BAKER TECHNOLOGY LIMITED

(UEN No. 198100637D)
(Incorporated in the Republic of Singapore)

SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS & SIAS ANNUAL GENERAL MEETING 19 JUNE 2020

The Board of Directors (the "**Board**") of BAKER TECHNOLOGY LIMITED (the "**Company"**) would like to thank shareholders for submitting their questions in advance of the Company's Annual General Meeting to be held by electronic means on Friday, 19 June 2020 at 4.00 p.m.

The Company would like to inform shareholders that the responses to all substantial and relevant questions which have been submitted by shareholders are published in this announcement. In addition, we have also received a list of questions from Securities Investors Association (Singapore) ("**SIAS**"). The questions from shareholders and SIAS have been reproduced in verbatim, however as some of the questions received overlap, the Company is not providing a response to every question but instead questions related in scope are addressed in the same response.

Please refer to Appendix of this announcement for details.

By Order of the Board
Lim Mee Fun
Company Secretary
19 June 2020

APPENDIX

1. Impact due to collapse of the oil price and pandemic

__i. What is the impact on the business and CH Offshore with the collapse of the oil price?__

__ii. E Pass, S Pass and Work Permits: Any insights on how the pandemic will affect the Group's performance going forward?__

__iii. May the board provide an update on the impact of Covid-19 to Baker Tech's business? Has all the businesses resumed normal operation and work?__

The impact of the collapse in oil price and the COVID-19 pandemic on the Group's business (including that of CH Offshore Ltd. ("**CH Offshore**")) has been described in the Company's and CH Offshore's announcements on 23 April 2020. As at today, our view on the impact to our business is unchanged.

The Government of Singapore imposed a movement restriction on foreign workers staying in dormitories on 21 April 2020. As a result, we had to implement a stop work situation within our yard. At this point in time, we are still waiting for the dormitories that our workers reside in to be cleared so that our workers can resume work. We will then be able to carry on with existing fabrication projects albeit with a delayed delivery date. The potential changes to the housing situation for foreign workers in the medium to long term are likely to increase our manpower costs although the impact is unknown at present. We also have additional shipyard costs due to the various Safe Management Measures that we have put in place in our yard in accordance with the requirements set out by EDB and Enterprise Singapore. As with the rest of the country, as we go through Phases 1, 2 and 3 of gradual reopening (post Circuit Breaker), it will take time for our business to resume normal operations and work.

From a vessel chartering perspective, the strict border controls and significant reduction in the international movement of people have impacted our operations mainly from the perspective of crew changes, logistics of obtaining provisions, spares and repairs as well as conducting inspections. However, we expect that over time, with some safe distancing measures put in place in various countries, these difficulties will ease. We also anticipate a tepid market with fewer enquiries, shorter charter periods and requests for realignment of existing charters with the result that chartering income will be negatively impacted. This will therefore weigh on the Group's financials for the financial year ending 31 December 2020 especially if the low oil prices persist.

2. Questions in relation to Operations:

__i. (SIAS) Would the board/management provide shareholders with better clarity on the following operational issues? Specifically: Engineering & manufacturing: What is the level of activities and the performance of the main operating subsidiaries in the engineering/manufacturing (namely Sea Deep Shipyard Pte. Ltd. and Baker Engineering Pte. Ltd.)?__

__ii. Refer to page 106, the segment information. May the company provide further breakdown on the performance of the Marine offshore segment result? In particular the performance of the Sea Deep Shipyard, Baker engineering subsidiary and BT Investment Pte Ltd (DP liftboat, Blue titanium)? Are each of the subsidiaries profitable for FY2019? Please also provide the outlook for these subsidiaries in FY2020? Are there any sufficient orders on hand for the Baker Engineering and See Deep Shipyard pte for FY2020?__

iii. Page 23, chairman statement - "We are optimistic about the rejuvenation and asset enhancement opportunities for our vessels as well as fabrication projects for our shipyard subsidiaries." May the board further elaborate on the above statement? As we are already half way of FY2020, are there new fabrication projects secured for our shipyard subsidiaries? If yes, what are the projects and what are the values?

iv. Any update on company plans to do MRO?

v. What is the next 5 year strategic masterplan for the coy, amid declining oil prices?

From mid-2019, Baker Engineering Pte. Ltd. ("**Baker Engineering**") saw more tenders and projects for fabrication work and, up until the movement restrictions impacting foreign workers were implemented, was seeing a higher level of activity. The projects cover a wide range within the marine offshore sector including repair and rejuvenation, new builds and wind farm related projects. Baker Engineering's financial performance improved in 2019 vs 2018. However, given the movement restrictions, fabrication activity has slowed significantly as disclosed in the Company's announcement on 23 April 2020. We believe that yard activity will pick up in the latter half of the year when our workers are permitted to return to work with strict Safe Management Measures in place. For Sea Deep Shipyard Pte. Ltd. ("**Sea Deep Shipyard**"), its activities are more focused on designing and fabricating specialised equipment for new rigs as well as service and maintenance of such equipment on rigs. Sea Deep Shipyard's profits have also improved between 2019 vs 2018. However, with the COVID-19 pandemic and stringent border controls, the offshore servicing and maintenance activity has fallen significantly. For BT Investment Pte. Ltd. ("**BT Investment**"), some of our vessels, including Blue Titanium and CH Offshore vessels, are on charter for rejuvenation works which are continuing despite the COVID-19 pandemic.

For further information in relation to BT Investment, Blue Titanium and CH Offshore, please refer to the subsequent sections.

The Group's focus in relation to its shipyard activities is to design and build mobile offshore units. In this market, with less interest in new builds and less funding available to vessel owners, our Group is therefore focusing on large scale, high end fabrication work. However, over the next five years, our intention is to continue developing and fabricating our own designs. Our subsidiaries, Sea Deep Shipyard and Sea Hercules Cranes Pte. Ltd. are also focused on the design and fabrication of specialised equipment including offshore cranes, jacking systems, rack and chord. In addition to design and fabrication, our focus is also on the maintenance, repair and overhaul of the proprietary cranes and other specialist equipment that we have manufactured over the years. On the chartering side, we are focused on our fleet renewal plan as well as growing our ship management revenue stream. We are also exploring other markets to ensure that our vessels are chartered and working.

3. Questions in relation to the Blue Titanium (the "liftboat"):

i. (SIAS) Would the board/management provide shareholders with better clarity on the following operational issues? Specifically: Blue Titanium: According to online checks, it appears that the state-of-the—Art DP2 Liftboat, Blue Titanium, is deployed in Brunei Darussalam under the group's wholly-owned subsidiary, BT Offshore (B) Sdn Bhd. Revenue from the group's major customer was $24.9 million in FY2019 (2018: $22.3 million). Can management help shareholders understand the length of the time charter? The liftboat was first deployed in the second quarter of 2018 to support rejuvenation works for oil and gas platforms for a national oil company.

ii. ***Please update the status of the Liftboat.***

iii. ***Can the Board update on the liftboat charter current contract? Any renewal of charter since the last update and is the rate lower/higher (how many %) than previous 1 year contract? Will company sell liftboat if there are offers?***

iv. ***Would like to know more about The Blue Titanium. Any chance that you will be selling it? If not, is it still rented out? (for how long)***

The liftboat had a utilisation rate of about 60% for FY2019 and is now deployed in Brunei Darussalam again to support rejuvenation works on a longer-term charter. We are unable to disclose specific information regarding the charter as it is important to maintain our competitive advantage in the marketplace and protect the charter. We would consider selling the liftboat only if the offer price is attractive.

4. Questions in relation to CH Offshore

i. ***(SIAS) Between July and September 2018, the group acquired a 54.98% stake in CH Offshore Ltd., which is involved in vessel owning and chartering and ship management. The acquisition was a strategic investment to extend the group's reach into new markets. In FY2019, CH Offshore incurred a loss after income tax of US$14.1 million in FY2019. This was due to losses from associates (contributed by a loss of disposal of vessels by CHO's Indonesian associate), and a provision for brokers' commission following results of the arbitration proceedings in 3Q 2019. With almost 2 years of ownership of CH Offshore, can management help shareholders understand if the original investment thesis is playing out as planned?***

We looked at many acquisition opportunities over the last few years to diversify our revenue streams while staying within the marine and offshore sector. We targeted the asset class that had opportunities for growth and identified CH Offshore as the company which would allow us to take advantage of the market opportunities. Our investment strategy was taken with a longer term perspective and is on course as by re-organising and optimising CH Offshore's processes, departments, focus and culture, we have put CH Offshore on the right path to turning its financials around. However, like many other companies, the second oil price downturn and the COVID-19 pandemic were not anticipated. As such the journey to reaching our end goal will take that much longer.

ii. **(SIAS)** ***Given the current state of the global economy and the offshore oil and gas industry, what are management's plans to turn around CH offshore which has a core fleet of high-performance Anchor Handling Tug Supply ("AHTS") vessels?***

CH Offshore's core fleet of AHTS, being well built by renowned shipyards to high quality specifications, are suitable for many markets. The vessels have proven track records and are recognised by charterers to be reliable and operated by an experienced management team. During the course of FY2019, CH Offshore had been successful in securing third party ship management agreements and intends to develop the business model further in 2020.

More information regarding CH Offshore can be found on its corporate website and annual report.

iii. **(SIAS)** ***What were the utilisation rates of its AHTS?***

The utilisation rates range between 60% and 80%.

iv. ***For CH Offshore, is there anymore contractual obligations/potential litigations related to the previous charters/sales of all vessels? This year's average charter rates drop how many %? Any plans to dispose anymore old vessels?***

Other than the arbitration disclosed in CH Offshore’s announcements published on 23 August 2019 and 16 December 2019, the Board is not aware of any further contractual obligations/potential litigations related to the previous charters/sales of all vessels. CH Offshore’s charter rates are in line with the international market prior to the COVID-19 pandemic. However, the rates, as a result of the pandemic and fall in oil prices, may decline but CH Offshore is unable to determine the extent of the potential reduction in rates. CH Offshore has a fleet renewal strategy and will consider disposing assets after performing profit – loss analyses.

5. Questions regarding the Group’s shipyards:

i. ***When is our shipyard’s lease expiring and is the company applying for a new lease? What conditions do we have to fulfil? An estimate of costs please.***

ii. ***Refer to page 63, major properties. The tenure of these properties are expiring in 2023 and 2025 respectively. Do these properties have options for extension of leases? If not, what are the site replacement plans for the company? What are the expected investments for new sites of properties?***

Our shipyard leases expire in 2023 and 2025 as stated on page 63 of our Annual Report 2019 ("**AR2019**”). The Company will be applying to renew the lease at 6 Pioneer Sector 1 later this year. Until our application is submitted and reviewed by JTC, we will not know what conditions we will have to fulfil and also the costs associated with the conditions.

6. Will there be any fixed asset impairment loss in 1st half FY2020?

The first half 2020 results have not been finalised so we cannot comment at this point.

7. Questions regarding receivables:

i. ***Is there any difficulty in collecting receivable?***

ii. ***Receivables on page 126. Are there any issues with collecting payments? Aging in 2018: ‘3 to 6 months past due’ was $1,171,000 and in 2019 these is an increase of $2 million to $3,177,000 And for ‘6 to 12 months past due’ there is also an increase of close to $4 million as compared to the previous financial year***

Due to the inherent risk surrounding the oil and gas industry, the credit quality of the Group’s customers may have deteriorated, giving rise to increased risks in the collection of trade receivables. The Group is cognisant of this risk and takes the necessary precautions and measures to maximise recoverability. At present, we do not expect this risk to impact our financials for 2020 significantly.

8. **The US dollars has recently weakened against SGD, and on page 127 the group had more than USD$35 million, and the interest rate of Fixed Deposit is near ZERO since COVID-19. Does the company hedges its foreign currencies?**

The Group does not hedge its foreign currencies as it has expenses in US$. We usually convert excess US$ into SG$ and retain the remaining cash in US$ for US$ expenses. Some of the cash is also placed in Fixed Deposits.

9. **(SIAS) On 23 March 2020, the company announced that there are material variances between the unaudited results (first announced by the company on 27 February 2020) and the audited financial statements for FY2019 after the finalisation of audit. As disclosed, the reasons for the material variances are:**
- Reclassification by loan to associate from non-current to current assets by CH Offshore Limited
- Reclassification of amounts due from subsidiaries to investment in subsidiaries
- Adjustment for error for foreign translation losses attributable to non-controlling interests
The reclassifications were as large as $65.8 million.

i. ***How can shareholders get assurance from management that the financial statements in the group and in its listed subsidiary (CH Offshore) are prepared in accordance with the relevant Act and financial reporting standards?***

ii. ***Has the audit committee (AC) evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?***

iii. ***Can the AC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?***

The current key financial personnel have been with the Company for many years and are experienced and qualified finance and accounting personnel. From AC's review and enquiries made with the external auditors, there were no financial reporting issues noted in the past nor had any concerns been raised by the auditors on the adequacy or competency of the finance team.

The AC notes that the material variance did not arise as a result of any weaknesses of reporting process or internal controls and that neither the external nor internal auditors had highlighted any issues over the controls over financial report, and as such considers the current controls adequate.

As the material variance did not arise as a result of any weaknesses of reporting process or internal controls, no specific improvements were made to the group's financial reporting systems and processes. In general, however, on an annual basis, the internal auditors of the Group carry out their review of the Group's internal controls including financial controls and risk management systems with full access to the Group's documents, records, processes, personnel etc. During the internal auditors' review, any issues or concerns that are identified are discussed and system enhancements are put in place to further improve on the Group's systems and processes. In addition, the Group has implemented an Enterprise Resource Planning system to aid in control and data flow for more up to the minute information.

10. **page 77, Cash flow statement, the Net operating cash flow was $15.3m. Are we expecting the same level of positive cash flow for the company going forward?**

Given the impact of COVID-19 on our Group's financials, it is difficult to determine if the net operating cash flow would remain at the same level. However, if activities were to return to pre-COVID-19 levels, we expect to be at or above the same level of positive cash flow.

11. **What kind of cost reduction efforts are being undertaken to rein in expenses? Is there reduction in executive and directors pay?**

Our main expenses stemming from property costs and employee costs cannot be reduced in absolute terms as yard activities and fabrication projects increase. As such, the Group focuses on increasing the productivity and efficiency of its employees with the use of training, systems and technology. In addition, among other efforts, we look to reduce the amount of waste and scrap material generated during the fabrication process. However, with the COVID-19 pandemic, there are additional costs that the Group has to cater for in order to abide by the COVID-19 Safe Management Measures and the COVID-19 (Temporary Measures) Act. These include provision of masks and thermometers, medical expenses and in the future, expected high foreign worker accommodation costs.

Given the exemption provided by the Ministry of Trade & Industry, the Group's operations have continued through the Circuit Breaker Period albeit with a combination of working from the office/yard and working from home. All members of the Board, Management and employees of the Group have continued to perform their duties to ensure the continuity of the operations and to support the Company through the COVID-19 pandemic. The Company believes that in order to retain our strong and experienced management team and Board members, it is important to ensure that compensation is in line with the market and attractive to ensure that our business is sustainable. In line with this, there is currently no plan for reduction of compensation in 2020.

With the COVID-19 pandemic, the Group will continue to closely monitor its operational business performance and costs and respond accordingly if appropriate and necessary to adapt to the changing business environment.

12. **What is the CAPEX for FY2020? Please do a breakdown on the CAPEX allocation and purpose?**

Our capex expenditure this year will be mainly focused on dry docking requirements for some of the Group vessels. The CAPEX expenditure will depend on where the dry docking is carried out and the location the vessel is operating at that time.

13. **Can dividend pay out be maintained?**

Taking into account the Company's operating performance, we had recommended a first and final dividend of 0.5 cent per share for the financial year ended 31 December 2019. We will always try to pay a dividend when possible, balanced against the need to conserve cash as well as the Group's operating, financial condition and capital requirements. Given the volatility of the market and the poor global economic outlook, we are unable to commit to maintain the dividend pay out for the next few years.