked with various banking and financial institutions in Singapore, specialising in providing corporate finance services.

KEY EXECUTIVES

Tan Kiang Kherng
Chief Financial Officer

Mr Tan, 49, joined the Group in June 2002 as Financial Controller and is currently the Chief Financial Officer. He is also a Non-Executive Director of CHO. He is responsible for all financial matters of the Group, including financial reporting, strategic financial planning, treasury and internal controls. Prior to that, Mr Tan was a Senior Audit Manager with Ernst and Young, Singapore.

Mr Tan holds a Bachelor of Accountancy (Honours) degree from Nanyang Technological University, Singapore and is a member of the Institute of Singapore Chartered Accountants.

Tan Wee Lee
Managing Director
Baker Engineering Pte. Ltd.,
Sea Deep Shipyard Pte. Ltd.

Mr Tan, 49, joined the Group in October 2013 as the Managing Director of Baker Engineering Pte. Ltd. ("Baker Engineering") and in October 2018, Mr Tan was further appointed Managing Director of Sea Deep Shipyard Pte. Ltd. ("Sea Deep") and its wholly-owned subsidiary, Sea Hercules Cranes Pte. Ltd. Mr Tan is responsible for Baker Engineering and Sea Deep Group's overall management and operations.

Mr Tan began his career in Keppel FELS in 1995 and joined PPL Shipyard Pte. Ltd. in 1998, leaving in 2008 as a Project Manager. Prior to joining the Group, he was the General Manager of a private Chinese shipyard and the Managing Director of the Singapore subsidiary.

Mr Tan holds a Bachelor of Engineering Degree (Electrical Engineering) from Nanyang Technological University Singapore.

Heath McIntyre
Managing Director
BT Investment Pte. Ltd.

Mr McIntyre, 49, joined the Group in December 2013 as the Managing Director of BT Investment Pte. Ltd ("BT Investment"). He is also an Executive Director of CHO. Mr McIntyre is responsible for overall management and operations of BT Investment. Prior to joining the Group and since 2006, Mr McIntyre was Executive Director at Southern Capital Group, an independent private equity firm focused on middle-market Buyout investments in South East Asia. Prior to Southern Capital, he was at Affinity Equity Partners (formerly UBS Capital Asia Private Equity) then a large-cap private equity firm principally involved in Buyout investments in the broader Asia Pacific region.

Mr McIntyre holds a Bachelor of Commerce degree from University of Toronto and a MBA from University of Chicago, Graduate School of Business.

Victor Pinto
Managing Director
CHO Ship Management Pte. Ltd.

Capt. Pinto, 45, joined CHO Ship Management Pte. Ltd. ("CHOSM"), the main operating subsidiary of CHO for the OSV business in October 2018 as Managing Director. He is responsible for overall management and operations of CHOSM.

Capt. Pinto has over 20 years of experience in the Marine Industry. Most recently Capt Pinto served as General Manager Operations at Emas Offshore Limited from 2013 through 2018. Prior to his time with Emas Offshore, Capt Pinto spent 7 years with Gulf Marine Far East Pte Ltd (Subsidiary GulfMark Inc.) as Operations Manager.

Capt. Pinto is a Master Mariner and holds an MBA from University of South Australia.

From Shore To Platforms

WORKING TOGETHER TOWARDS SUSTAINABLE GROWTH

WORKING IN SYNERGY ENABLES US TO ENHANCE INTERNAL OPERATIONS AND IMPROVE PRODUCTION AND EFFICIENCY. THIS ALLOWS US TO FOCUS ON THE HORIZON AND SEIZE OPPORTUNITIES AS THEY ARISE. GUIDED BY FOCUSED STRATEGIES AND EXECUTION, WE WILL PAVE THE WAY FORWARD FOR SUSTAINABLE GROWTH AS ONE BAKER TECH.

The State-of-the-Art DP2 Liftboat, Blue Titanium was deployed on a time charter in second quarter of 2018.

BT Investment Pte. Ltd. acquired a 54.98% stake in CH Offshore Ltd., a ship management, ship owning and chartering company.

SUSTAINABILITY

OVERVIEW

Adopting the Singapore Exchange ("SGX") sustainability reporting requirements, Baker Tech incorporates a sustainability report which features the environmental, social and governance ("ESG") factors, approaches and practices of the Group and identification of material topics and disclosure of performance indicators.

As a leading provider of specialised equipment and services to the oil and gas industry, we are constantly mindful of our social and environmental impacts which play a critical role to our business. Our Board of Directors help guide our sustainability direction towards promoting achievable sustainable growth and development. They take in careful consideration and feedback from our key stakeholders which comprises of our employees, shareholders and investors, suppliers and customers to work towards a sustainable future which protects the community and the environment.

The following sections covers the financial year from 1 January 2018 to 31 December 2018 and is not subjected to any external assurance. Baker Tech references the Global Reporting Initiatives ("GRI") Core Reporting Option as issued by the Global Sustainability Standards Board ("GSSB").

GRI Content Index

Disclosure Number	Disclosure Title	Reference/Comments
General Disclosures		
Organisation Profile		
102-1	Name of organisation	Cover Page
102-2	Activities, brands, products, and services	Page 4 - Corporate Structure Page 6 - Our Business
102-3	Location of headquarters	Page 5 - Corporate Information
102-4	Location of operations	Our operations are essentially conducted in Singapore
102-5	Ownership and legal form	Page 136 - Analysis of Shareholdings
102-6	Markets served	Page 10 - Operating Review
102-7	Scale of organisation	Page 10 - Operating Review Page 11 - Financial Review
102-8	Information on employees and other workers	Page 35 - Our People
102-9	Supply chain	Page 35 - Our People
102-10	Significant changes to the organisation and its supply chain	Page 6 - Our Business
102-11	Precautionary Principle or approach	Page 39 - Risk Management
102-12	External initiatives	Page 37 - Corporate Social Responsibility
102-13	Membership of associations	Page 6 - Our Business
Strategy		
102-14	Statement from senior decision-maker	Page 20 - Chairman's Message
Ethics and Intergrity		
102-16	Values, principles, standards, and norms of behaviour	Page 30 - Overview

Disclosure Number	Disclosure Title	Reference/Comments
General Disclosures		
Governance		
102-18	Governance structure	Page 41 - Corporate Governance Report
Stakeholder Engagement		
102-40	List of stakeholder group	Page 32 - Stakeholder Engagement
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	Page 32 - Stakeholder Engagement
102-43	Approach to stakeholder engagement	Page 32 - Stakeholder Engagement
102-44	Key topics and concerns raised	Our processes and procedures are subjected to regular reviews
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Page 108 - Notes to the Financial Statements
102-46	Defining report content and topic boundaries	Page 39 - Risk Management
102-47	List of material topics	Page 33 - Materiality Assessment
102-48	Restatements of information	Page 2 - Key Milestones Page 6 - Our Business
102-49	Changes in reporting	Disclosure of additional material topics
102-50	Reporting period	1 January 2018 to 31 December 2018
102-51	Date of most recent report	This is the 3rd report prepared by the Company
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	sustainability@bakertech.com.sg
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared based on reference to the Standards: Core option
102-55	GRI content index	Page 30 - GRI Content Index
102-56	External assurance	No assurance obtained
Specific Standard Disclosures		
Material Topic: Occupational Health & Safety		
103-1/2/3	The management approach and its components	Page 35 - Our People
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 35 - Our People
Material Topic: Anti-Corruption		
103-1/2/3	The management approach and its components	Page 40 - Governance
205-3	Confirmed incidents of corruption and action taken	Page 40 - Governance
Material Topic: Environmental Compliance		
103-1/2/3	The management approach and its components	Page 34 - Our Environment
307-1	Non-compliance with enviromental laws and regulations	Page 34 - Our Environment

SUSTAINABILITY

STAKEHOLDER ENGAGEMENT

At Baker Tech, we prioritise stakeholders engagement as a major part of our business strategy to achieve a sustainable business.

By focusing on and addressing the key concerns of our stakeholders and delivering on our commitments, we will create sustainable value for our stakeholders.

Stakeholders	Method and Frequency of Engagement	Topics of Concern	Our Commitment
Community and Environment	• Meetings • Community outreach initiatives	Stakeholder engagement and corporate social responsibility.	We practice good corporate citizenship values by continuing our support to various not-for-profit charitable causes and other organisations.
Customers	• Feedback channels such as email communication, phone call and teleconference • Meetings	Quality and cost effectiveness of product.	We strive to offer reliability, prompt delivery and quality customisation to fulfil our customers' requirement and maximise satisfaction.
Employees	• Regular staff memo or email • Weekly or monthly staff meeting • Trainings	Health and safety, career development and employee engagement.	We support our employees through clear policies, learning and development opportunities, whilst creating a safe, healthy and respectful working environment.
Suppliers	• Perform assessment and continuous monitoring of key suppliers/contractors • Regular meetings, emails, teleconference	Business relationship and ethical business practices.	We establish mutual trust and understanding in order to achieve strong rapport and long-standing relationship with our suppliers, contractors and sub-contractors.
Shareholders/ Investors	• Annual Report • AGM • SGX announcements	Business performance. corporate governance and strategy.	We aim to ensure timely and accurate disclosure of the Group's business developments to the shareholders, the investment and financial community.

MATERIALITY ASSESSMENT

Our management, with the assistance of the Board has provided resources to manage the governance of sustainability within Baker Tech.

In 2018, the Group conducted a review of material sustainability topics and guided by the Group's priorities and objectives as well as key factors impacting external stakeholders, a shortlist of potential topics were identified.

We narrowed down to these five defined material topics and their impact boundaries that would substantively influence stakeholders' perceptions and decisions:

Material Topics	GRI Standards of Disclosure	Impact Boundary
Environmental		
Legal and regulatory compliance	Environmental compliance	Vessel operation and corporate office
Energy and emission	Energy and emissions	Vessel operation and corporate office
Waste management and disposal	Effluents and waste	Vessel operation and corporate office
Social		
Occupational health and safety	Occupational health and safety	All employees
Governance		
Ethics and anti-corruption	Anti-corruption	Corporate office and operation

SUSTAINABILITY

OUR ENVIRONMENT

At Baker Tech, we are mindful of our impact on the environment and practice adherence to relevant environmental regulations. We are not aware of any non-compliance with environmental laws or regulations nor have noted any major breaches of voluntary codes.

Baker Engineering is **ISO 14001 CERTIFIED**, with the prevailing environmental standards which it adheres to, applied throughout our group operations where relevant.

Paperless internal communication to reduce paper consumption. Encourage use of non-disposable utensils; minimal use of plastic, Styrofoam or any form of disposable utensils.

Regularly serviced air-conditioning units set to an optimum temperature to **REDUCE ELECTRICITY USAGE** and programmed to automatically switch off after working hours. Use of LED lightings and energy saving appliances to improve energy efficiency.

Any scrap material generated in the form of scrap steel and wooden pallets are set aside for future use if **REUSABLE.**

Create conservancy awareness among staff through notices and internal memos.

RISK ASSESSMENTS and procedures are implemented for the identification, handling and disposal of both **HAZARDOUS AND NON-HAZARDOUS MATERIAL**. Our vessels are equipped with waste management and disposal system that ensures waste generated are disposed accordingly to strict protocols.

Waste bins in the mess hall are separated into food waste (perishable items) and General waste. Waste bins on deck are divided into General waste bin, Scrap material bin and Special bin (Battery bin and Razor blade bin). Waste disposal is then conducted onshore to **AVOID POLLUTING THE OCEANS.**

OUR PEOPLE

Baker Tech promotes the continuous development of an inclusive, diverse and secure work environment where our staff, can freely express their ideas, with equal opportunity to succeed.

Our company has matured over time, by conscientiously recruiting a highly competent and diverse group of people, establishing strong working relationships and camaraderie in a team driven work culture. Our business prides itself on supporting staff with strong self-driven work ethics fostered in a harmonious work environment designed to enhance growth, creativity and efficient outcomes.

HR POLICY

Our daily operating procedures are governed by human resource policies that are in place which aims to develop and encourage a safe and healthy working environment, fair employment practices, learning and development opportunities, high staff retention and opportunities to cultivate and recognise talent.

Our Group practices a non-discriminatory hiring policy, with assessment based solely on merit, looking at the suitability of candidates based on their qualifications, skills, aptitude, and attitude to perform a role in question and contribute to the company.

To encourage a healthy work-life balance lifestyle in our employees, the Group adopts a five-day working week. We recognise the importance of our employee's well-being and prioritise it by investing in an extensive healthcare support system where employees are entitled to healthcare insurance and both medical and dental benefits.

We are also committed to protecting our foreign workers by ensuring that their welfare is not compromised. All our foreign workers are housed in clean and well-maintained dormitories equipped with a variety of recreational facilities and amenities and transportation is provided to ferry the workers to and from work. Furthermore, regular site visits to the dormitories are carried out by the Human Resource team together with the Health and Safety team to ensure a clean, comfortable and safe living conditions are being maintained in the dormitories.

At the core of our business strategy is our commitment to support employees to be the best they can be. We recognise the need to continually upskill our workforce in order to remain competitive in the market. Employees are encouraged to attend both internal and external training which empowers them to undertake bigger tests and challenges, thus providing them with more opportunities to advance through the ranks.

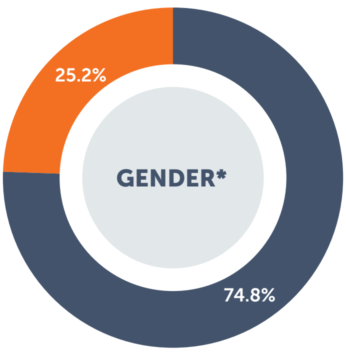
Employee Demographics Health and Safety

High standards of workplace safety and health are key factors in capturing the trust and confidence of the Group's employees and other stakeholders.

Three of our operating subsidiaries (Sea Deep, Sea Hercules Cranes and Baker Engineering) have attained OHSAS 18001 certification and undergo annual audits as part of the certification requirements as well as company policy. In addition, Sea Deep and Sea Hercules Cranes are bizSAFE Level 3 certified while Baker Engineering is a bizSAFE Star Enterprise. Baker Engineering earned the prestigious bizSAFE Enterprise Exemplary Award 2018 at the bizSAFE Convention organised by Workplace Safety and Health Council.

Safety awareness starts by having all new employees attend a mandatory safety induction programme during which workplace hazards and at-risk areas are highlighted and the Group's OHSAS procedures are outlined. New hires are also issued with personal protective equipment including safety boots, helmets, goggles and ear plugs. All regulatory trainings and medical examinations that are required under the Workplace Safety and Health Act are carried out by authorised external providers, where necessary.

SUSTAINABILITY



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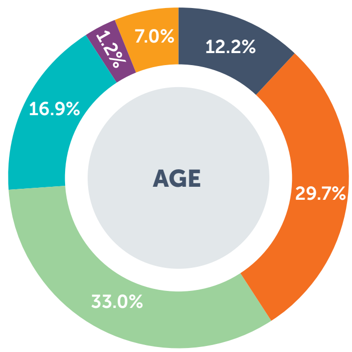

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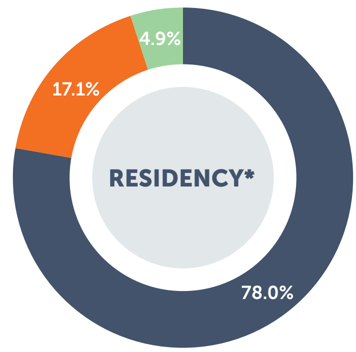

Singaporean and PR
E Pass and S Pass Holders
Work Permit Holders

** Excluding Non-traditional source workers*

Contractors and subcontractors required to work in our yards are given safety induction training prior to work commencement which covers safety aspects such as yard layout and safety protocols. Safe work procedures and risk assessments are also required to be in place prior to the start of a project and are constantly reviewed at various stages of the project.

Workplace Safety Health and Environment ("WSHE") promotions are organised regularly during the course of the year to bolster workplace safety and health practices. Two successful safety programmes - a "Drive Safe Work Safe Campaign" and a "Target Zero Falls Campaign" encouraged participation from all employees (including supervisory staff, general workers), contractors and sub-contractors.

Emergency drills with various scenarios including fire and rescue are also conducted periodically by the WSHE committee in conjunction with continuing health and safety emergency response initiatives.

Under our haze management guidelines, employees are instructed on the protocol to be adopted under various 24-hour PSI scenarios and protective equipment including N95 respirators are issued to all outdoor employees and made readily available to all other employees. Proper site housekeeping, regular site inspection and frequent pest control are carried out routinely.

The Group's workplace safety and health protocols and compliance programmes goes through stringent reviews and checks annually to ensure the safety and well-being of our employees are taken care for.

We assess our personal workplace safety performance by examining reportable injuries:

Reportable injuries

Safety Measurement	2018 Actual (per 1 million man-hours)	2019 Target (per 1 million man-hours)
Environmental		
Accident frequency rate (annual incidents involving first aid)	0	<1.2
Accident severity rate (annual incidents involving treatment beyond first aid)	0	<30

CORPORATE SOCIAL RESPONSIBILITY

Good corporate citizenship matters more than before in today's environment of globalisation. Baker Tech has worked with various communities and charity organisations and participated in various social development project through means such as staff volunteerism or cash donations which testify to our commitment to improve the well-being and development of the community and environment.

FOOD DISTRIBUTION DRIVE

The Company partnered with Apex Club of Bukit Timah once again to pack and distribute food rations to the elderly and the less fortunate living around Red Hill and Queenstown. Staff volunteers also took this opportunity to chat and mingle with the residents.

BACK-TO-SCHOOL SHOPPING INITIATIVE

Baker Tech, along with the South West Community Development Council, hosted back-to-school shopping drive and sponsored shopping vouchers for underprivileged students from low income households to purchase school books and stationary items for the upcoming school year.

INAUGURAL BOWLING COMPETITION

In our effort to engage employees to lead healthy and vibrant lives, Baker Tech organised its inaugural company bowling tournament which saw staff of all skill levels showcasing their talent in a fun and friendly environment.

YEAR-END PARTY

Baker Tech's annual year-end party to celebrate a year gone by and usher in the new year once again witnessed joyous feasting, enthusiastic participation and wholesome camaraderie by all staff under the Group, which in turn boost staff cohesion and morale.

SINGAPORE CORPORATE GOVERNANCE WEEK

Baker Tech remains committed to aligning our interests with the highest principles of business ethics and corporate governance requirements and continues to participate and contribute towards the Singapore Corporate Governance week.

SUSTAINABILITY

INVESTOR RELATIONS

At Baker Tech, our Investor Relations ("IR") team practices are designed to facilitate effective communication and continued engagement, built on good rapport and long-term relationship, as we stay committed to deliver sustainable value for our stakeholders.

The IR team aims to raise awareness and understanding of the Group's strategy, business developments and financial performance through multiple communication platforms, while ensuring timely and accurate disclosure to the stakeholders, shareholders, the investment and financial community.

With the Chairman of the Board, Mr Lim Ho Seng spearheading the IR team, Baker Tech strives towards enhancing good investor relations practices and transparency levels.

Financial Calendar 2019	
February	Announcement of Financial Year 2018 Fourth Quarter and Full Year Results
April	Release of Annual Report 2018 Annual General Meeting
May	Announcement of Financial Year 2019 First Quarter Results
August	Announcement of Financial Year 2019 Second Quarter and Half Year Results
November	Announcement of Financial Year 2019 Third Quarter and Nine Months Results
December 31	End of Financial Year 2019

RISK MANAGEMENT

As part of Baker Tech's commitment to deliver sustainable value to stakeholders, the Group recognises the importance of identifying and addressing key risks. The Group therefore has in place an enterprise risk management framework to effectively mitigate and minimise significant exposures to industry-related, financial and operational risks in order to safeguard stakeholders' interests, the Group's assets and to deliver sustainable value to shareholders.

INDUSTRY-RELATED RISKS

Adopts strategic objectives to mitigate operational risks by cautiously reducing our cost base and curtail discretionary expenditure.

The framework and its implementation actions are regularly assessed and evaluated by the Board to ensure the Group's strategic objectives and consistency and risk appetite are aligned.

OPERATIONAL RISK

Cultivate safe working mind sets, habits and raise awareness of the OHSAS 18001 certified in-house safety procedures and policies, regular trainings, toolbox and safety meetings, safety promotions as well as site walkabouts are carried out and constantly reviewed and improved by the safety committee.

All operational employees of the Group undergo internal safety briefings, external competency training, orientation programmes and fire evacuation drills to ensure preparedness and cooperation during emergencies.

A business continuity plan and response measures to address any disruption of business operations. Alternative sites are also made available to minimise downtime.

FINANCIAL RISKS

The Group's strategy and finances are reviewed regularly to assure continued liquidity while exploring new market opportunities for growth.

Adopts and practice a policy that collects payment before delivery or an up-front collection of non-refundable deposits, while closely reviewing outstanding debts and debtors in order to ensure financial discipline.

Foreign currency fluctuations risks are either hedged naturally by a sale or purchase of a matching asset or liability of the same currency and amount or, where possible, the Group undertakes spot conversion of excess foreign currencies to Singapore dollar.

SUSTAINABILITY

GOVERNANCE

Baker Tech is committed to laying strong foundations and adhering to a scrupulous code of corporate governance.

With this in mind, emphasis has been on securing a solid foundation, with full transparency and oversight of activities and decision-making functions undertaken by management.

Ensuring that we act ethically and responsibly at all times, our internal culture and related codes of conduct reflects emphasis on integrity, fairness, value addition, and transparency.

Baker Tech, documents its policies and work processes to ensure that sufficient checks and balances are in place. Regular audits are also conducted to assess and verify the virtue of our internal controls. Furthermore, any marketing and sales commission given to agents are regularly scrutinised and probed by the Board.

Our code of conduct which deals with issues such as work ethics and discipline, corporate gifting, conflict of interest, confidentiality, insiders trading, whistle-blowing and corruption.

The international nature and scope of the oil and gas industry coupled with the intricacy of the workings and contractual relationships with partners, suppliers and other contractors has pushed compliance with anti-bribery and anti-corruption regulations into the limelight, necessitating considerable management focus.

The recent spate of high-profile corruption scandals serves as a reminder for us to remain guarded and circumspect. The Group employs a zero-tolerance policy towards bribery and corruption which aims to safeguard our brand, employees, business associates and stakeholders from the risks associated with such odious activities. This is evidenced throughout the 2018 calendar year which saw no incidents of corruption, improper conduct or associated behaviour.

In 2017, Baker Tech was awarded the Investors' Choice Transparency Award for commendable standards in disclosure and transparency by an SME, from the Securities Investors Association Singapore (SIAS) at the 8th Singapore Corporate Governance Week. This is in addition to the Singapore Corporate Awards (SCA) Best Managed Board Gold awards won in 2011 and 2014 and Silver award won in 2010.

CORPORATE GOVERNANCE REPORT

Baker Technology Limited (the "Company" or "Baker Tech") and its subsidiaries (collectively, the "Group") are committed to observing high standards of corporate governance and promoting corporate transparency accountability and integrity to enhance long-term value for shareholders.

The Company received a silver award for Best Annual Report for companies under $300 million in market capitalisation at the 2018 Singapore Corporate Awards, making it the seventh consecutive year that the Group has won an award in this category. The award recognises excellence in the presentation of financial reporting, high level of corporate disclosures and transparency.

This report sets out the Company's corporate governance practices for the financial year ended 31 December 2018 ("FY2018"), with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code"). The Company has adhered to most of the principles and guidelines of the Code and provided an explanation for any deviation from the Code, where applicable.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the "2018 Code") and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to annual reports covering financial years from 1 January 2019. The Company will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate in the next Annual Report.

BOARD MATTERS

Principle 1: Board's Conduct of Affairs

Board's Role

The Board oversees the business affairs and performance of the Group. The Board also sets the Group's values and standards to ensure obligations to shareholders and other stakeholders are understood and met. Its primary functions include approving the broad policies, strategies and financial objectives of the Group and monitoring the performance of Management, considering the sustainability issues as part of its strategic formulation, overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance and assuming responsibility for corporate governance. The Board delegates the formulation of business policies and day-to-day management to the Executive Directors.

Independent Judgment

In discharging their fiduciary duties, all Directors are expected to exercise independent judgment and make decisions objectively in the best interest of the Company. A Director who is interested in a transaction or proposed transaction will declare his interest and abstain from deliberation and decision making. Independence is an important criterion for the Nominating Committee's evaluation of the performance of each Director and the individual Director's self-assessment.

Delegation of Authority to Board Committees

The Board is supported by three Board Committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), each with its own specific terms of reference setting out the authority and duties of the Board Committees and all the terms of reference for the Board Committees are approved by the Board.

Board Processes

Board and Board Committee meetings are held regularly, with the Board meeting no less than 4 times a year. To facilitate Director's attendance at meetings, the dates of Board and Board Committee meetings as well as annual general meetings are scheduled in advance. Ad-hoc Board and Board Committee meetings are arranged as and when circumstances require. The Company's Constitution provides for the convening of the Board and Board Committee meetings by way of telephonic, video conferencing or other similar means of communication.

SUSTAINABILITY

During FY2018, the number of the Board and Board Committee meetings held and attended by each member of the Board and Board Committees at the meetings are set out as follows:

	Board		AC		NC		RC	
Name of Directors	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Lim Ho Seng	6	6	5	5*	1	1*	1	1
Jeanette Chang	6	6	5	5*	1	1*	1	1*
Dr Benety Chang	6	6	5	5*	1	1	1	1*
Tan Yang Guan	6	5	5	5*	1	1*	1	1*
Wong Meng Yeng	6	6	5	5	1	1	1	1*
Ang Miah Khiang	6	6	5	5	1	1*	1	1
Han Sah Heok Vicky	6	6	5	5	1	1	1	1

** Refers to meetings attended by invitation*

Matters Requiring Board Approval

The Group has in place an internal guide regarding matters that require the Board's approval including setting the strategic direction or policies or financial objectives which have or may have significant impact on the future profitability or performance of the Group, material acquisition and disposal of assets, funding proposals, approval of annual budgets, financial statements and declaration of dividends. Management is also given clear directions on matters (including setting thresholds for operating and capital expenditure relating to subsidiaries) that require the approval of the Board.

Board Orientation and Training

The Company has an orientation programme for newly appointed Directors where the Director would be briefed on the Group's industry, business operations, governance practices and expected duties of a Director of a listed company. Newly appointed Directors will receive an induction pack containing the Company's latest annual report, information and documents relating to role and responsibilities of a director, relevant company policies and procedures and regulatory guidelines relevant to the Group as well as a board meeting calendar for the year. If a newly appointed Director does not have any prior experience as a director of a listed company, the Company will arrange for such person to attend the Listed Company Director Programme conducted by the Singapore Institute of Directors. Formal letters of appointment will be furnished to any newly appointed Directors, setting out among other matters, the key terms of their appointment, obligations, duties and responsibilities as a member of the Board. No new Director was appointed in 2018.

The Directors are provided with updates on the changes in relevant laws and regulations, code of corporate governance, financial reporting standards and industry related matters, from time to time. In addition, the Directors are also encouraged to attend relevant training programmes, seminars and workshops to enhance their skills and knowledge, at the expense of the Company.

The Company Secretary also keeps the Directors informed of upcoming conferences, training and seminars relevant to their role as Directors of the Company. At the AC meetings, the external auditors would update the AC and the Board on new or revised accounting standards which are applicable to the Company or the Group.

The NC reviews and makes recommendations on the training and professional development program to the Board. The Board was apprised of the training programmes attended by the Directors in 2018.

Principle 2: Board Composition and Guidance

Board Independence

As at the date of this report, the Board has seven Directors comprising three Independent Directors, two Non-Executive Directors and two Executive Directors, namely:

Mr Lim Ho Seng
Chairman, Non-Executive Director

Ms Jeanette Chang
Chief Executive Officer ("CEO")
(Appointed and re-designated as CEO on 1 January 2019)

Dr Benety Chang
Executive Director
(Relinquished the role of CEO on 31 December 2018)

Mr Tan Yang Guan
Non-Executive Director

Mr Wong Meng Yeng
Lead Independent Director

Mr Ang Miah Khiang
Independent Director

Ms Han Sah Heok Vicky
Independent Director

With more than one-third of the Board comprising of Independent Directors, this provides for objective and independent judgment by the Board on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision-making process.

Mr Lim Ho Seng has served for more than nine years on the Board. Mr Lim was designated from an Independent Director to a Non-Executive Director with effect from 1 January 2014 solely on account of him having served for more than nine years on the Board. The Board is of the view that Mr Lim continues to exercise independent judgment in the best interest of the Company.

The Board noted that where the Chairman of the Board is not an Independent Director, the Independent Directors should make up at least half of the Board. Nonetheless, whilst acknowledging the objective of this Guideline, the Board and the NC are of the opinion that the process of decision making by the Board is independent despite its current Board composition. Further, in view of the ongoing challenges faced by marine and offshore oil and gas industry, the Board is of the view that it would need more time to consider the choice of a suitable new Board member.

The NC determines on an annual basis whether or not a Director is independent, taking into account the Code's definition of an independent director and guidelines as to relationships in determining the independence of a director. For the purpose of determining Directors' independence, every Director has provided declaration of their independence which is deliberated upon by the NC and the Board. The NC has reviewed and is satisfied with the independence of the Independent Directors, namely Mr Wong Meng Yeng, Mr Ang Miah Khiang and Ms Han Sah Heok Vicky.

Composition and Size of the Board

The NC reviews the size and composition of the Board and Board Committees annually to ensure that the size of the Board is conducive to effective discussion and decision making and the Board has the appropriate number of Independent Directors. When there is a vacancy or a need for new appointments to the Board, the NC will select and recommend candidates based on their skills, experience, knowledge and diversity in terms of expertise. The Board is of the view that its present size is appropriate, taking into account the nature and scope of the Group's operations. The current Board has a good mix of core competencies in the areas of marine and offshore industry knowledge, accounting and finance, compliance, legal, business and management experience, familiarity with regulatory requirements and knowledge of risk management. The Board has two female Directors, in recognition of the importance and value of gender diversity.

Key information regarding the Directors is set out in the "Board of Directors" section on page 22 to 25 and "Directors' Statement" section on page 60 of this Annual Report.

SUSTAINABILITY

Role of the Non-Executive Directors

The Non-Executive Directors, including Independent Directors, participate actively in the Board and Board Committees. They are encouraged to constructively challenge and help develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. To facilitate a more effective check on Management, they are encouraged to meet regularly without the presence of Management. In addition, they are free to request further clarification and have independent access to our Senior Management. If necessary, Non-Executive Directors, including Independent Directors, may initiate meetings to address any specific matter involving any other member of our Management.

**Principle 3:
Chairman and CEO**

There is a clear separation of roles and responsibilities of the Chairman and CEO. Mr Lim Ho Seng, who is the Chairman of the Board, and Ms Jeanette Chang, the CEO of the Company, are not related to each other. The Chairman provides leadership to the Board. He sets the meeting agenda in consultation with the CEO and ensures that Directors are provided with complete, adequate and timely information, promotes a culture of openness and debate at the Board as well as to ensure effective communication with the shareholders. In addition, the Chairman encourages constructive relations within the Board and between the Board and Management to facilitate the effective contribution of Non-Executive Directors in particular in order to promote high standards of corporate governance. The CEO is responsible for the day-to-day management and business operations and executions of strategies and policies with the support of the Executive Directors and the management team.

Mr Wong Meng Yeng has been appointed as the Lead Independent Director since 1 January 2014. As Lead Independent Director, he is the contact person for shareholders when any shareholders has concerns, in which direct contact through normal channels of the Chairman, the CEO or the Chief Financial Officer ("CFO") have failed to resolve or for which such contact is inappropriate. During the financial year, the Independent Directors have met once without the presence of other Directors and the Lead Independent Director has provided feedback to the Chairman after the meeting.

**Principle 4:
Board Membership**

NC Composition

The NC comprises three Directors, two of whom, including its Chairman, are independent non-executive Directors. As at the date of this report, the members of the NC are Mr Wong Meng Yeng (Chairman of NC), Ms Han Sah Heok Vicky and Ms Jeanette Chang.

The NC's responsibilities, as set out in its terms of reference approved by the Board, are to review and recommend candidates for appointment and re-appointment of Directors to the Board and the Board Committees, determine Director's independence, evaluate performance of the Board as a whole, its Board Committees and the individual Directors, review appointments and resignations of key management personnel and to review the Director's training and continuous professional development programme.

During the year, the NC held one scheduled meeting with full attendance.

Process for selection and appointment of new Directors

The NC makes recommendations to the Board on all board appointments and re-appointments. The selection of suitable candidates is conducted through contacts and recommendations and where necessary, external consultants may be engaged at the Company's expense. In reviewing and recommending to the Board any new Director appointment, the NC considers the needs and requirements of the Board and evaluates the candidate's independence, competencies and suitability which include, age, gender, academic and professional qualifications, industry experience, number of other directorships, relevant experience as a director and ability and adequacy in carrying out required task. Candidates who are shortlisted after being interviewed by members of the NC are then assessed by the Board for approval and appointment.

There are currently no alternate directors appointed to the Board.

Directors' Time Commitments

The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards and have other principal commitments. As a guide, Directors should not have more than five listed company board representations and other principal commitments. In determining the ability of a Director to carry out his duties as a Director of the Company, the NC also takes into account the results of the assessment of the effectiveness of the individual Director and the respective Directors' actual conduct on the Board.

The NC had reviewed and was satisfied that no director had exceeded the maximum limit of listed company board representations and other principal commitments in FY2018 and that each Director has given sufficient time and attention to the affairs of the Company and has been able to discharge his duties as directors of the Company.

Re-nomination of Directors

All Directors to be 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 and Board Committee meetings (such as attendance, preparedness, participation and candour) and also reviews their independence.

The Constitution of the Company requires one-third of the Directors to retire from office by rotation once every three years. A retiring Director is eligible for re-election at the Annual General Meeting ("AGM"). Any Director appointed to fill a casual vacancy or as an additional Director shall hold office until the next AGM at which he/she will be eligible for re-election.

The NC, with each NC member abstaining in respect of his own re-election, has recommended the nomination of Directors retiring under Article 110 of the Company's Constitution, namely Ms Jeanette Chang, Mr Ang Miah Khiang and Ms Han Sah Heok Vicky for re-election at the forthcoming AGM. The Board has accepted the recommendations of the NC, and accordingly, Ms Jeanette Chang, Mr Ang Miah Khiang and Ms Han Sah Heok Vicky will be offering themselves for re-election.

Principle 5:
Board Performance

The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, and its Board Committees and each Director's contribution as well as of the Chairman to the effectiveness of the Board. The NC's assessment of the Board's performance as a whole is conducted on an annual basis taking into account factors such as Board composition, conduct of meetings, corporate strategy and planning, risk management, measuring and monitoring performance, financial reporting and communication with shareholders.

The NC's assessment of the performance of the Board Committees is assisted by the self-assessment checklists completed by the AC, NC and RC.

The individual Director's assessments by the NC are based on the Director's self-assessment and peer assessment. This annual evaluation process considers, among others, each Director's commitment of time for meetings of the Board and Board Committees, participation, contribution and deliberation of issues at meetings, knowledge and understanding of the major risk factors of the Company and interaction with fellow Directors, Management and other relevant parties as well as to determine whether new members are required to be added to the Board or to seek the resignation of directors.

The Board Chairman is assessed by the NC on attributes such as leadership, ethics and values, knowledge, interaction and communication skills.

Areas of strength and recommendation, if any, for improvements will be identified by the NC and tabled to the Board for discussion and comment.

SUSTAINABILITY

The Board has not engaged any external facilitator to conduct the performance evaluation of the Board. Where relevant and when the need arises, the NC will consider such an engagement.

Based on the NC's review, the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

Principle 6: Access to Information

Complete, Adequate and Timely Information and Access to Management

Information and data are important to the Board's understanding and deliberation of the Group's business. Management's proposals to the Board and Board Committees for decisions provide background and explanatory information which includes but not limited to monthly management accounts and analysis, information on budgets, forecasts, cash flow projections and manpower statistics.

Prior to each meeting of the Board and Board Committees, Management will provide the Directors with the meeting agendas and the relevant materials relating to the matters to be discussed during the meetings, so as to facilitate an informed discussion. Whenever necessary, senior management staff will be invited to attend the Board meetings and AC meetings to answer queries from the Directors. The Directors have separate and independent access to the Company's senior management to address any enquiries at all times or requests for additional information, if necessary.

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.

Company Secretary

The Board has separate and independent access to the Company Secretary, whose duties and responsibilities are clearly defined. The Company Secretary attends all Board and Board 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 Board Committees meetings are circulated by the Company Secretary to the respective Board and Board Committees. The appointment and removal of the Company Secretary is subject to the approval of the Board.

Independent Professional Access

The Directors, either individually or as a group, are entitled to take independent professional advice, where appropriate, with such expense borne by the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises three Directors, two of whom, including its Chairman, are independent non-executive Directors. As at the date of this report, the members of the RC are Ms Han Sah Heck Vicky (Chairman of RC), Mr Ang Miah Khiang and Mr Lim Ho Seng.

The RC's principal responsibilities are set out in its terms of reference approved by the Board. These are to review and recommend a framework of remuneration for the Directors and key management personnel and the specific remuneration packages including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kind of the Executive Directors and key management personnel; and to ensure that the framework is competitive and sufficient to attract, retain and motivate the Directors to provide good stewardship of the Company and the key management personnel to successfully manage the

Company. 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/her. For FY2018, no remuneration consultant was appointed to review the Directors' remuneration.

The RC reviews the Company's obligations under the service agreements of the Executive Directors and key management personnel that would arise in the event of termination of these service agreements to ensure that such service agreements contain fair and reasonable termination clauses.

Principle 8: Level and Mix of Remuneration

Remuneration of Executive Directors and Key Management Personnel

The Group's remuneration policy for Executive Directors and key management personnel comprises a base/fixed salary component and a variable bonus component that is linked to the Company/Group and individual performance and alignment with the interests of shareholders to promote the long-term success of the Company. In setting remuneration packages, the Group takes into consideration the market and pay conditions within the industry as well as the Group's performance in the relevant financial year and individual performance.

Basic Fee for Board Members	$40,000 per annum
Additional fee:	
- Allowance for Board Chairman	75.0% of Basic Fee
- Allowance for Lead Independent Director	20.0% of Basic Fee
- Audit Committee Chairman	50.0% of Basic Fee
- Audit Committee Member	25.0% of Basic Fee
- Remuneration / Nominating Committee Chairman	25.0% of Basic Fee
- Remuneration / Nominating Committee Member	12.5% of Basic Fee

The Executive Directors do not receive Directors' fees. Non-Executive Directors, including Independent Directors, (save for Mr Tan Yang Guan, who is remunerated by way of consultancy fees for providing financial advice and overview to the Group) are paid Directors' fees which take into consideration the contribution, time and effort spent and responsibilities of the Directors. The Directors' fees comprise a basic fee and additional fees for appointment on Board Committees. The Non-Executive Directors are not over compensated to the extent that their independence may be compromised.

The Directors' fee framework for the financial year ending 31 December 2019 ("FY2019") is the same as that for FY2018, as above.

Shareholders' approval will be sought at the AGM of the Company on 26 April 2019, for the payment of Directors' fees of S$273,000 to be paid quarterly in arrears for FY2019.

Having reviewed and considered the variable components in the remuneration packages of the Executive Directors and key management personnel, the RC is of the view that it is not necessary to institute contractual provisions to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

The Company's Share Option Scheme approved at the extraordinary general meeting held on 22 May 2002 (2002 Scheme) has expired on 21 May 2012. There has been no new share option scheme since the expiry of the 2002 Scheme. The Company will consider employee share option scheme or other long-term incentive scheme as and when deemed necessary.

SUSTAINABILITY

Principle 9: Disclosure on Remuneration

Disclosure of Remuneration

The Directors' remuneration for FY2018 is set out below:

Name of Directors	Fees ($)	Salary, CPF & Allowance ($)	Bonus ($)	Other Benefits[3] ($)	Total ($)
Lim Ho Seng	75,000	-	-	-	75,000
Jeanette Chang[1]	-	294,356	84,048	-	378,404
Dr Benety Chang[2]	-	488,850	142,800	-	631,650
Tan Yang Guan	-	-	-	166,860	166,860
Wong Meng Yeng	68,000	-	-	-	68,000
Ang Miah Khiang	65,000	-	-	-	65,000
Han Sah Heok Vicky	65,000	-	-	-	65,000

Notes:

1 Ms Jeanette Chang was appointed and re-designated as Chief Executive Officer on 1 January 2019. She is the daughter of Dr Benety Chang, Executive Director.

2 Dr Benety Chang relinquished his role as Chief Executive Officer on 31 December 2018.

3 This relates to consultancy fees paid by the Group.

The remuneration in FY2018 of key management personnel (who are not Directors or the CEO) are set out below in bands of S$250,000:

Name of Key Management Personnel	Designation	Salary, CPF & Allowance (%)	Bonus (%)
S$250,000 and up to S$500,000			
Tan Kiang Kherng	Chief Financial Officer (Baker Technology Limited)	78	22
Tan Wee Lee[1]	Managing Director (Baker Engineering Pte. Ltd., Sea Deep Shipyard Pte. Ltd.)	72	28
Heath McIntyre	Managing Director (BT Investment Pte. Ltd.)	85	15
S$250,000 and below			
Ong Thian Whee Albert[2]	Managing Director (Sea Deep Shipyard Pte. Ltd.)	100	0

1 Mr Tan Wee Lee was appointed as Managing Director of Sea Deep Shipyard Pte. Ltd. on 3 October 2018.

2 Mr Ong Thian Whee Albert resigned as Managing Director of Sea Deep Shipyard Pte. Ltd. on 31 August 2018.

The aggregate remuneration paid to the four key management personnel for FY2018 was S$1,490,893.

The Company believes that it may not be in the Group's interest to disclose the remuneration of the key management personnel to the level as recommended by the Code, given highly competitive hiring conditions and the need to retain the Group's talent pool.

Employee Related to Directors/ CEO

Save as disclosed in the above remuneration table for Directors, there is no employee in the Group who is an immediate family member of any of the Directors or the CEO and whose remuneration exceeded S$50,000 during FY2018. "Immediate family member" means spouse, child, adopted child, step-child, brother, sister and parent.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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.

For the quarterly financial statements, the Board provides a negative assurance confirmation to shareholders, confirming to the best of their knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading. For FY2018, the Company's CEO and CFO have provided assurance to the Board on the integrity of the Group's financial statements.

Pursuant to the Rule 720(1) of the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), all the Directors and executive officers of the Group have signed a letter of undertaking.

Principle 11: Risk Management and Internal Controls

The Board has overall responsibility for the management of the Group's key risks to safeguard shareholders' interests and its assets. The AC has been tasked to assist the Board in the oversight of the risk management and internal control systems within the Group while the ownership of day-to-day management and monitoring of existing internal control systems are delegated to Management which comprise the Executive Directors and key management personnel of the Group.

The AC, with the assistance of the internal auditors, reviews the adequacy and effectiveness of the Company's internal control systems, including financial, operational, compliance and information technology controls and risks management policies and systems established by the Management on an annual basis. In addition, the external auditors will highlight any material control weaknesses within the Group discovered in the course of the statutory audit. Such material internal control weaknesses noted by the internal and external auditors, and recommendations, if any, are reported to the AC.

As the environment in which the Group operates changes, risks and opportunities change. Based on the enterprise-wide risk management framework ("ERM Framework") established and maintained in the Company, Management at all levels are expected to constantly review the business operations and the environment that the Group operates in order to identify areas and ensure mitigating measures are promptly developed to address these risks. As part of the framework, risk registers were established to document the key risks, risk appetite, risk tolerance, risk evaluation and mitigating controls. Management will regularly review the key risks, both existing and emerging new risks; determine the key owners for the risks identified; ensuring treatment measures for mitigating these risks are promptly and properly implemented; and ensuring policies and controls are complied with. Management reports to the AC on a quarterly basis. Appropriate mitigating actions in managing the key risks, as well as action plans to address the gaps are considered and documented.

The ERM Framework is complemented by the Group's system of internal controls, which includes the Code of Conduct, documented policies and procedures, proper segregation of duties, approval procedures and authorities as well as checks-and-balances built into the business processes.

During the year under review, the Board has received assurances from the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and the Group's risk management and internal control systems are adequate and effective in addressing material risks in the Group in its current business environment.

Based on the ERM Framework established, reviews carried out by the AC, the work performed by the internal and external auditors and assurance from the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management systems and internal controls were adequate and effective as at 31 December 2018 to address financial, operational, compliance and information technology risks within the current scope of the Group's business operations. The Board notes 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.

Principle 12: Audit Committee

The AC comprises Mr Ang Miah Khiang, Mr Wong Meng Yeng and Ms Han Sah Heok Vicky, all of whom are Independent Directors. The Chairman of the AC is Mr Ang Miah Khiang. All members of the AC are appropriately qualified, with at least two members having the requisite financial management expertise and experience.

The AC does not have any member who is a former partner or Director of the Company's existing audit firm.

The AC carried out their duties in accordance with the terms of reference which include the following:

(i) review the quarterly, half yearly and full year financial statements of the Group before submission to the Board for approval,

(ii) review the significant financial reporting issues and judgments, changes in accounting policies and standards and major risk areas so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(iii) review the scope and results of the external audit work, cost effectiveness of the audit, and the independence and objectivity of the external auditors;

(iv) review, 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;

(v) review the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems, relying on reviews carried out by the internal auditors;

(vi) recommend to the Board on the appointment and re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors; and

(vii) review interested person transactions (if any) falling within the scope of the Listing Manual of the SGX-ST.

The AC met five times during the year under review. Details of AC members and their attendance at meetings are provided on page 42. The auditors (if required), the CEO, CFO and Company Secretary were also in attendance.

The AC has the authority to investigate any activity it deems appropriate within its terms of reference and is authorised to obtain independent professional advice. It has full access to and cooperation of the Management and reasonable resources to enable it to discharge its duties properly. It reviews the assistance given by the Company's officers to the external and internal auditors. The AC has unrestricted access to the external and internal auditors. The AC had met with the Company's external and internal auditors once without the presence of Management during FY2018 to review any matter that might be raised privately. It also has full discretion to invite any Director, key management personnel or any other person to attend its meetings.

During the year under review, the aggregate amount of fees payable to the external auditors, Ernst & Young LLP ("EY") for audit and non-audit fees amounted to S$182,000 and S$61,000 respectively. The AC, having reviewed the scope and value of non-audit services provided to the Group by EY, is satisfied that the nature and extent of such services has not prejudiced and effect their independence and objectivity.

In reviewing the nomination of EY for re-appointment as the Company's auditor for the financial year ending 31 December 2019, the AC had considered the adequacy and appropriate resources and experience of the firm and the assigned audit engagement partner, other audit engagements and the number and experience of the supervisory and professional staff assigned to the Group's audit.

EY has confirmed that they are registered with the Accounting and Corporate Regulatory Authority. The Company has complied with Rule 712 and 715 of the Listing Manual of the SGX-ST in relation to the appointment of auditors. Accordingly, the AC has recommended EY for re-appointment as statutory auditor at the forthcoming AGM.

The AC has reviewed the key audit matters disclosed in the independent external auditor's report and is of the view that there is no material inconsistency between the audit procedures adopted by the independent external auditor and Management's assessment.

The Company has a Code of Conduct and Gift Policy which has been adopted since 2014 to regulate the ethical conduct of its employees. The Code of Conduct 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.

Whistle-blowing Policy

The Company has in place a Whistle-blowing Policy to promote the highest standard of work ethics and to eliminate unethical, illegal, corrupt and wasteful behaviour and acts. The policy provides an independent feedback channel through which matters of concern about possible improprieties in matters of financial reporting, fraudulent behaviour and other matters may be raised by employees and any other persons directly to any AC member in confidence and in good faith without fear of reprisals.

The Policy establishes the processes by which whistleblowing complaints are handled and the confidentiality and identity of the whistleblower is maintained and protected.

The AC ensures that independent investigations and any appropriate follow up actions are carried out. Details of this policy have been disseminated and made available to all employees of the Group. To date, there were no reports received through the whistle blowing mechanism.

Principle 13: Internal Audit

The Company's internal audit function is outsourced and its current internal auditor is PricewaterhouseCoopers ("PwC"). The Board has approved the recommendation of the AC to re-engage PwC as internal auditor ("IA") of the Company. The IA has access to all records including access to AC. The IA's primary line of reporting would be to the AC Chairman and administratively to the CFO.

The IA function is independent of the activities it audits. The IA, PwC, is a corporate member of the Institute of Internal Auditors Singapore with professionals with relevant qualifications and experience. The audit work is carried out according to the standards set by internationally

SUSTAINABILITY

recognised professional bodies including the Standards for the Professional Practise of Internal Auditing of the Institute of Internal Auditors.

The AC reviews and approves the internal audit plan and reviews the scope and results of internal audit procedures issued by the IA.

During FY2018, the IA completed an internal audit review of the Group on key processes such as production efficiency, workplace safety and health, human resources and payroll management and general control environment. The findings and recommendations of the IA, Management's responses and implementations have been reviewed and approved by the AC.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Company endeavours to treat all shareholders fairly and equitably and the rights of all investors, including non-controlling shareholders are protected.

Shareholders are informed of any changes in the Group's business that are likely to materially affect the value of the Company's shares.

The Group ensures that shareholders have the opportunity to participate effectively in and vote at general meetings. The relevant rules including the voting procedures are set out in the notice of general meetings. The link to SGX-ST's investor guides "An Investor's Guide to Preparing for Annual General Meetings" and "An Investor's Guide to Reading Annual Reports" has been included on the Company's website under "Investor Relations" with the aim of providing further assistance to shareholders in their investment activities.

The Company's Constitution allows all shareholders to appoint up to two proxies to attend general meetings and vote on their behalf. In the case of shareholders who are relevant intermediaries such as corporations holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of CPF investors, they are entitled to appoint more than two proxies pursuant to Companies (Amendment) Act 2014 which came into force on 3 January 2016.

Principle 15: Communication with Shareholders

The Company is committed to engaging its shareholders and the investing community and providing pertinent and accurate information about the Company in an effective, fair and timely manner. The Company has put in place an Investor Relations Policy that promotes this.

The Company does not practice selective disclosure. All material information including quarterly results announcements, are disclosed regularly and in a timely manner via SGXNet and the Company's website. The Chairman of the Board, Mr Lim Ho Seng, spearheads the Investor Relations function which comprises the Executive Directors and key management personnel. Management takes an active role in communications with shareholders and the investing community to address their queries or concerns and to update them on the latest corporate developments.

The Company's website at www.bakertech.com.sg is the key resource of information to shareholders. Among other things, it contains corporate announcements, media releases, financial results, presentations and annual reports. The Company's shareholders can contact the Company via the Company's website (under Contact Us).

Dividend Policy

The Company does not have a formal dividend policy. In its evaluation and recommendation of dividends, the Board will take into account the Company's operating performance, general financial condition, capital requirements, cash flow and other factors as the Directors may deem appropriate.

Principle 16: Conduct of Shareholder Meetings

The Board supports and encourages active shareholder participation at general meetings. The Company's Constitution allows all shareholders to appoint up to two proxies to attend and vote on his/her behalf and a proxy need not be a member of the Company. Voting in absentia by mail, email or fax has not been implemented due to concerns relating to issues of authentication of shareholder identity information and other related security issues.

The Company's principal forum of dialogue with shareholders takes place at its general meetings. At these meetings, shareholders are given the opportunity to express their views and ask questions regarding the Company and the Group. The Directors, in particular the Chairman of the Board and Chairpersons of Board Committees and Management are available to answer any question or concerns regarding the Company.

The Company maintains minutes of general meetings including substantive comments or queries from shareholders relating to the meeting agenda and responses from the Board members. These minutes will be available to shareholders upon their request. The Company ensures that every matter requiring approval is proposed as a separate resolution.

Since 2016, the Company has conducted electronic poll voting at shareholders' meetings for greater transparency in the voting process. The results of each resolution including the number of votes for, or against each resolution are instantaneously displayed at the meeting and announced after the meetings via SGXNet.

DEALINGS IN SECURITIES

The Group has put in place a policy on dealings in the securities of the Company by the Directors, officers and employees of the Company and its subsidiaries. The Group issues quarterly reminders to Directors, officers and employees on the restrictions in dealings in shares of the Company 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 also reminded not to trade in securities of the Company at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Company's securities on short-term considerations.

The Directors and Management are expected to observe the insider trading laws at all times when dealing in securities within permitted trading period.

ADDITIONAL INFORMATION

Interested Person Transactions Policy

The Company monitors all its interested person transaction closely and all interested person transactions are subject to review by the AC.

There were no interested person transactions conducted during the year which exceeds S$100,000 in value.

The Group does not have a general mandate from shareholders for interested person transactions.

MATERIAL CONTRACTS

There were no material contracts of the Company and its subsidiaries involving the interests of the CEO, 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.

SUSTAINABILITY

MAJOR PROPERTIES

The Group holds the following properties in Singapore:

Location	Description	Area (sqm)	Tenure
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	31,094	Expiring on 31 December 2023
10 Jalan Samulun Singapore 629124	An existing custom-built premises with single-storey workshop, 3-storey office and water frontage	10,430	Expiring on 31 December 2025
12A Jalan Samulun Singapore 629131	An existing custom-built premises with single-storey workshop, 3-storey office and water frontage	5,995	Expiring on 31 May 2025


BAKER
ENGINEERING
10 JALAN SAMULUN SINGAPORE 629124


BAKER
ENGINEERING
GUARDPOST
12A
CHO
CH OFFSHORE LTD
12A JALAN SAMULUN SINGAPORE 629131

From Strength To Strength

DELIVERING STABLE RETURNS TO STAKEHOLDERS

BAKER TECH IS COMMITTED TO DELIVERING STEADY RETURNS TO OUR ALL STAKEHOLDERS. OUR DIVERSE BUSINESS OPERATIONS ENSURE THAT WE REMAIN STEADFAST AND RESILIENT WHEN FACED WITH POTENTIAL CHALLENGES. BUILDING ON A SOLID TRACK RECORD AND STRONG BUSINESS MODEL ENABLES US TO GROW FROM STRENGTH TO STRENGTH, TO ENHANCE VALUE IN MORE WAYS THAN ONE.

$9.4m

GROSS PROFIT
FOR FY2018

$32.7m

REVENUE
FOR FY2018

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors are pleased to present their statement 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 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(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.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Lim Ho Seng	(Chairman)
Jeanette Chang	(Chief Executive Officer)
Dr Benety Chang	(Executive Director)
Tan Yang Guan	(Non-Executive Director)
Wong Meng Yeng	(Lead Independent Director)
Ang Miah Khiang	(Independent Director)
Han Sah Heok Vicky	(Independent Director)

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' STATEMENT

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 share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:-

	Direct interest		Deemed interest	
Name of director	**At 1.1.2018**	**At 31.12.2018**	**At 1.1.2018**	**At 31.12.2018**
The Company				
Baker Technology Limited				
Ordinary shares				
Lim Ho Seng	226,800	226,800	–	–
Dr Benety Chang	85,544,577	87,003,837	19,151,771	19,151,771
Tan Yang Guan	4,128,554	4,128,554	–	–
Han Sah Heok Vicky	100,000	100,000	–	–
CH Offshore Ltd				
Ordinary shares				
Dr Benety Chang	–	–	–	387,535,300

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, 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 of the financial year, or date of appointment if later, or at the end of the financial year.

SHARE OPTIONS

There is currently no share option scheme on unissued shares of the Company.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

The audit committee ("AC") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and the assistance given by the Group and the Company's management to the external and internal auditors

- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

- Reviewed the independence and objectivity of the external auditor

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and results of the audit

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate

- Reviewed 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 Report on Corporate Governance.

DIRECTORS' STATEMENT

AUDITOR

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

On behalf of the board of directors:

Lim Ho Seng
Chairman

Jeanette Chang
Chief Executive Officer

Singapore
15 March 2019

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Baker Technology Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Key audit matters (cont'd)

Accounting for business combination

In July 2018, BT Investment Pte. Ltd., a fully owned subsidiary of the Company acquired 52.72% of the total issued and paid-up capital of CH Offshore Ltd. An additional 2.26% were acquired through a mandatory general offer to the remaining shareholders of CH Offshore Ltd which was completed on 7 September 2018. The total purchase consideration of the Group was $47.1 million for 54.98% of the issued and paid-up capital of CH Offshore Ltd.

The Group conducted a purchase price allocation ("PPA") exercise by allocating the purchase price to the various identifiable assets and liabilities of CH Offshore Ltd group, and recognised a bargain purchase of $24.7 million. Given the materiality of this acquisition and the amount of bargain purchase recognised, we considered the accounting for business combination to be a key audit matter.

Our audit procedures included, amongst others, reviewing the purchase agreement to obtain an understanding of the transactions, the key terms, the purchase consideration and the rationale for the bargain purchase. We enquired with the management on the identification of identifiable assets and liabilities. Management has engaged an external valuation expert to assist them with the PPA exercise. We assessed the competence, capabilities and objectivity of the external expert engaged by management.

We reviewed and assessed the reasonableness of the assumptions used by the management in the estimation of the fair values of the acquired identifiable assets and liabilities. We reviewed this identification based on our discussion with management and our understanding of the business of the acquired group and involved our internal specialists in reviewing the management's assessment of the fair values of the acquired identifiable assets and liabilities. We also reviewed management's assessment on the identification of any intangible assets for this acquisition. In addition, we also checked the arithmetic computation of the bargain purchase and assessed the adequacy of the related disclosures in Note 12 to the financial statements.

Impairment assessment of vessels

As at 31 December 2018, the Group owned 14 vessels with an aggregate carrying value of $215,461,000. Due to the presence of impairment indicators, impairment testing was conducted by comparing the carrying amount of the vessels to their recoverable amounts, determined based on the value-in-use calculation. This area was significant to our audit as the carrying value of the vessels represented 89% of the Group's total non-current assets as at 31 December 2018 and significant judgement and estimates were involved in determination of the recoverable amount of the vessels.

Our audit procedures included, amongst others, obtaining an understanding of management's impairment assessment process, including the identification of cash generating units and indicators of impairment. We involved our internal valuation specialist in reviewing the appropriateness of management's valuation against comparable market data, considering the specifications and the age of the vessels. For other key assumptions used in the valuation, such as residual values and dry-docking expenditure, we compared to available industry and historical data applicable to the Group. In addition, we also reviewed the adequacy of disclosures on the key sources of estimation used in determining the recoverable amounts and carrying value of vessels set out in Note 3 and Note 10 to the consolidated financial statements respectively.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Key audit matters (cont'd)

Recoverability of trade receivables

As at 31 December 2018, the carrying amount of the Group's trade receivables, net of allowance for expected credit losses of $329,000 amounted to $21,323,000, which represented 35% of its current assets.

Due to the inherent risk surrounding the oil and gas industry which the Group operates in, the credit quality of the Group's customers may have deteriorated, giving rise to increased risks in collection of trade receivables. The Group determines the expected credit loss ("ECL") of trade receivables by making debtor-specific assessment of expected impairment loss for overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, debtors' ability to pay and forward-looking information specific to the debtors and economic environment. This assessment requires management to exercise significant judgement. Accordingly, we determined this as a key audit matter.

Our audit procedures included, amongst others, obtaining an understanding of the Group's processes and key controls relating to the monitoring of trade receivables and considered their aging to identify collection risks. We performed audit procedures including, amongst others, reviewing the reasonableness of significant judgement used by the management in assessing the recoverability of trade receivables and reviewing management's assessment of the recoverability of long outstanding and overdue trade receivables. We tested the reasonableness of management's assumptions and inputs used in the ECL model by comparing to historical credit loss rates, and reviewed data and information that management has used, including consideration of forward-looking information based on specific economic data. We checked the arithmetic accuracy of management's computation of ECL. We reviewed the debtor ageing analysis and checked to subsequent receipts from major debtors. We obtained documentary evidence, representation and explanations from management to assess the recoverability of long outstanding debts, where applicable. In addition, we reviewed the adequacy of the disclosures relating to impairment of trade receivables and credit risk in Note 18 and Note 27(c) to the consolidated financial statements respectively.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Responsibilities of management and directors 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 Act and SFRS(I), 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lim Siew Koon.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
15 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Revenue	5	32,702	5,002
Cost of sales		(23,326)	(2,383)
Gross profit		9,376	2,619
Other income	6	25,648	735
Other items of expenses			
Administrative expenses		(17,264)	(10,598)
Finance cost		(206)	–
Other expenses	6	–	(4,039)
Share of results of associates		(3,101)	–
Profit/(loss) before tax	7	14,453	(11,283)
Income tax (expense)/credit	8	(138)	593
Profit/(loss) for the year		14,315	(10,690)
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss			
Net fair value gains on equity instruments at fair value through other comprehensive income		40	–
Items that may be reclassified subsequently to profit or loss			
Net fair value losses on debt instruments at fair value through other comprehensive income		(15)	–
Net fair value changes on available-for-sale financial assets		–	73
Foreign currency translation		(345)	–
		(320)	73
Total comprehensive income for the year attributable to owners of the Company		13,995	(10,617)
Profit/(loss) for the year attributable to:			
Owners of the Company		17,624	(10,690)
Non-controlling interests		(3,309)	–
		14,315	(10,690)
Total comprehensive income for the year attributable to:			
Owners of the Company		17,581	(10,617)
Non-controlling interests		(3,586)	–
Total comprehensive income		13,995	(10,617)
Earnings per share attributable to Owners of the Company			
Basic and diluted (in cents)	9	8.7	(5.3)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2018

	Note	Group 31.12.2018 $'000	Group 31.12.2017 $'000	Group 1.1.2017 $'000	Company 31.12.2018 $'000	Company 31.12.2017 $'000	Company 1.1.2017 $'000
Non-current assets							
Property, plant and equipment	10	230,341	113,410	16,461	3	6	2
Intangible assets	11	1,551	1,810	2,050	–	–	–
Investment in subsidiaries	12	–	–	–	22,800	22,800	22,800
Investment in associates	13	4,979	–	–	–	–	–
Loan to associate	14	3,406	–	–	–	–	–
Investment securities	15	2,491	2,388	3,317	2,491	2,388	3,317
Deferred tax assets	16	–	17	248	–	–	–
		242,768	117,625	22,076	25,294	25,194	26,119
Current assets							
Contract assets	5	1,071	61	1,039	–	–	–
Inventories and work-in-progress	17	1,176	634	85,431	–	–	–
Trade and other receivables	18	23,316	2,731	5,683	19	52	1,089
Prepaid operating expenses		669	112	187	49	12	12
Amounts due from subsidiaries	19	–	–	–	165,769	100,641	93,074
Loan to associate	14	5,862	–	–	–	–	–
Investment securities	15	797	1,068	3,218	797	1,068	3,218
Cash and short-term deposits	20	28,920	86,642	106,956	14,575	79,872	99,157
		61,811	91,248	202,514	181,209	181,645	196,550
Less: Current liabilities							
Contract liabilities	5	–	104	122	–	–	–
Trade and other payables	21	10,265	5,804	8,044	601	412	1,241
Loans and borrowings	22	8,447	–	–	–	–	–
Amounts due to subsidiaries	19	–	–	–	7,650	5,000	5,653
Income tax payable		146	407	302	–	–	26
		18,858	6,315	8,468	8,251	5,412	6,920
Net current assets		42,953	84,933	194,046	172,958	176,233	189,630
Non-current liabilities							
Deferred tax liabilities	16	5,545	44	455	–	–	–
Loans and borrowings	22	4,067	–	–	–	–	–
		9,612	44	455	–	–	–
Net assets		276,109	202,514	215,667	198,252	201,427	215,749
Equity attributable to owners of the Company							
Share capital	23	108,788	108,788	108,788	108,788	108,788	108,788
Reserves		112,041	93,726	106,879	89,464	92,639	106,961
		220,829	202,514	215,667	198,252	201,427	215,749
Non-controlling interests		55,280	–	–	–	–	–
Total equity		276,109	202,514	215,667	198,252	201,427	215,749

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 2018

Group	Share capital (Note 23) $'000	Capital reserve [1] $'000	Retained earnings $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Total reserves $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owners of the Company							
2018								
At 1 January 2018 (FRS frame work)	108,788	2,344	91,383	(1)	–	93,726	–	202,514
Adoption of SFRS(I) 9	–	–	–	734	–	734	–	734
At 1 January 2018 (SFRS(I) framework)	108,788	2,344	91,383	733	–	94,460	–	203,248
Profit for the year	–	–	17,624	–	–	17,624	(3,309)	14,315
Other comprehensive income								
Net fair value changes on equity instruments at FVOCI	–	–	–	40	–	40	–	40
Net fair value changes on debt instruments at FVOCI	–	–	–	(15)	–	(15)	–	(15)
Foreign currency translation	–	–	–	–	(68)	(68)	(277)	(345)
Total comprehensive income for the year	–	–	17,624	25	(68)	17,581	(3,586)	13,995
Changes in ownership interests in subsidiary								
Acquisition of subsidiary	–	–	–	–	–	–	58,866	58,866
At 31 December 2018	108,788	2,344	109,007	758	(68)	112,041	55,280	276,109
2017								
At 1 January 2017	108,788	2,344	104,609	(74)	–	106,879	–	215,667
Loss for the year	–	–	(10,690)	–	–	(10,690)	–	(10,690)
Other comprehensive income								
Net gain on fair value changes of available-for-sale financial assets	–	–	–	73	–	73	–	73
Total comprehensive income for the year	–	–	(10,690)	73	–	(10,617)	–	(10,617)
Contributions by and distributions to owners								
Dividends on ordinary shares (Note 30)	–	–	(2,536)	–	–	(2,536)	–	(2,536)
Total contributions by and distribution to owners	–	–	(2,536)	–	–	(2,536)	–	(2,536)
At 31 December 2017	108,788	2,344	91,383	(1)	–	93,726	–	202,514

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 2018

	Attributable to owners of the Company					
Company	**Share capital (Note 24) $'000**	**Capital reserve [1] $'000**	**Retained earnings $'000**	**Fair value reserve $'000**	**Total reserves $'000**	**Total equity $'000**
2018						
At 1 January 2018 (FRS frame work)	108,788	2,344	90,296	(1)	92,639	201,427
Adoption of SFRS(I) 9	–	–	–	734	734	734
At 1 January 2018 (SFRS(I) frame work)	108,788	2,344	90,296	733	93,373	202,161
Loss for the year	–	–	(3,934)	–	(3,934)	(3,934)
Other comprehensive income						
Net fair value changes on equity instruments at FVOCI	–	–	–	40	40	40
Net fair value changes on debt instruments at FVOCI	–	–	–	(15)	(15)	(15)
Total comprehensive income for the year	–	–	(3,934)	25	(3,909)	(3,909)
At 31 December 2018	108,788	2,344	86,362	758	89,464	198,252
2017						
At 1 January 2017	108,788	2,344	104,691	(74)	106,961	215,749
Loss for the year	–	–	(11,859)	–	(11,859)	(11,859)
Other comprehensive income						
Net gain on fair value changes of available-for-sale financial assets	–	–	–	73	73	73
Total comprehensive income for the year	–	–	(11,859)	73	(11,786)	(11,786)
Contributions by and distributions to owners						
Dividends on ordinary shares (Note 30)	–	–	(2,536)	–	(2,536)	(2,536)
Total contributions by and distribution to owners	–	–	(2,536)	–	(2,536)	(2,536)
At 31 December 2017	108,788	2,344	90,296	(1)	92,639	201,427

[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 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit/(loss) before tax		**14,453**	(11,283)
Adjustments for:			
Depreciation of property, plant and equipment		**11,363**	2,806
Amortisation of intangible assets	11	**259**	22
Inventories and work-in-progress written down		**32**	501
Contract assets written down		**506**	–
Allowance for doubtful debts		**266**	–
Interest income	6	**(522)**	(661)
Interest expense on bank loans		**206**	–
Write back for warranty		**(341)**	(1,176)
Unrealised foreign exchange (gain)/loss		**(218)**	4,094
Loss on disposal of property, plant and equipment		**18**	–
Share of results of associates		**3,101**	–
Bargain purchase gain	6	**(24,709)**	–
Operating cash flows before working capital changes		**4,414**	(5,697)
Increase in inventories and work-in-progress		**(362)**	(14,536)
(Increase)/decrease in contract assets		**(1,120)**	978
Decrease in contract liabilities		**(104)**	(18)
(Increase)/decrease in trade and other receivables		**(9,754)**	2,657
(Increase)/decrease in prepaid operating expenses		**(557)**	75
Decrease in trade and other payables		**(1,912)**	(1,035)
Cash flows used in operations		**(9,395)**	(17,576)
Interest received		**566**	695
Interest paid		**(206)**	–
Income tax (paid)/refunded		**(295)**	518
Net cash flows used in operating activities		**(9,330)**	(16,363)
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiary	12(d)	**(42,024)**	–
Purchase of property, plant and equipment		**(8,822)**	(689)
Additions to intangible asset		**–**	(16)
Maturity of investment securities		**1,059**	2,993
Purchase of investment securities		**(120)**	(302)
Repayment from associate		**663**	–
Net cash flows (used in)/from investing activities		**(49,244)**	1,986
Cash flows from financing activity			
Dividends paid on ordinary shares		**–**	(2,536)
Net cash flows used in financing activity		**–**	(2,536)
Net decrease in cash and cash equivalents		**(58,574)**	(16,913)
Effect of exchange rate changes on cash and cash equivalents		**852**	(3,401)
Cash and cash equivalents at beginning of financial year		**86,642**	106,956
Cash and cash equivalents at end of financial year	20	**28,920**	86,642

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 2018

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 10 Jalan Samulun, Singapore 629124.

The principal activities of the Company are investment holding and the provision of specialised marine offshore equipment and services for the oil and gas industry. The principal activities of the subsidiaries and associated companies are disclosed in Notes 12 and 13 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 (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first time the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))*

These financial statements for the year ended 31 December 2018 are the first time the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

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

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)*

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemption:

- The comparative information do not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemption applied as described above and the adoption of SFRS(I) 9 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

<u>Classification and measurement</u>

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

The Group elects to measure its unquoted equity securities at fair value through other comprehensive income ("FVOCI"), previously classified as available-for-sale ("AFS").

The Group currently measures one of its investments in unquoted equity securities at cost. Upon adoption of SFRS(I) 9, the Group measures the unquoted equity securities at FVOCI. The impact arising from this change resulted in an increase in carrying value of $734,000 to the unquoted equity securities with a corresponding adjustment to fair value adjustment reserve as at 1 January 2018.

<u>Impairment under expected credit loss ("ECL") model</u>

The Group's accounting policy of impairment under ECL model is disclosed in Note 2.14.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)*

SFRS(I) 15 Revenue from Contracts with Customers

The Group has applied SFRS(I) 15 for the first time in the current financial year. SFRS(I) 15 superseded SFRS 18 "Revenue", SFRS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the design, construction, operating and chartering of mobile offshore units and offshore services vessels, along with the manufacturing and providing specialised marine offshore equipment and services for the oil and gas industry.

SFRS(I) 15 introduces a 5-step when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under SFRS(I) 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)*

SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with SFRS(I) 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group has performed an assessment on the impact of the adoption of SFRS(I) 15 and concluded that there is no material financial impact on the timing and amounts of revenue recognised in prior and current years.

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below:

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees - leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

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

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

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 control 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations and goodwill*

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.

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 profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the events of liquidation, 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. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

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. 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.

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 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 units to which goodwill have 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.5 *Transaction with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

2.6 *Foreign currency*

The 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 rate of exchange ruling at the end of the reporting period. 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 measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(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 end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

2.7 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.8 *Joint venture and associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or 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 associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or 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 associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or 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 associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

2.9 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and building 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.

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
Vessels	–	10 to 25 years
Drydocking expenditure	–	5 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 economic 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

Drydocking expenditure refers to major inspections and overhauls which are required at regular intervals of 5 years over the useful life of the vessels to allow the continued use of the vessels. When each major inspection and overhaul is performed, its cost is recognised in the carrying amount of the vessels as a replacement if the following recognition criteria are met:

- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the cost of the asset to the entity can be measured reliably.
- Any remaining carrying amount of the cost of the previous inspection is derecognised.
- The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis as described in Note 3.
- The gain or loss arising on disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.10 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

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

2.10 *Intangible assets (cont'd)*

Vessel design

Vessel design is treated as intangible asset and initially capitalised at cost. Vessel design is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over the useful life of 10 years.

2.11 *Lease prepayment*

Leases of land under which the lessor has not transferred all the risks and rewards incidental to ownership are classified as operating leases and the payments made on acquiring the land–use right represent prepaid lease payments.

Lease prepayments for land–use right are initially measured at cost. Following initial recognition, they are amortised on a straight–line basis over the term of the respective lease.

2.12 *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 indication exists, or when an 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 of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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.

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

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 profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses relating to goodwill cannot be reversed in future periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.13 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) ***Amortised cost***

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) ***Fair value through other comprehensive income (FVOCI)***

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses 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 de-recognised.

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

2.13 ***Financial instruments (cont'd)***

(a) ***Financial assets (cont'd)***

(iii) ***Fair value through profit or loss***

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("OCI"). Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.13 *Financial instruments (cont'd)*

(b) ***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 in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.14 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

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

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 *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.

2.16 *Inventories*

Inventories, which are made up of mainly materials, bunkering stocks, components and spares, are stated 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.

– Bunkering stocks: purchase costs on a first-in, first-out method.

– Work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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 reporting period 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.

2.18 *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, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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 are accrued 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*

(a) ***As lessee***

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 in which the Group does not transfer 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 charter hire. The accounting policy for charter hire is set out in Note 2.21(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.21 *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.21 *Revenue (cont'd)*

(a) ***Construction contracts***

Contract revenue is recognised over time by reference to the Group's progress towards completing the performance obligation in the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs (input method).

Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these shall be accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will recognise these as contract assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced on a progressive payment schedule. If the value of the goods and services transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods and services transferred, a contract liability is recognised.

(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.

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

2.21 *Revenue (cont'd)*

(d) ***Charter hire***

Revenue from charter hire is recognised over time as the group satisfies its performance obligation. Vessel charter income is recognised on a daily basis in accordance to the terms and conditions of the charter agreement.

(e) ***Interest income***

Interest income is recognised using the effective interest method.

(f) ***Dividend income***

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

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 end of the reporting period 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.22 *Taxes (cont'd)*

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

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

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

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

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

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

2.22 *Taxes (cont'd)*

(c) ***Sales tax***

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

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

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

2.23 *Share capital and share issue expenses*

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

2.24 *Contingencies*

A contingent liability 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 *Judgements made in applying accounting policies*

Management is of the opinion that there were no significant judgements made in applying the accounting policies in the consolidated financial statements.

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 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 vessels*

The carrying amounts of the group's vessels are reviewed at the end of the reporting period to determine whether there is any indication that those vessels have suffered an impairment loss. In determining the impairment loss to be recorded for the group's vessels, management has computed the value-in-use and considered the respective cash generating units ("CGU") of the group in deriving the recoverable amount of the Group's vessels.

CGU is defined by management through the division of the Group's fleet of vessels by type of vessel and engine specification (i.e. Brake Horse Power ("Bhp")).

In current year, management computed the value-in-use by estimating the future cash flows expected to be generated by the vessels based on the pre–tax discount rate of 9.50% per annum (2017: 9.50% per annum) which reflects the current market assessment of the time value of money and the risks specific to the group.

Based on the above internal and external sources of information, management has carried out a review of the recoverable amount of the group's vessels and determined that carrying amounts of the Group's vessels did not exceed their recoverable amount.

The carrying amounts of the Group's and Company's vessels at the end of the reporting period are disclosed in Note 10 of the financial statements.

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

(b) *Provision for expected credit losses of trade receivables*

The Group uses a provision matrix to calculate expected credit loss (ECL) for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward–looking information. At every reporting date, historical default rates are updated and changes in the forward–looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 18.

The carrying amount of trade receivables as at 31 December 2018 is $21,323,000 (2017: $1,702,000).

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 as manufacturers and providers of specialised marine offshore equipment and services for the oil and gas industry. The Group's core business is in the design, construction, operating and chartering of mobile offshore units and offshore services vessels, along a wide range of critical equipment and components for the offshore marine industry.

(ii) The investments segment relates to the Group's investments in available-for-sale investments.

(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 following table, is measured differently from operating profit or loss in the consolidated financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SEGMENT INFORMATION (CONT'D)

	Marine offshore		Investments		Corporate		Adjustments and elimination		Per consolidated financial statements	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue – external customers	**32,702**	5,002	**–**	–	**–**	–	**–**	–	**32,702**	5,002
Results:										
Depreciation and amortisation	**(11,620)**	(2,825)	**–**	–	**(2)**	(3)	**–**	–	**(11,622)**	(2,828)
Interest income	**162**	12	**24**	187	**336**	462	**–**	–	**522**	661
Interest expense	**(206)**	–	**–**	–	**–**	–	**–**	–	**(206)**	–
Inventories and work-in-progress written down	**(32)**	(501)	**–**	–	**–**	–	**–**	–	**(32)**	(501)
Contract assets written down	**(506)**	–	**–**	–	**–**	–	**–**	–	**(506)**	–
Write back for warranty	**341**	1,176	**–**	–	**–**	–	**–**	–	**341**	1,176
Bargain purchase gain	**–**	–	**24,709**	–	**–**	–	**–**	–	**24,709**	–
Share of results of associates	**(3,101)**	–	**–**	–	**–**	–	**–**	–	**(3,101)**	–
Segment profit/(loss)	**(7,891)**	(5,338)	**31,083**	(200)	**3,741**	(4,546)	**(12,480)**	(1,199)	**14,453**	(11,283)
Segment assets	**285,904**	128,736	**51,142**	195	**14,646**	79,942	**(47,113)**	–	**304,579**	208,873
Segment liabilities	**27,806**	5,918	**63**	29	**601**	412	**–**	–	**28,470**	6,359
Other segment information:										
Purchase of investment securities	**–**	–	**120**	302	**–**	–	**–**	–	**120**	302
Additions to non-current assets:-										
– Investment in associates	**4,979**	–	**–**	–	**–**	–	**–**	–	**4,979**	–
– Purchase of property, plant and equipment	**8,822**	682	**–**	–	**–**	7	**–**	–	**8,822**	689
– Transfer from work-in-progress	**–**	100,050	**–**	–	**–**	–	**–**	–	**–**	100,050

4. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Group	
	2018	2017
	$'000	$'000
China	**41**	15
Singapore	**969**	1,288
Middle East	**3,205**	2,608
Asia Pacific (excluding China and Singapore)	**26,953**	764
Others	**1,534**	327
	32,702	5,002

Except for the Group's available-for-sale investment of $2,220,000 (2017: $1,326,000) at 31 December 2018 which is located in Europe, all the assets and capital expenditure of the Group are located in Singapore and Asia Pacific.

Information about a major customer

Revenue from one major customer amounted to approximately $22,309,000 (2017: $1,418,000), arising from the provision of specialised marine offshore equipment and services.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. REVENUE

	Group	
	2018	2017
	$'000	$'000
Marine offshore revenue	**29,197**	846
Spare sales	**3,505**	4,156
	32,702	5,002

Timing of transfer of goods or services

	2018	
	At a point in time	**Over time**
	$'000	**$'000**
China	**–**	**41**
Singapore	**964**	**5**
Middle East	**1,590**	**1,615**
Asia Pacific (excluding China and Singapore)	**274**	**26,679**
Others	**677**	**857**
	3,505	**29,197**

	2017	
	At a point in time	Over time
	$'000	$'000
China	15	–
Singapore	685	603
Middle East	2,401	207
Asia Pacific (excluding China and Singapore)	746	18
Others	309	18
	4,156	846

5. REVENUE (CONT'D)

Contract assets and contract liabilities

Information about receivables contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Receivables from contracts with customers (Note 18)	**21,323**	1,702	4,132
Contract assets	**1,071**	61	1,039
Contract liabilities	**–**	104	122

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to $329,000 (2017: $63,000).

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for specialised equipment constructions contracts. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for the manufacturing of specialised marine offshore equipment for the oil and gas industry.

Contract liabilities are recognised as revenue as the Group performs under the contract.

Significant changes in contract assets are explained as follows:

	Group	
	31.12.2017	1.1.2017
	$'000	$'000
Contract assets written down	506	–

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6. OTHER INCOME/(EXPENSES)

	Group	
	2018	2017
	$'000	$'000
Interest income from short term deposits and quoted corporate bonds	**522**	661
Foreign exchange gain	**320**	–
Other sundry income	**–**	12
Rental income	**97**	62
Bargain purchase gain	**24,709**	–
Other income	**25,648**	735
Foreign exchange loss	**–**	(4,039)
Other expenses	**–**	(4,039)

7. PROFIT/(LOSS) BEFORE TAX

The following items have been included in arriving at profit/(loss) before tax:

	Group	
	2018	2017
	$'000	$'000
Depreciation of property, plant and equipment	**11,363**	2,806
Amortisation of intangible assets	**259**	22
Consultancy service fee paid / payable to directors	**167**	144
Operating lease expenses	**1,585**	1,245
Inventories and work-in-progress written down	**32**	501
Contract assets written down	**506**	–
Write back for warranty	**(341)**	(1,176)
Employee benefits expense (including executive directors):		
– Salaries, wages, bonuses and other costs	**8,530**	5,024
– Contributions to defined contribution plans	**678**	548
Audit fees paid to auditors of the Company	**182**	176
Non-audit fees paid to:		
– Auditors of the Company	**61**	11
– Other auditors	**73**	78
Legal and other professional fees	**990**	133
Allowance for doubtful debts	**266**	–

8. INCOME TAX EXPENSE/(CREDIT)

(a) *Major components of income tax expense/(credit)*

The major components of income tax expense/(credit) for the years ended 31 December are:

	Group	
	2018	2017
	$'000	$'000
Statement of comprehensive income:		
Current income tax:		
– Current income taxation	**7**	–
– Over provision in respect of prior years	**–**	(413)
	7	(413)
Deferred income tax:		
– Origination and reversal of temporary difference (Note 16)	**131**	(180)
Income tax credit recognised in the statement of comprehensive income	**138**	(593)

(b) *Relationship between tax expense/(credit) and accounting profit/(loss)*

A reconciliation between tax expense/(credit) and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December are as follows:

	Group	
	2018	2017
	$'000	$'000
Profit / (loss) before tax	**14,453**	(11,283)
Income tax credit at the applicable tax rate of 17% (2017:17%)	**2,457**	(1,918)
Adjustments for tax effect of:		
Deferred tax assets not recognised	**1,485**	1,907
Deferred tax benefits utilised	**(129)**	–
Income not subject to taxation	**(4,201)**	–
Tax incentive	**(4)**	(1,185)
Net marine offshore income not subject to tax[1]	**(1,364)**	–
Non-deductible expenses	**1,337**	941
Tax effect of share of results of associates	**527**	–
Over provision in respect of prior years	**–**	(413)
Others, net	**30**	75
Income tax expense / (credit) recognised in profit or loss	**138**	(593)

[1] *This represents net income exempted under Section 13A and tax exemption under Section 43(6) of the Singapore Income Tax Act*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. INCOME TAX EXPENSE/(CREDIT) (CONT'D)

(b) *Relationship between tax expense/(credit) and accounting profit/(loss) (cont'd)*

At the end of the reporting period, the Group has tax losses of approximately $19,809,000 (2017: $8,020,000) that are available for offset against future taxable profits of the relevant subsidiary in which the losses arose, for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation.

A loss-transfer system of group relief (the "Group Relief System") for companies was introduced in Singapore with effect from year of assessment 2003. Under the Group Relief System, a company belonging to a group of entities may transfer its current year's unabsorbed capital allowances, unabsorbed trade losses and unabsorbed donations (loss items) to another company belonging to the same group, to be deducted against the latter's assessable income.

9. 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:

	2018 **$'000**	2017 $'000
Profit/(loss) for the financial year attributable to owners of the Company used in the computation of basic and diluted earnings per ordinary share	**17,624**	(10,690)

	No. of shares **'000**	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	**202,878**	202,878

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold lands and buildings $'000	Leasehold improvements $'000	Assets under construction $'000
Cost:			
At 1 January 2017	16,740	8,014	547
Additions	–	80	24
Transfer from work-in-progress	–	–	–
Reclassification	–	560	(571)
At 31 December 2017 and 1 January 2018	16,740	8,654	–
Exchange differences	–	–	(5)
Acquisition of subsidiary	–	–	1,317
Additions	–	77	–
Disposal/write off	–	–	–
Reclassification	–	–	(1,312)
At 31 December 2018	16,740	8,731	–
Accumulated depreciation:			
At 1 January 2017	8,688	4,650	–
Depreciation charge for the year	932	1,056	–
At 31 December 2017 and 1 January 2018	9,620	5,706	–
Depreciation charge for the year	932	1,113	–
At 31 December 2018	10,552	6,819	–
Net carrying amount:			
At 1 January 2017	8,052	3,364	547
At 31 December 2017	7,120	2,948	–
At 31 December 2018	6,188	1,912	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Plant and equipment $'000	Vessels $'000	Dry-docking expenditure $'000	Total $'000
383	1,223	421	12,053	–	–	39,381
–	534	–	51	–	–	689
–	–	–	–	100,050	–	100,050
–	11	–	–	–	–	–
383	1,768	421	12,104	100,050	–	140,120
–	–	–	–	(378)	(18)	(401)
25	–	–	–	113,897	5,050	120,289
53	92	–	76	8,524	–	8,822
(18)	–	–	–	–	–	(18)
–	–	–	–	–	1,312	–
443	1,860	421	12,180	222,093	6,344	268,812
214	944	254	8,170	–	–	22,920
71	250	61	1,420	–	–	3,790
285	1,194	315	9,590	–	–	26,710
76	237	61	1,397	6,632	1,313	11,761
361	1,431	376	10,987	6,632	1,313	38,471
169	279	167	3,883	–	–	16,461
98	574	106	2,514	100,050	–	113,410
82	429	45	1,193	215,461	5,031	230,341

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

(a) The Group's leasehold lands and buildings are located at 6 Pioneer Sector 1, Singapore 628418, 10 Jalan Samulun, Singapore 629124 and 12A Jalan Samulun, Singapore 629131.

(b) Depreciation charge of $11,363,000 (2017: $2,806,000) and $398,000 (2017: $984,000) have been included in the Group's consolidated statement of comprehensive income and contract assets, respectively.

(c) In end 2017, upon the completion of the vessel, the cost was transferred from work-in-progress.

Impairment testing on vessels

As at 31 December 2018, the Group carried out a review of the recoverable amount of its vessels due to the continued weakness in the oil and gas industry. The recoverable amount of the vessels was based on its value in use and the pre-tax discount rate was 9.5%. As the recoverable amount was computed to be higher than the carrying value, no impairment loss was recorded.

Company	**Office equipment $'000**
Cost :	
At 1 January 2017	55
Additions	7
At 31 December 2017, 1 January 2018 and 31 December 2018	62
Accumulated depreciation:	
At 1 January 2017	53
Depreciation charge for the year	3
At 31 December 2017 and 1 January 2018	56
Depreciation charge for the year	3
At 31 December 2018	59
Net carrying amount:	
At 1 January 2017	2
At 31 December 2017	6
At 31 December 2018	3

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. INTANGIBLE ASSETS

Group	Goodwill $'000	Vessel design $'000	Total $'000
Cost:			
At 1 January 2017	7,551	2,545	10,096
Addition during the year	–	16	16
At 31 December 2017, 1 January 2018 and 31 December 2018	7,551	2,561	10,112
Accumulated amortisation and impairment:			
At 1 January 2017	7,551	495	8,046
Amortisation charge for the year	–	256	256
At 31 December 2017 and 1 January 2018	7,551	751	8,302
Amortisation charge for the year	–	259	259
At 31 December 2018	7,551	1,010	8,561
Net carrying amount:			
At 1 January 2017	–	2,050	2,050
At 31 December 2017	–	1,810	1,810
At 31 December 2018	–	1,551	1,551

Vessel design

In 2014, the Group acquired a vessel design and commenced the construction of a vessel. The construction of the vessel was completed in 2017. The vessel design impairment assessment under FRS 36 *Impairment of Assets* is dependent on the recoverable amount of the vessel (Note 10).

Amortisation charge of $259,000 (2017: $22,000) and $Nil (2017: $234,000) has been included in the Group's consolidated statement of comprehensive income and vessel construction cost respectively.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Shares, at cost	**30,000**	30,000	30,000
Impairment loss	**(7,200)**	(7,200)	(7,200)
	22,800	22,800	22,800

(a) ***Composition of the Group***

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

Subsidiaries (Country of incorporation)	**Principal activities (Place of business)**	**Percentage of equity held by the Group**		
		31.12.2018	31.12.2017	1.1.2017
		%	%	%
(1) Sea Deep Shipyard Pte. Ltd. (Singapore)	Manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry (Singapore)	**100**	100	100
(1) Baker Engineering Pte. Ltd. (Singapore)	Design and fabrication of offshore and marine equipment (Singapore)	**100**	100	100
(1) BT Investment Pte. Ltd. (Singapore)	Investment holding (Singapore)	**100**	100	100
Held through Sea Deep Shipyard Pte. Ltd.:				
(1) Sea Hercules Cranes Pte. Ltd (formerly known as Interseas Shipping (Private) Limited) (Singapore)	Manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry (Singapore)	**100**	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) ***Composition of the Group (cont'd)***

Subsidiaries (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group		
		31.12.2018	31.12.2017	1.1.2017
		%	%	%
Held through Baker Engineering Pte. Ltd.:				
[1] BEL Design Pte. Ltd. (Singapore)	Design and engineering of offshore and marine vessels and equipment (Singapore)	**100**	100	100
Held through BT Investment Pte. Ltd.:				
[1] BT Titanium Pte. Ltd. (Singapore)	Provision of offshore marine logistics support services (Singapore)	**100**	100	100
[2] BT Offshore (B) Sdn Bhd (Brunei)Incorporated on 14 May 2018	Provision of offshore marine logistics support services (Brunei)	**100**	–	–
[2] BT OSV 1 Pte. Ltd. (Singapore) Incorporated on 20 August 2018	Ship owning and chartering (Singapore)	**100**	–	–
[2] BT Offshore Management Pte. Ltd. (Singapore) Incorporated on 24 September 2018	Chartering of vessels and ship management services (Singapore)	**100**	–	–
[2] Interseas Pte. Ltd. (Singapore) Incorporated on 30 October 2018	Dormant	**100**	–	–
[1] CH Offshore Ltd (Singapore)	Investment holding and owning and chartering of vessels (Singapore)	**54.98**	–	–

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) ***Composition of the Group (cont'd)***

Subsidiaries (Country of incorporation)	**Principal activities (Place of business)**	**Percentage of equity held by the Group**		
		31.12.2018	31.12.2017	1.1.2017
		%	%	%
Held through BT Titanium Pte. Ltd.				
[3] BT Offshore (Malaysia) Pte Ltd (Malaysia)	Provision of offshore marine logistic support services(Malaysia)	**100**	100	–
Held through CH Offshore Ltd.:				
[1] CHO Ship Management Pte Ltd	Ship management and investment holding (Singapore)	**54.98**	–	–
[1] Delaware Marine Pte Ltd	Investment holding (Singapore)	**54.98**	–	–
[1] Sea Glory Private Limited	Ship owning and chartering (Singapore)	**54.98**	–	–
[1] Garo Pte Ltd	Ship owning and chartering (Singapore)	**54.98**	–	–
[1] Offshore Gold Singapore Pte Ltd	Ship owning and chartering (Singapore)	**54.98**	–	–
[1] Pembrooke Marine Pte Ltd	Ship owning and chartering (Singapore)	**54.98**	–	–
[1] Venture Offshore Pte Ltd	Ship owning and chartering (Singapore)	**54.98**	–	–

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Subsidiaries (Country of incorporation)	**Principal activities (Place of business)**	**Percentage of equity held by the Group**		
		31.12.2018	31.12.2017	1.1.2017
		%	%	%
Held through CHO Ship Management Pte Ltd:				
[(4)] High Majestic Sdn Bhd	Ship owning and chartering (Malaysia)	**54.98**	–	–
Held through Delaware Marine Pte Ltd:				
[(4)] Pearl Marine Pte Ltd	Ship owning and chartering (Malaysia)	**38.49**	–	–

(1) *Audited by Ernst & Young LLP, Singapore*
(2) *Not due for audit in the year of incorporation*
(3) *Audited by Ernst & Young LLP, Malaysia*
(4) *Audited by other CPA firm in Malaysia*

(b) *Interest in subsidiaries with material non-controlling interest (NCI)*

Name of subsidiary	**Principal place of business**	**Proportion ownership interest held by non-controlling interest**	**Loss allocated to NCI during the reporting period $'000**	**Accumulated NCI at the end of reporting period $'000**	**Dividends paid to NCI $'000**
31 December 2018:					
CH Offshore Ltd	Singapore	45.02%	(3,309)	55,280	–

There are no significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) *Summarised financial information about subsidiary with material NCI*

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	CH Offshore Ltd 31.12.2018 $'000
Current assets	22,029
Non-current assets	124,644
Total assets	146,673
Current liabilities	13,882
Non-current liabilities	9,612
Total liabilities	23,494
Net assets	123,179

Summarised statement of comprehensive income

	CH Offshore Ltd 27.8.2018 to 31.12.2018 $'000
Revenue	5,730
Loss before income tax	(7,185)
Income tax expense	(165)
Loss after tax, representing total comprehensive income	(7,350)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) ***Summarised financial information about subsidiary with material NCI (cont'd)***

Other summarised information

	CH Offshore Ltd 27.8.2018 to 31.12.2018 $'000
Net cash flows from operations	2,155
Repayment from associate	663

(d) ***Acquisition of subsidiary***

On 26 July 2018, the Group acquired 371,646,150 shares (or 52.72%) in CH Offshore Ltd ("CHO"), which principally engages in the owning and chartering of offshore services vessels, for approximately $45.0 million from two unrelated vendors. Subsequently, the Group acquired additional 15,889,150 shares in CHO (or 2.26%) for approximately $2.1 million under the mandatory unconditional cash offer in accordance with Rule 14.1 of the Singapore Code of Take-overs and Mergers.

The Group has ascertained the date of acquisition to be on 27 August 2018 in accordance to SFRS(I) 3, representing the date whereby four representatives of the Group were nominated into CHO's Board of Directors. As a result, the Group commenced the consolidation of CHO as a 54.98% owned subsidiary into its consolidated financial statements as of that date.

The Group has acquired CHO as it is complementary to the Group's business and is in line with the strategy to expand its future asset and earnings base. The investment in CHO also provides an attractive platform to build the Group's offshore support services.

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) *Acquisition of subsidiary (cont'd)*

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of CHO's net identifiable assets.

The purchase price allocation exercise in respect of the acquisition of CHO was completed by an independent valuer during the financial year. No intangible assets have been identified arising from this acquisition. The fair values of the net assets and liabilities acquired at the date of acquisition were as follows:

	Fair value recognised on acquisition $'000
Property, plant and equipment	120,289
Investment in associates	8,143
Loan to associate	4,629
Inventories	212
Trade and other receivables	20,424
Cash and cash equivalents	5,089
Loans and borrowing	(12,500)
Trade and other payables	(10,195)
Deferred tax liabilities	(5,403)
	130,688
Less: Non-controlling interest	(58,866)
Net assets acquired	71,822
Bargain purchase gain	(24,709)
Total consideration paid	47,113
Less: Cash and cash equivalents of subsidiary	(5,089)
Net cash outflow from acquisition of subsidiary	42,024

The acquisition was fully settled in cash.

Transaction costs related to the acquisition of approximately $520,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2018.

As the consideration paid by the Group was significantly lower than the net tangible asset value per CHO shares, this acquisition resulted in a bargain purchase gain of approximately $24.7 million, which have been recognised in the "other income" line item in the Group's profit and loss for the year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. INVESTMENT IN ASSOCIATES

The Group's material investments in associates are summarised below:

	Group 31.12.2018 $'000
PT Bahtera Nusantara Indonesia	4,979
Other associates	–
	4,979

Details of the Group's associates at the end of the financial year are as follows:

Name	**Country of incorporation**	**Principal activities**	**Proportion (%) of ownership interest 31.12.2018**
Held by CH Offshore Ltd			
PT Bahtera Nusantara Indonesia [b] [c]	Indonesia	Ship owning and chartering	26.94%
Marine Co Limited [a] [b]	Malaysia	Ship owning and chartering	26.94%
Gemini Sprint Sdn. Bhd. [a] [b]	Malaysia	Ship chartering	26.94%

[a] *The audited financial statements of the associated companies held by the Group are for the financial year ended 31 March 2018. Accordingly, unaudited management accounts for the financial period from 27 August 2018 to 31 December 2018 were used for determining the post-acquisition financial period's result for the purpose of equity accounting for MarineCo Limited and Gemini Sprint Sdn. Bhd.*

[b] *Audited by other local CPA firms.*

[c] *Audited by Ernst & Young LLP, Singapore for consolidation purpose.*

In accordance with the requirements of Rules 715 and 716 of the SGX-ST Listing Manual, the directors of the audit committee of CH Offshore Ltd, having reviewed the appointment of different auditors for the Group's associates, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of CH Offshore Ltd.

NOTES TO THE FINANCIAL STATEMENTS

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13. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information in respect of PT Bahtera Nusantara Indonesia, based on its international financial reporting standards ("IFRS") financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	PT Bahtera Nusantara Indonesia 31.12.2018 $'000
Current assets	3,088
Non-current assets	27,903
Total assets	30,991
Current liabilities	1,915
Non-current liabilities	18,915
Total liabilities	20,830
Net assets	10,161
Group's share of net assets, representing carrying amount of the investment	4,979

13. INVESTMENT IN ASSOCIATES (CONT'D)

Summarised statement of comprehensive income

	PT Bahtera Nusantara Indonesia 27.8.2018 to 31.12.2018 $'000
Revenue	2,318
Operating expenses	(7,806)
Interest expense	(287)
Loss before tax	(5,775)

Aggregate information on immaterial associates

The other associates of the Group were inactive between 27 August 2018 to 31 December 2018. The accumulated losses of these associates in excess of the Group's interest which was not included in these financial statements using the equity method of accounting amounted to $18,000.

14. LOAN TO ASSOCIATE

	Group 31.12.2018 $'000
Loan to associated company	9,268
Less: Due within 12 months	(5,862)
	3,406

The loan to associated company is unsecured which bears effective interest rate of 4.26% per annum at the end of reporting period.

15. INVESTMENT SECURITIES

(a) *Financial instruments as at 31 December 2018*

	Group and Company 31.12.2018 $'000
At fair value through other comprehensive income	
– Corporate bonds (quoted)	1,068
– Unquoted equity securities	2,220
	3,288
Net carrying amount	
Current	797
Non-current	2,491

The Group and Company's investment in quoted corporate bonds are denominated in SGD and USD. They bear interest at between 2.500% to 4.625% (2017: 2.500% to 4.625%) p.a. and with maturities ranging from February 2019 to March 2020.

The Group and Company's unquoted equity securities relates to a minority stake in an investment fund company, which was incorporated in Luxembourg.

Investments in equity instruments designated at fair value through other comprehensive income

All investments in equity instruments within the Group were designated at fair value through other comprehensive income. The Group has elected to measure these equity securities at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

(b) *Financial instruments as at 31 December 2017 and 1 January 2017*

	Group and Company	
	31.12.2017 $'000	1.1.2017 $'000
Non-current:		
Available-for-sale financial assets		
– Corporate bonds (quoted) at fair value	1,062	2,293
– Unquoted equity securities at cost	1,326	1,024
	2,388	3,317
Current:		
Available-for-sale financial assets		
– Corporate bonds (quoted) at fair value	1,068	3,218

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group				
	Consolidated balance sheet			**Consolidated statement of comprehensive income**	
	31.12.2018	31.12.2017	1.1.2017	**31.12.2018**	31.12.2017
	$'000	$'000	$'000	**$'000**	$'000
Deferred tax assets:					
Provisions	**–**	20	252	**20**	232
Differences in depreciation for tax purposes	**–**	(3)	(4)	**(3)**	(1)
	–	17	248		
Deferred tax liabilities:					
Provisions	**–**	45	75	**45**	30
Differences in depreciation for tax purposes (Note A)	**(5,545)**	(89)	(530)	**76**	(441)
	(5,545)	(44)	(455)		
Deferred tax expense				**138**	(180)

Note A: The movement of deferred tax liabilities arising from differences in depreciation for tax purposes for the financial year ended 31 December 2018 is summarised as follows:

	Group
	31.12.2018
	$'000
Beginning of the year	89
Acquisition of a subsidiary	5,403
Charged to consolidated statement of comprehensive income	76
Translation difference	(23)
	5,545

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

There are no income tax consequences (2017: Nil) attached to the dividends proposed by the Company to the shareholders but not recognised as a liability in the financial statements (Note 30).

17. INVENTORIES AND WORK-IN-PROGRESS

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Balance sheet:			
Materials, components and spares (at cost)	**765**	634	473
Bunkering stocks (at cost)	**411**	–	–
Work-in-progress (at cost)	**–**	–	84,958
	1,176	634	85,431

The cost of the goods sold reported in the statement of comprehensive income substantially relates to materials, components and spares recognised as an expense for the year including inventories written down amounting to $32,000 (2017: $501,000).

18. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	**31.12.2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Trade receivables – net	**21,323**	1,702	4,132		–	832
Deposits	**172**	63	119	**–**	–	–
Downpayment for capital expenditure	**–**	–	313	**–**	–	–
GST recoverable	**500**	153	382	**10**	–	77
Sundry receivables	**1,295**	761	651	**–**	–	94
Interest receivables	**26**	52	86	**9**	52	86
Total trade and other receivables (current)	**23,316**	2,731	5,683	**19**	52	1,089
Trade and other receivables (excluding GST recoverable and downpayment for capital expenditure) (current)	**22,816**	2,578	4,988	**9**	52	1,012
Amount due from subsidiaries (Note 19)	**–**	–	–	**165,769**	100,641	93,074
Loan to associate (Note 14)	**9,268**	–	–	**–**	–	–
Cash and short-term deposits (Note 20)	**28,920**	86,642	106,956	**14,575**	79,872	99,157
Total financial assets carried at amortised cost	**61,004**	89,220	111,944	**180,353**	180,565	193,243

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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Group			Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	**31.12.2018 $'000**	31.12.2017 $'000	1.1.2017 $'000
United States Dollar	**4,874**	1,702	4,132	**–**	–	832
Arab Emirates Dirham	**1,142**	–	–	**–**	–	–

Expected credit loss of trade receivables (for 31 December 2018)

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The basis of determination of loss allowance are disclosed in Note 27(c).

	Group 31.12.2018		
	Gross amount $'000	**Loss allowance $'000**	**Carrying amount $'000**
Current	11,692	–	11,692
< 3 months past due	6,001	–	6,001
3 to 6 months past due	1,171	–	1,171
6 to 12 months past due	640	–	640
>12 months past due	2,148	(329)	1,819
	21,652	(329)	21,323

Trade receivables that are past due but not impaired (for 31 December 2017 and 1 January 2017)

The Group has trade receivables amounting to $448,000 (2017: $2,952,000) 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	
	31.12.2017 $'000	1.1.2017 $'000
Trade receivables past due but not impaired:		
Lesser than 30 days	142	643
30 to 60 days	72	1,238
61 to 90 days	31	1,003
More than 90 days	203	68
	448	2,952

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Expected credit losses (for 31 December 2018 and 1 January 2018)

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follows:

	Group	
	Trade receivables 2018 $'000	**Contract assets 2018 $'000**
Movement in allowance accounts:		
At 1 January	63	–
Charge for the year	266	506
At 31 December	329	506

Receivables that are impaired (for 31 December 2017 and 1 January 2017)

The Group's trade receivables that are individually impaired at the end of the reporting period and the movement of the allowance account used to record the impairment is as follows:

	Group	
	31.12.2017 $'000	1.1.2017 $'000
Trade receivables – nominal amounts	63	63
Less: Allowance for impairment	(63)	(63)
	–	–
Movement in allowance account:		
At 1 January	63	35
Charge for the year	–	63
Written off	–	(35)
At 31 December	63	63

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Amount due from:			
Non-trade receivables – nominal amounts	**194,969**	122,141	107,074
Less: Allowance for impairment	**(29,200)**	(21,500)	(14,000)
	165,769	100,641	93,074
Movement in allowance account:			
At 1 January	**21,500**	14,000	–
Charge for the year	**7,700**	7,500	14,000
At 31 December	**29,200**	21,500	14,000
Amount due to:			
Non-trade payables	**7,650**	5,000	5,653

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and are repayable on demand.

In the current financial year, an impairment loss of $7,700,000 (2017: $7,500,000) was recognised in the Company's profit or loss subsequent to an assessment of the carrying amount of the amounts due from subsidiaries.

20. CASH AND SHORT-TERM DEPOSITS

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	**31.12.2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Cash at banks and on hand	**28,920**	28,984	38,205	**14,575**	22,214	30,406
Short-term deposits	**–**	57,658	68,751	**–**	57,658	68,751
	28,920	86,642	106,956	**14,575**	79,872	99,157

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 0.20% to 2.05% (2017: 0.10% to 1.20%) per annum.

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

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	**31.12.2018**	31.12.2017	1.1.2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
United States Dollar	**15,361**	43,960	39,758	**12,441**	38,659	35,448
Euro	**375**	397	480	**18**	18	20
Malaysia Ringgit	**659**	–	–	**–**	–	–

21. TRADE AND OTHER PAYABLES

	Group			Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	**31.12.2018 $'000**	31.12.2017 $'000	1.1.2017 $'000
Trade payables	**7,281**	4,319	4,827	**–**	–	856
Other payables	**2,984**	1,485	3,217	**601**	412	385
Total trade and other payables (current)	**10,265**	5,804	8,044	**601**	412	1,241
Trade and other payables (excluding provision for warranty)	**10,228**	5,413	6,370	**601**	412	1,241
Amount due to subsidiaries (Note 19)	**–**	–	–	**7,650**	5,000	5,653
Loans and borrowings (Note 22)	**12,514**	–	–	**–**	–	–
Total financial liabilities carried at amortised cost	**22,742**	5,413	6,370	**8,251**	5,412	6,894

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

Other payables primarily consists of accrued operating expenses.

As at 1 January 2017, the Company's trade payable included an amount of $856,000 due to a subsidiary.

The Group's other payables includes a provision for warranty of approximately $37,000 (2017: $391,000). During the financial year, the Group wrote back excess provision of approximately $341,000 (2017: $1,176,000). In line with the Group's policy as discussed in Note 2.17, the write back of additional provision in 2018 and in 2017 for warranty were resulted from the annual revision.

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

	Group			Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	**31.12.2018 $'000**	31.12.2017 $'000	1.1.2017 $'000
United States Dollar	**468**	451	1,320	–	–	856
Euro	**75**	4	344	–	–	–
Australian Dollar	**8**	133	–	–	–	–

22. LOANS AND BORROWINGS

	Maturity	Group 31.12.2018 $'000
Current:		
Bank loan A	2019	7,508
Bank loan B	2019	939
		8,447
Non-current:		
Bank loan B	2020-2023	4,067
		12,514

Bank loan A:

The bank loan is an unsecured revolving 6 months credit facility which bears effective interest rate of 4.66% per annum at the end of the reporting period.

Bank loan B:

The bank loan is unsecured with a tenure of 72 months and bears effective interest rate of 5.50% per annum at the end of the reporting period. This loan is provided by a bank for an initiative under SPRING Singapore, an agency under the Ministry of Trade and Industry of Singapore, for working capital assistance for companies in the offshore industry.

Based on the terms of the loan arrangements, the repayment of the principal amount of the loan will commence 24 months from the inception of the loan.

Reconciliation of liabilities arising from financing activities

The table below details changes in the group's liabilities arising from financing activities, including both cash and non–cash changes as follows:

Group	1.1.2018 $'000	Acquisition of subsidiary $'000	Foreign exchange movement $'000	31.12.2018 $'000
Borrowings	–	12,500	14	12,514

23. SHARE CAPITAL

	Group and Company			
	2018		2017	
	No. of shares	**$'000**	No. of shares	$'000
Issued and fully paid:				
At 1 January and 31 December	**202,877,948**	**108,788**	202,877,948	108,788

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.

24. COMMITMENTS AND CONTINGENCIES

(a) ***Capital commitments***

Capital expenditure contracted for as at the end of the reporting period in respect of property, plant and equipment and unquoted equity securities contracted for but not recognised in the financial statements was $Nil and $168,000 (2017: $16,000 and $291,000) respectively.

(b) ***Operating lease commitment – as lessee***

The Group leases its properties and certain equipment under lease agreements that are non-cancellable within a year and contain provisions for rental adjustments. These leases have an average tenure of between five to twelve years with no contingent rent provision included in the contracts. There are restrictions placed on subleasing the leased equipment and properties to third party.

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

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Not later than one year	**1,063**	1,073	1,226
Later than one year but no later than five years	**4,213**	4,244	4,880
Later than five years	**885**	1,939	3,510
	6,161	7,256	9,616

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) *Contingent liabilities*

The Company has provided financial support to certain subsidiaries having current liabilities in excess of current assets of $24,101,000 (2017: $18,767,000).

On 12 February 2016, three brokers had submitted claims on brokers' commissions amounting to $5,100,000, including interest, against CHO. The final hearing has been fixed to be in April 2019. CHO has been advised by its legal counsel that it is possible, but not probable, that the action will succeed and accordingly no provision for any liability has been made in these financial statements.

25. RELATED PARTY TRANSACTIONS

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

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

(b) *Compensation of key management personnel*

	Group	
	2018	2017
	$'000	$'000
Short-term employee benefits	**2,941**	2,488
Comprise amounts paid / payable to		
– Directors of the Company	**1,450**	1,239
– Other key management personnel	**1,491**	1,249
	2,941	2,488

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. DIRECTORS' AND EXECUTIVES' REMUNERATION

Directors' remuneration and fees amounted to $1,177,000 (2017: $976,000) and $273,000 (2017: $263,000) respectively.

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

	Company	
	2018	2017
$500,000 to $999,999	**1**	1
$250,000 to $499,999	**1**	1
Below $250,000	**5**	5
Total	**7**	7

27. 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 Audit Committee provides independent oversight to the effectiveness of the risk management process.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks for financial year 2018.

(a) *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 the interest rate risk arises primarily from their borrowings. The Group's and Company's floating rate borrowings are contractually re-priced at intervals of 6 months from the end of the reporting period.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $19,000 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings.

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

(b) *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 Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

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.

Group	**31.12.2018 One year or less $'000**	One to five years $'000	Total $'000
Financial assets:			
Trade and other receivables (excluding GST recoverable and downpayment for capital expenditure)	**22,816**	–	22,816
Cash and short-term deposits	**28,920**	–	28,920
Loan to associate	**6,284**	3,491	9,775
Total undiscounted financial assets	**58,020**	3,491	61,511
Financial liabilities:			
Trade and other payables (excluding provision for warranty)	**10,228**	–	10,228
Loans and borrowings	**8,822**	4,592	13,414
Total undiscounted financial liabilities	**19,050**	4,592	23,642
Total net undiscounted financial assets/ (liabilities)	**38,970**	(1,101)	37,869

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(b) ***Liquidity risk (cont'd)***

Analysis of financial instruments by remaining contractual maturities (cont'd)

Group	31.12.2017 One year or less $'000	1.1.2017 One year or less $'000
Financial assets:		
Trade and other receivables (excluding GST recoverable and downpayment for capital expenditure)	2,578	4,988
Cash and short-term deposits	86,642	106,956
Total undiscounted financial assets	89,220	111,944
Financial liabilities:		
Trade and other payables (excluding provision for warranty)	5,413	6,370
Total undiscounted financial liabilities	5,413	6,370
Total net undiscounted financial assets	83,807	105,574

Company	**31.12.2018 One year or less $'000**	31.12.2017 One year or less $'000	1.1.2017 One year or less $'000
Financial assets:			
Trade and other receivables (excluding GST recoverable)	**9**	52	1,012
Amount due from subsidiaries	**165,769**	100,641	93,074
Cash and short-term deposits	**14,575**	79,872	99,157
Total undiscounted financial assets	**180,353**	180,565	193,243
Financial liabilities:			
Trade and other payables	**601**	412	1,241
Amount due to subsidiaries	**7,650**	5,000	5,653
Total undiscounted financial liabilities	**8,251**	5,412	6,894
Total net undiscounted financial assets	**172,102**	175,153	186,349

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

(c) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a pro–active approach in the extension of credit terms to trade customers, monitors its exposure to credit risk on an ongoing basis and only transacts with creditworthy institutions.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

i. Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. Information regarding loss allowance movement of trade receivables are disclosed in Note 18.

Concentration of credit risk

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					
	31.12.2018		31.12.2017		1.1.2017	
	$'000	**%**	**$'000**	%	$'000	%
By country						
Singapore	**821**	**4**	**216**	13	2,323	56
China	**41**	**–**	**–**	–	1,031	25
Middle East	**3,730**	**17**	**1,432**	84	748	18
Asia Pacific (excluding China and Singapore)	**15,117**	**71**	**35**	2	30	1
Others	**1,614**	**8**	**19**	1	–	–
	21,323	**100**	**1,702**	100	4,132	100

At the end of the reporting period, approximately:

- 70% (2017: 92%) of the Group's trade receivables were due from 3 (2017: 3) major customers who are located in Singapore and Asia Pacific.
- A nominal amount of approximately $45,012,000 (2017: $43,956,000) relating to a corporate guarantee provided by the Company to banks for its subsidiaries' banking facilities.

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

(c) *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 18.

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currencies other than Singapore Dollars (SGD). The foreign currency in which these transactions are denominated are mainly US Dollars (USD). Approximately 99% (2017: 99%) of the Group's sales are denominated in foreign currencies whilst about 47% (2017: 16%) of costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances that are denominated in foreign currencies at the end of the reporting period, as disclosed in Notes 18 and 21 respectively, have similar exposures.

The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes. These balances at the end of the reporting period are disclosed in Note 20.

The Group and the Company's investment in quoted corporate bonds that are denominated in USD amount to approximately $817,000 (2017: $1,877,000).

To minimise foreign exchange risks, the Group practices 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.

The Group does not apply hedge accounting for such foreign currency denominated sales and purchases.

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

(d) *Foreign currency risk (cont'd)*

Sensitivity analysis for foreign currency risk

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

		Group	
		2018	2017
		$'000	$'000
		Net profit	Net loss
USD / SGD	– strengthened 3% (2017: 3%)	**+617**	-1,412
	– weakened 3% (2017: 3%)	**-617**	+1,412

28. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;

– Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

28. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) ***Assets and liabilities measured at fair value***

	Group and Company		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Financial assets:			
Equity securities at fair value t hrough other comprehensive income			
– Corporate bonds (quoted) (Level 1)	**1,068**	2,130	5,511
– Unquoted equity securities (Level 2)	**2,220**	–	–
	3,288	2,130	5,511

Determination of fair value

Quoted equity instruments: Fair value is determined directly by reference to their published market bid price at balance sheet date.

Unquoted equity securities: Fair value is determined directly by reference to the audited net asset value of the investment fund company where the fair value of the portfolio investment are determined using a set of internationally recognised valuation methodologies.

The financial asset was previously accounted for as an available-for-sale before the Group's adoption of SFRS(I) 9 on 1 January 2018 as disclosed in Note 28(d).

(c) Assets and liabilities by classes that are not measured 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.

(d) Assets and liabilities not measured at fair value and whose carrying amounts are not reasonable approximation of fair value

	Group and Company	
	31.12.2017	1.1.2017
	$'000	$'000
Financial asset:		
Available-for-sale financial assets		
– Unquoted equity securities	1,326	1,024

Upon adoption of SFRS(I) 9 as at 1 January 2018, the financial asset was redesignated to be carried at fair value. Its fair value as at 31 December 2018 is as disclosed in Note 28(b).

NOTES TO THE FINANCIAL STATEMENTS

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29. CAPITAL MANAGEMENT

The capital includes cash which is disclosed in Note 20.

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 Group is not subject to any externally imposed capital requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

30. DIVIDEND

	Group and Company	
	2018	2017
	$'000	$'000
Declared and paid during the financial year:		
Dividend on ordinary shares:		
– First and final tax exempt (one-tier) dividend for 2016: 1.25 cents per share	–	2,536
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 2018: 0.5 cent (2017: Nil) per share	**1,014**	–

31. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 15 March 2019.

ANALYSIS OF SHAREHOLDINGS

AS AT 12 MARCH 2019

Number of Ordinary Shares in issue	:	202,877,948
Number of Treasury Shares	:	Nil
Class of Shares	:	Ordinary
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	185	3.62	1,592	0.00
100 – 1,000	867	16.96	455,896	0.22
1,001 – 10,000	3,048	59.63	14,203,947	7.00
10,001 – 1,000,000	997	19.50	44,710,991	22.04
1,000,001 and above	15	0.29	143,505,522	70.74
Total	**5,112**	**100.00**	**202,877,948**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Dr Benety Chang	87,003,837	42.88
2.	Dr Heng Chin Ngor Doris	19,151,771	9.44
3.	Ho Kim Lee Adrian	7,633,980	3.76
4.	DBS Nominees (Private) Limited	6,756,787	3.33
5.	Tan Yang Guan	4,128,554	2.03
6.	Citibank Nominees Singapore Pte Ltd	3,151,220	1.55
7.	Aurol Anthony Sabastian	3,115,134	1.54
8.	Lim & Tan Securities Pte Ltd	2,537,160	1.25
9.	Chiam Toon Chew	2,048,820	1.01
10.	UOB Kay Hian Private Limited	1,796,840	0.89
11.	Phillip Securities Pte Ltd	1,402,073	0.69
12.	Raffles Nominees (Pte) Limited	1,355,980	0.67
13.	CGS-CIMB Securities (Singapore) Pte. Ltd.	1,247,505	0.61
14.	United Overseas Bank Nominees (Private) Limited	1,141,160	0.56
15.	OCBC Nominees Singapore Private Limited	1,034,701	0.51
16.	Magheart Pte Ltd	994,200	0.49
17.	ABN AMRO Clearing Bank N.V.	989,000	0.49
18.	Pua Beng Soon	790,000	0.39
19.	OCBC Securities Private Limited	782,308	0.39
20.	Yeap Cheow Soon	776,700	0.38
	Total	**147,837,730**	**72.86**

ANALYSIS OF SHARE HOLDINGS

AS AT 12 MARCH 2019

PUBLIC FLOAT

As at 12 March 2019, approximately 45.41% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 12 March 2019)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Dr Benety Chang [(1)]	87,003,837	42.88	19,151,771	9.44
Dr Doris Heng Chin Ngor [(2)]	19,151,771	9.44	87,003,837	42.88

Notes:

(1) Dr Benety Chang's deemed interests include 19,151,771 shares held by his wife, Dr Doris Heng Chin Ngor.

(2) Dr Doris Heng Chin Ngor's deemed interests include 87,003,837 shares held by her husband, Dr Benety Chang.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Baker Technology Limited (the "Company") will be held at Nautica II, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on Friday, 26 April 2019 at 10.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 0.5 cent per ordinary share (tax exempt one-tier) for the year ended 31 December 2018. **(Resolution 2)**

3. To approve the payment of Directors' fees of S$273,000 for the year ending 31 December 2019 to be paid quarterly in arrears. (FY2018: S$273,000) **(Resolution 3)**

4. To re-elect the following Directors, who are retiring by rotation pursuant to Article 110 of the Constitution of the Company:

   (a) Ms Jeanette Chang **(Resolution 4)**
   (b) Mr Ang Miah Khiang **(Resolution 5)**
   (c) Ms Han Sah Heok Vicky **(Resolution 6)**

5. To re-appoint Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

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

AS SPECIAL BUSINESS

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

7. Authority to issue shares

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Directors of the Company be authorised and empowered 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

NOTICE OF ANNUAL GENERAL MEETING

(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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, 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 of the passing of this Resolution; 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 Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority 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 earlier. **(Resolution 8)**

By Order of the Board

Nga Ko Nie
Company Secretary

Singapore, 10 April 2019

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

(i) **Ordinary Resolution 4** is to re-elect Ms Jeanette Chang, who will upon re-election, remain as Chief Executive Officer of the Company and a member of the Nominating Committee, and will be considered non-independent. Please refer to pages 142 to 144 of the Annual Report for the relevant information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

(ii) **Ordinary Resolution 5** is to re-elect Mr Ang Miah Khiang, who will upon re-election, remain as the Chairman of the Audit Committee and a member of the Remuneration Committee. Mr Ang will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to pages 142 to 144 of the Annual Report for the relevant information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

(iii) **Ordinary Resolution 6** is to re-elect Ms Han Sah Heok Vicky, who will upon re-election, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committee. Ms Han will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to pages 142 to 144 of the Annual Report for the relevant information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

(iv) **Ordinary Resolution 8** is to empower the Directors of the Company, from the date of this Resolution being passed until the date 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 in pursuance of such instruments. The maximum number of shares and instruments which the Directors may issue shall not exceed the quantum set out in this Resolution.

NOTES

1. A member of the Company (other than a Relevant Intermediary*) 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/her behalf. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

2. A Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Jalan Samulun, Singapore 629124 not less than 72 hours before the time appointed for holding the Annual General Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 8 May 2019 for the preparation of dividend warrants.

Duly completed transfers 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 7 May 2019 will be registered to determine shareholders' entitlement to the proposed first and final dividend (the "Proposed Dividend").

Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 7 May 2019 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by shareholders at the Annual General Meeting to be held on 26 April 2019, will be paid on 17 May 2019.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing, administration and analysis by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

DIRECTORS STANDING FOR RE-ELECTION AT THE ANNUAL GENERAL MEETING

The following information relating to Ms Jeanette Chang, Mr Ang Miah Khiang and Ms Han Sah Heok Vicky, each of whom is standing for re-election as a Director at the Annual General Meeting of the Company on 26 April 2019, is provided pursuant to Rule 720(6) of the Listing Manual of the SGX-ST:

Name of Director	Jeanette Chang	Ang Miah Khiang	Han Sah Heok Vicky
Date of first appointment as a Director	1 September 2013	1 November 2013	1 December 2013
Date of last re-appointment/ re-election as a Director	22 April 2016	25 April 2017	25 April 2017
Age	42	65	58
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on the re-election	The Board has accepted the Nominating Committee's recommendation, which has reviewed and considered Ms Chang's performance as Chief Executive Officer ("CEO") of the Company.	The Board has accepted the Nominating Committee's recommendation, which has reviewed and considered Mr Ang's performance as an Independent Director of the Company.	The Board has accepted the Nominating Committee's recommendation, which has reviewed and considered Ms Han's performance as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Ms Chang is the CEO of Baker Technology Limited and she is responsible for the overall management of the Group.	Non-Executive	Non-Executive
Job title	• CEO • Nominating Committee (Member)	• Independent Director • Audit Committee (Chairman) • Remuneration Committee (Member)	• Independent Director • Remuneration Committee (Chairman) • Audit Committee (Member) • Nominating Committee (Member)

Name of Director	Jeanette Chang	Ang Miah Khiang	Han Sah Heok Vicky
Professional qualifications	• Master in Engineering First Class (Civil Engineering) Degree, Imperial College London, UK • Master of Business Administration with Distinction, London Business School, UK	• Bachelor of Accountancy Degree, University of Singapore	• Bachelor of Accountancy Degree, National University of Singapore
Working experience and occupation(s) during the past 10 years	• Executive Director of Baker Technology Limited from 2013 to 2018 • Director of Equity Capital Market, Barclays Bank Plc, Singapore from 2007 to 2013	Mr Ang has over twenty years' experience in SME financing business, having held the position of Managing Director of GE Commercial Financing (Singapore) Ltd. He was also concurrently regional director for GE Capital related businesses in Asia Pacific region. More recently, he was Director, DP Information Network Pte Ltd.	Ms Vicky Han, prior to July 2013, was head of Corporate Finance in a corporate advisory firm, specialising in providing corporate advisory and fund raising transaction services to companies. She is currently a director in BA Contracts Pte Ltd, a company that is principally engaged as a wholesaler, importer and exporter of various building materials and as a subcontractor in the building and construction industry.
Shareholding interest in the Company and its subsidiaries	None	None	100,000 ordinary shares in Baker Technology Limited

DIRECTORS STANDING FOR RE-ELECTION AT THE ANNUAL GENERAL MEETING

Name of Director	Jeanette Chang	Ang Miah Khiang	Han Sah Heok Vicky
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/ or substantial shareholder of the Company or of any of its principal subsidiaries	Daughter of Dr Benety Chang (Executive Director and substantial shareholder of the Company; and CEO of CH Offshore Ltd., a subsidiary of the Company)	None	None
Conflict of interest (including any competing business)	None	None	None
Undertaking submitted to the Company in the form of Appendix 7.7 (Listing Rule 720(1))	Yes	Yes	Yes

Name of Director	Jeanette Chang	Ang Miah Khiang	Han Sah Heok Vicky
Other Principal Commitments Including Directorships	**Present Directorship:** • Baker Engineering Pte. Ltd. • BT Investment Pte. Ltd. • BT Offshore (B) Sdn Bhd • BT Offshore (Malaysia) Pte Ltd • BT Offshore Management Pte. Ltd. • BT OSV 1 Pte. Ltd. • BT Titanium Pte. Ltd. • CH Offshore Ltd. • Interseas Pte. Ltd. • Sea Hercules Cranes Pte. Ltd. (f.k.a. Interseas Shipping (Private) Limited • Sea Deep Shipyard Pte. Ltd. **Past Directorship (for the past 5 years):** Nil	**Other Principal Commitment:** Nil **Present Directorship:** • SK Jewellery Group Limited • PS Group Holdings Ltd **Past Directorship (for the past 5 years):** • Uni-Asia Holdings Limited • Ley Choon Group Holdings Limited • Katrina Group Ltd • DP Information Network Pte Ltd • SPRING SEEDS Capital Pte Ltd • SPRING Equity Investments Pte Ltd	**Other Principal Commitment:** • Director of BA Contracts Pte. Ltd. **Present Directorship**: • BA Contracts Pte. Ltd. **Past Directorship (for the past 5 years):** Nil

The Directors had responded negative to items (a) to (k) listed in Appendix 7.4.1 of the Listing Manual of the SGX-ST.

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BAKER TECHNOLOGY LIMITED
(Unique Entity Number 198100637D)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name), ________________ (NRIC/Passport/Registration No.)

of ____ (Address),

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

Name	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or failing him/her, the Chairman of the Annual General Meeting (the "**Meeting**") as my/our proxy/proxies to vote for me/us on my/our behalf at the Meeting of the Company to be held at Nautica II, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on Friday, 26 April 2019 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 Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/their discretion. Resolutions put to vote at the Meeting shall be decided by poll.

(If you wish to exercise all your votes "For" or "Against", please indicate your vote with a [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	For	Against
	ORDINARY BUSINESS		
1.	Adoption of Directors' Statement and Audited Financial Statements for the year ended 31 December 2018		
2.	Declaration of a First and Final Dividend for the year ended 31 December 2018		
3.	Approval of Directors' fees of S$273,000 for the year ending 31 December 2019		
4.	Re-election of Ms Jeanette Chang as a Director		
5.	Re-election of Mr Ang Miah Khiang as a Director		
6.	Re-election of Ms Han Sah Heok Vicky as a Director		
7.	Re-appointment of Ernst & Young LLP as Auditor		
	SPECIAL BUSINESS		
8.	Authority to issue shares		

Dated this __________ day of _______________ 2019

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 TO PROXY FORM

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 81SF of Securities and Future Act, Chapter 289), 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 entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary* may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified)

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 10 Jalan Samulun, Singapore 629124 not less than 72 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an attorney or duly authorised officer. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. 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 Meeting, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

*A Relevant Intermediary means:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act, Chapter 36 of Singapore, providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

GENERAL

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2019.

BAKER Technology Limited

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