BAKER TECHNOLOGY LIMITED

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

SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS ANNUAL GENERAL MEETING 26 APRIL 2024

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 on Friday, 26 April 2024 at 10.00 a.m.

The Board 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. The questions from shareholders have been reproduced in verbatim. However as some of the questions overlap, the Company has grouped some of the questions for ease of answering and reading.

Please refer to Appendix of this announcement for details.

By Order of the Board
Lim Mee Fun
Company Secretary
20 April 2024

APPENDIX

1. **The group's performance has shown notable improvement compared to FY2016 to FY2020. Cashflow wise, the group is faring much better, resulting in a net cash position of $71M. This leads to two questions:**

a) Is there scope for additional deployment of capital in the current business, such as fabrication, CH Offshore and another liftboat?

There is certainly scope for additional deployment within the Group however market conditions now as compared to in 2014/15 (when we were designing and building the Blue Titanium) are not as favourable as new capital expenditure in the oil and gas market continues to suffer from the down cycle since 2017. As such, although we have a fair amount of cash on our balance sheet, to deploy capital into our business will require a number of favourable factors:

- available and reasonable funding from the capital markets (eg banks, private market etc)
- firm market opportunities to ensure ability to deploy any new build assets
- reduction in fabrication costs or increase in charter hire rates to ensure reasonable pay back periods
- clarity in the Offshore Support Vessel sector in relation to what the fuel of the future is

As we assess each opportunity for capital deployment, we consider the above factors amongst others to determine the viability and potential for long term success. Where an opportunity is assessed to tip the balance positively, we will seize the opportunity and deploy capital as required.

b) What is needed for performance to improve further?

As far as possible, we continue to improve our cost structure with the support of the government to be competitive amongst our competitors in the neighbouring countries. We continue to deliver high quality on-time projects to retain repeat customers who are willing to pay more for certainty of delivery and high built to specification quality. Stability and reasonable rates in the offshore wind market will increase fabrication requirements for specialist fabricators like ourselves. Increased capital expenditure commitment by oil majors for exploration, development and rejuvenation will also increase the need for vessels and coupled with some of the considerations in the answer to the question above, will drive new build activities.

2. **Finally, the businesses involved in the fabrication of components and steel parts for new build, repair and upgrade, as well as the manufacture of proprietary Sea Hercules cranes, appear to be making a comeback. Could the management provide a brief outlook on the future of this operation?**

As mentioned in the question, there are several parts to this business: fabrication (new build), repair/maintenance/servicing and upgrading/refurbishment. New build fabrication is typically tied to the new build vessel market which is still muted given high interest rates, lack of lending support and high fabrication costs. As such, fabrication activity is at present more focused on the offshore wind sector coupled with replacement activity in the oil & gas sector. Given the state of the new build market, clients are more focused on repair/maintenance/servicing and as such, the activity in relation to equipment servicing and recertification and spare parts replacement has increased and we expect it to increase further in the short to medium term. The expectation for upgrading/refurbishment activity is similar as clients prefer to refurbish existing equipment over investing in a new fabrication. When factors supporting new builds improve, we will then expect new build market to step up enabling us to seize more opportunities.

3. **CH Offshore LTD ("CHO") has been incurring losses for many years since BTL (the "Company") acquired it in FY 2018, and it has been a drag on the earnings of BTL. In FY 2023, CHO incurred a loss of S$10.877m (USD 8.249m @ $1.3186/USD as at 31/12/2023) with BTL's 54.98% share amounting to S$5.98m. Management has been grappling with this issue for many years, regrettably without much success.**

   Could the management please elaborate on the deeper, fundamental, impactful, and significant corrective actions that (i) they have taken, and (ii) will undertake to reverse the losses. Alternatively, please reconsider whether CHO is still a strategically significant part of the Group's business.

4. **It has been approximately 5 years since the acquisition of a 55% interest in CH Offshore, and surprises have continued to arise year after year. In light of this, I have two questions.**

a) **Reflecting on the management's perspective, how do they view the acquisition so far? Is it aligning with the initial intentions?**

b) **Given its reduced and aging fleets, coupled with a lack of available cash for expansion, what does the management foresee for the future of CH Offshore?**

Putting aside FY2023, CHO's loss per share improved significantly in FY2021 and FY2022 indicating that the actions taken by CHO management since acquisition had resulted in improvements (as planned and intended) despite the poor market conditions stemming from the oil & gas market as well as Covid-19 situation. However, a difficult situation arose with one of the Group's charterers which resulted in legal proceedings and despite receiving a favourable arbitration award, the concerned vessel will not be available for charter until the legal proceedings and enforcement procedures are completed. This, in addition to a vessel impairment charge of US$3.1m on the vessel, has therefore led to worsening financials for FY2023. Going forward into FY2024 and onward, market conditions are showing signs of improvement especially in certain geographical markets and the supply demand imbalance is narrowing resulting in improving charter hire rates and utilisation. We have therefore positioned our vessels in preferred markets to avail of better opportunities. Although CHO's vessels are aging, this is a situation that our competitors also face as market conditions are not supportive of new builds given soaring fabrication prices, high interest rates and lack of lending support in this sector. Further the lack of clarity in the choice of alternative fuel for the future creates significant reluctance in committing capital expenditure in new vessel builds. As such, we have seen markets increase the permitted age of vessels allowed in their oil fields, thus giving our vessels additional economic life. We continue to focus on managing third party vessels which has made an increased positive contribution to our P&L in FY2023 compared to FY2022. With that in mind, we continue to view CHO as a strategic investment.

5. **A first and final dividend of S$0.015 is proposed at the forthcoming AGM. This works out to be a yield of about 2.88% based on the year-end share price of $0.52. BTL has cash of S$87.521m (or S$0.43/share) at year-end. Looking at the cash flow statement, the capital expenditure requirements is not very high. I do understand the need to be cautious and prudent in the current business environment.**

   However, may I request that BTL pay either (i) a special dividend of S$0.015 at this AGM; or alternatively (ii) pay an interim dividend of $0.015 during the next half-yearly results. This would cost the Company about S$3m. Please consider that this request is being made in the light of the high inflation that the shareholders are currently facing (even with some government support), and also that the fixed deposit rates have been hovering above 3.00% (above the current 2.88% yield from the Company's dividend) for more than 1 year.

The dividend payout of $0.015 was increased for FY2023 in reflection of the better operational performance of the Group in FY2023 as compared to FY2022. However, there continues to be a need to maintain a robust cash balance for contingencies as well as for working capital to enable us to take on larger projects and investments.