BAKER TECHNOLOGY LIMITED

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

SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS ANNUAL GENERAL MEETING 28 APRIL 2021

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 Wednesday, 28 April 2021 at 4.00 p.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
28 April 2021

APPENDIX

1. **Questions in relation to Operations & Strategy**

i. **The revenue for the Group has been trending up from $21.5 million in FY2016 to $63.1 million in FY 2020. However, the losses after tax have increased by 312% from $8.3 million to $25.9 million for the corresponding period (excluding bargain purchase gain of $24.7 million for CH Offshore in FY2018). Over the same period, the cash and short-term deposits decreased by 58.5% from $106.9m to $44.3m while the loans and borrowings increased from Nil to $17.5m. These trends of increased losses/borrowings and reduced cash holdings are significant and alarming. What are the specific plans and strategies of management to address and successfully reverse these trends?**

ii. **Describe Baker Technology (Baker) Limited's financial performance over the past few years. What strategies have you put in place to maintain or accelerate the growth trajectory?**

iii. **Will the company be profitable this year?**

iv. **The Return on Assets (ROA) has declined from -4% in FY2016 to -10% in FY2020. Similarly, the Return on Equity (ROE) has also reclined from -4% to -11% over the same period. While we acknowledge that these are uncertain and challenging times for the group, it is also in these times that the quality and leadership of management are discernible. How does management plan to deploy the groups assets and shareholders' equity more effectively and efficiently to improve the utilisation of the group's assets and enhance the return on capital?**

v. **Going forward, please comment on the strategic plans for Sea Deep Shipyard, CH Offshore and liftboat.**

vi. **Are there any intention of growing the coys in other sectors, O&G-related or not? If so, pls elaborate.**

vii. **Refer to chairman statement page 08, Impact of covid-19". For a period of time, the bulk of our foreign workers were restricted within their dormitories and only a small number were able to work as they had been segregated prior to the dormitory lock down. In addition, most of our Malaysian employees were also impacted by Malaysia's Movement Control Order and were unable to return to Singapore to work."**

   a. **May the company provide the current updates on the manpower supply storage situation as well as our company business operating activities/operations for our subsidiaries in particular the performance of the Sea Deep Shipyard, Baker engineering subsidiary and BT Investment Pte Ltd (DP Liftboard, Blue titanium)**
   b. **May the company also provides the outlook for the above subsidiaries in FY2021?**
   c. **What is the Sea Deep Shipyard operating capacity at pre-covid period versus during current time?**

viii. **refer to page 9 of the chairman statement," We are also diversifying into the renewables space. Currently some of our revenue is generated within the wind farm sector and we expect to see an increasing proportion in coming years"**

   a. **May the company provide more details on the revenue obtained from wind farm sector for FY2020?**
   b. **May the company share the plans and strategy of going into the renewable energy sector?**

The trends in the financials of the Group, for the period from 2016 to 2020, reflect a combination of operational trends as well as impact of significant events over the last 5 years. Such events include the construction, delivery and subsequent charters of our state-of-the-art liftboat, Blue Titanium, the acquisition of 54.98% of CH Offshore Ltd. ("CHO") in late 2018 and the ongoing global pandemic from Q2 2020. The financials of the Group therefore reflect these events, inclusive of the cash outlay for the fabrication of Blue Titanium (and subsequent increase in property, plant and equipment in view of the completion and capitalisation of the liftboat) and for the acquisition of CHO in 2018, the partial consolidation of CHO in 2018 and full consolidation from 2019 onwards, the negative impact of the COVID-19 pandemic from 2Q2020 onwards and the continuing weak oil and gas market in recent years.

Operationally, the oil and gas market saw an improvement in sentiment in the last quarter of 2019 through to the first quarter of 2020 which was reflected in an increase in revenue. The Group saw an increase in the number of tenders and contracts (with projects ranging from new builds, repair and rejuvenation to wind farms) as well as higher vessel utilisation. However, the positive sentiment was short lived given the rapid development of the COVID-19 pandemic and the resultant plunge and volatility in oil price stemming from the sharp fall in oil demand. Our group suffered a stop work situation in 2020 which lasted three to four months during which most of our foreign workers were restricted to their dormitories. Production levels therefore fell with the reduction in available production manpower. As such, where relevant, we notified our clients of the force majeure situation. There was also a slow-down in market enquiries, tenders and potential contracts as end clients suspended or delayed projects. Contract values were also reduced. Vessel charter opportunities also fell away as exploration activities slowed and charter periods were shortened. Activities in relation to servicing and certification of offshore equipment were halted due to travel restrictions.

Despite the valuable support measures announced by the Government of Singapore, the Group still had ongoing operational expenses related to our shipyards, employees, vessel operations including vessel maintenance, repairs and crew costs. These costs continue to be incurred despite the reduction in contracts and vessel utilisation. 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 as well as additional vessel crew costs from COVID testing as well as quarantine.

Given the ongoing impact of COVID-19 and volatile oil prices on our Group’s financials even in 2021, it is difficult to determine if the Group will be profitable this year. Our FY2020 financials were impacted on a non-cash basis due to the impairment of the value of our vessels as a result of poor market conditions impacting the value in use. Even as recent as April 2021, there are countries in Asia which are suffering significantly from COVID-19 and their unfortunate escalating situation impacts many companies in Singapore within the construction, marine and process sectors. Over the last year, despite the COVID-19 situation, we have suffered a reduction in manpower as a number of workers have resigned to return home to be with family and only in recent weeks, have we been able to secure approvals to bring in existing and new employees to Singapore to strengthen our workforce to enable the Group to take on more fabrication work. Although we have managed to bring in a handful of new workers in recent weeks, the new travel restriction in relation to India will now delay the remaining plans for a month or more and we will continue to suffer from a limited workforce. Although we have enlarged our sub-contractor base to reduce manpower shortages, as travel restrictions continue or escalate, manpower shortages become more of an issue. Our Malaysian employees have returned to Singapore and are occasionally returning back to Malaysia under the Periodic Commuting Arrangement.

Amidst the uncertainty, we continue to focus on cost optimisation and increasing productivity and operational efficiencies through automation and training. In addition, we are also focused on business development and marketing opportunities including other geographical markets and related sectors to increase our revenue streams. Like other companies within the oil and gas sector, we have broadened our focus within the marine and offshore market by diversifying into the wind energy and renewables space. At present, some of our revenue is already generated in the wind energy sector and we expect to grow that in coming years. Some of these projects include fabrication of specially designed equipment for wind farm installation. Our skill set and knowledge base are transferable into the renewable sector, from a design and fabrication perspective, through to installation of wind farms and provision and management of support vessels. Given our experienced engineering, production and quality control/assurance teams, we are able to deliver complicated fabrication projects within specifications, at a high level of quality and with minimal client input. We are therefore pursuing tenders as well as developing suitable vessel designs for use within the wind energy sector e.g. wind turbine installation jack-ups.

The Group's strategy in relation to its shipyard activities is to design and build mobile offshore units. Given the current state of the 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. Such value-added work will also enable us to deploy our manpower and space resources more effectively to generate higher margins. In the medium to long term, our strategy remains to continue developing and fabricating our own designs (from vessels to offshore cranes and other specialised equipment for the offshore and marine sector). 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 as well as developing a one stop service for rig owners by providing maintenance, repairs and certification for third party cranes in the market. Throughout 2020, the Sea Deep Shipyard Group (Sea Deep Shipyard Pte. Ltd and Sea Hercules Cranes Pte. Ltd.) continued providing equipment certification and servicing to clients (mainly in Singapore) and selling spares for offshore equipment. On the chartering side, we are focused on our fleet renewal plan as well as growing our ship management revenue stream. By managing third party vessels, we are able to broaden the number, range and types of vessels that we offer to our end clients without deploying significant cash reserves. We are also exploring other markets (including Africa and Mexico) to ensure that our vessels are chartered and working.

ix. What are the measure to lower your debts?

We have always maintained a prudent approach in our financial management. At this juncture, our current debt level (predominantly as a result of loans taken at CH Offshore level) is manageable and we are not overly reliant on bank financing. As we work on expanding our revenue and improving on cost control and operational efficiencies as per our strategy, we are also continuously monitoring our debt servicing and operational cashflow very closely with a view to lowering our debt level.

x. Chartering of vessels/liftboat and manufacturers and providers of specialised marine offshore equipment and services for oil and gas industry are presented together in segmental results. I am of the views that while the business of Sea Deep Shipyard is down by a lot in the recent years, it is still a very different business as compare to the chartering of vessel/liftboat. Or maybe this is how Baker look at the results?

The Group is focused on the marine and offshore sector which ranges from fabrication to vessel owning and chartering and is a subsegment of the oil and gas sector and, on a growing basis, the renewables sector. The factors that drive revenues for Baker Engineering, Sea Deep Shipyard and CH Offshore are similar and so as a group, we treat all our businesses as one segment.

xi. Base on revenue, I am assuming that activities for Sea Deep Shipyard Pte Ltd was low for the last few years and will continue to be low despite some pick up in FY2020. How does Baker retain employees and when call upon, delivery quality products as mentioned in page 21 of FY2020 annual report?

xii. What are some of the key Environmental, Social and Governance factors that are material to the Group?

The Group recognises that our employees are our most valuable resources and as such, we are focused on providing an all-inclusive, diverse and holistic work environment where all our employees are given an equal opportunity to succeed. We make training accessible so as to ensure that our employees are able to grow and develop to take on additional responsibilities as they progress through their careers. We also operate an open-door policy and have a flat organisational structure to encourage employee engagement and all employees have access to all management levels. We also prioritise the physical and mental health of our employees. Ensuring a high level of health and safety (more so during COVID-19 times) is of paramount importance. In additional, our employees have access to comprehensive health care support system make up of healthcare and other forms of insurance and medical and dental benefits.

As a listed company, governance factors are very important to the Group. We have in place all the key policies and procedures (including Code of Conduct, Anti-bribery and Corruption Policy among others) guiding the performance, behaviour and culture of our employees and stakeholders. These policies and procedures are actively applied as part of our operations.

Our operational subsidiaries are ISO9001 and ISO45001 certified and we are a BizSAFE Star group. In addition, during the course of 2020 into 2021, Sea Hercules Cranes Pte. Ltd. obtained API Q1 and Q2 certification from the American Petroleum Institute for the manufacture and supply of spare parts and servicing of pedestal cranes (third party). This additional certification allows us to tender for spares and works for clients who require this certification. The ISO and API certification requires annual internal and external audits on our manufacturing and quality processes. We also have a quality control and assurance team which ensures that all our processes are carried as per standard and class requirements and are also in line with the various certifications. We are therefore confident that the products that we fabricate are of high quality.

Our Sustainability Report and Corporate Governance Report (within the Annual Report) provide more information regarding the above.

xiii. What is the CAPEX for FY2021? May the company do a breakdown on the CAPEX allocation and their purposes?

The bulk of our expected capital expenditure for FY2021 will be related to the repair, maintenance and dry docking requirements of our vessels as well as the acquisition of vessels of the right fit and price as part of our fleet renewal plan. The size of the capital expenditure will depend on where the dry docking is carried out and the location the vessel is operating at that time and vessel acquisition opportunities.

xiv. What are the factors that are critical to Baker's success against competition? What differentiates Baker from competition?

xv. What is Baker's value proposition to its shareholders and potential investors? What do you think investors may have overlooked about Baker's business?

The Baker Tech Group is focused on design and engineering and has an experienced engineering team. As such, we are able to develop bespoke designs or modify our other designs to suit client requirements. With our strong fabrication capabilities as well, our designs are also practical as they consider the buildability of the design. We are also able to suggest design modifications to our clients to improve on the buildability of the design and overall cost structure of the design. We have two shipyards with our own workshops, open area, slipway and waterfront and so we are able to fabricate large scale projects including large vessels eg our liftboat. Our yards are IPSP certified and as such, we are able to receive international vessels into our yard for berthing, maintenance and repair. In addition, when we complete fabrication work, we are able to deliver the completed items from our waterfront via barge or heavy lift vessels.

Our subsidiaries have the required operational certificates eg ISO 9001, 14001 and 45001 and also all the corporate policies and procedures (eg Code of Conduct, Gift Policy, Anti-bribery and Corruption Policy, Personal Data Protection Policy, Enterprise Risk Management etc) in place. We also have a board of directors with independent directors to provide oversight. Our overseas clients, especially MNCs, often put weight on these softer points during the tender process. Our middle and top management team have many years of experience within the sector. The experience drives our high-quality standards, on time delivery and ability to fabricate specialised equipment. Our employees are our key assets and we value them greatly. We have spent many years investing in and training our workers and continue to upskill them. We do not have an over reliance on subcontractors whose quality of work may not be as consistent.

On the IT side, our Group has advanced software to enable us to develop construction and nesting plans more efficiently and with a higher level of accuracy. As part of our risk management strategy, we operate our business with manageable debt on our balance sheet and therefore we are able to tide through difficult times (especially over the last few years). We are not overly reliant on bank financing for working capital nor are we at risk should interest rates rise. As such, clients do not worry about whether we would experience financial difficulties during the contract period or that our vessels would be seized by banks during charters.

xvi. What notable developments can shareholders expect from Baker in the coming year(s)?

We will inform shareholders of all notable developments as and when they occur, at the appropriate time.

2. <u>Questions in relation to Blue Titanium</u>

i. How is the contract/re-contract period and daily rate for the Blue-Titanium?

We are unable to disclose specific information regarding the charter for the Blue Titanium as it is important to maintain our competitive advantage in the marketplace and protect the charter from competition.

3. <u>Questions in relation to CH Offshore Ltd.</u>

i. CH Offshores has been reporting negative results since Baker acquisition. What is the management assessment of this acquisition and whether the management is surprised by the "surprises" so far.

ii. It has been almost 3 years since CH Offshore Ltd was acquired in July 2018. However the group's results were adversely impacted by the significant losses incurred by this subsidiary and its associate. The group's share of losses form CH Offshore Ltd. for FY 2020 ($14.1 million) and FY 2019 ($10.4 million) was $24.5 million. These losses, including those incurred in FY2018, have exceeded the "Bargain Purchase Gain" of $24.7 million in its acquisition of CH Offshore Ltd in FY 2018. The cost of investment in its associated, PT Bahtera Nusantara Indonesia, has been fully written off and there is also an outstanding loan of $5.78 million due to this associate as at 30 December 2020 (after the current year impairment allowance of $1.54 million from the loan of $7.32 million). The acquisition of CH Offshore Ltd has so far failed to deliver positive returns to the group It has continued to incur increasingly huge losses. What are management's plans and measures to rectify this present untenable situation which is likely to worsen if not dealt with promptly and effectively?

Our investment strategy with CHO was taken with a longer-term perspective. Over the last few years, we have reorganised and optimised CHO's processes, departments, focus and culture, streamlined its asset base and broadened its revenue streams. These changes have put CHO on the right path to turning its financials around. As mentioned in the answer to section 1 above, the oil and gas market saw an improvement in sentiment in the last quarter of 2019 through to the first quarter of 2020. The new and improved CHO was able to take advantage of the market and we saw an increase in vessel utilisation with a pick up in revenue for CHO from H1 2019 into H2 2019 which carried on into H1 2020. The impact from COVID-19 on global markets and life as a whole, was a surprise that many countries and companies (including ourselves) did not expect. A year on, despite the efforts of countries to contain the spread of COVID-19 including through vaccination programmes, the world is still seeing record number of COVID-19. As a result of COVID-19 and the fall in oil prices, exploration activities were curtailed and markets that had high requirements for vessels slowed down. The sharp fall in oil demand negatively impacted chartering activities and like many other companies in this sector, we suffered a fall in revenue. To address the sub-optimal market situation and as part of our fleet renewal plan, CHO sold its smaller vessels which were less in demand so as to curtail operational expenses for less utilised vessels. These were also our older vessels which have more limited markets due to age restrictions in certain jurisdictions. We are also focusing on providing commercial and technical ship management services for third party vessels. This will enable us to reduce operational risk and earn revenue from a smaller asset base. We are also exploring other markets including Africa and Mexico as well as opportunities in the renewables space.

4. General

i. Leases for office and workshop with water frontage will be ending in year 2023 and 2025. What is the management plan on this and how does it affect the operation of Sea Deep Shipyard?

The Group has started engaging with the Jurong Town Council in relation to the lease at 6 Pioneer Sector 1 which is where Sea Deep Shipyard is based. The lease currently expires in 2023. As we are still at an early stage of this process, we do not yet know the conditions we will have to fulfil nor the costs associated with the conditions. At present, there is no impact on the operations of any of our subsidiaries.

ii. Reasons for renewal of the share buyback mandate.

Baker Technology's share buyback mandate was first adopted in April 2019. It was proposed to shareholders in response to shareholders' requests over the previous years to consider share buybacks as an alternative means (to distributing dividends) to return cash to shareholders. As such, we have renewed the share buyback mandate in line with that consideration. However as noted in the Appendix related to the share buyback mandate, the Directors will not effect the purchase or acquisition of shares in circumstances which would have an adverse effect on the free float, liquidity, orderly trading of the shares and/or financial position of the Group. In addition, the Directors do not propose to exercise the Share Buyback Mandate in a manner and to such extent that it would result in any material adverse effect on the working capital requirements and/or the gearing of the Company and the Group.