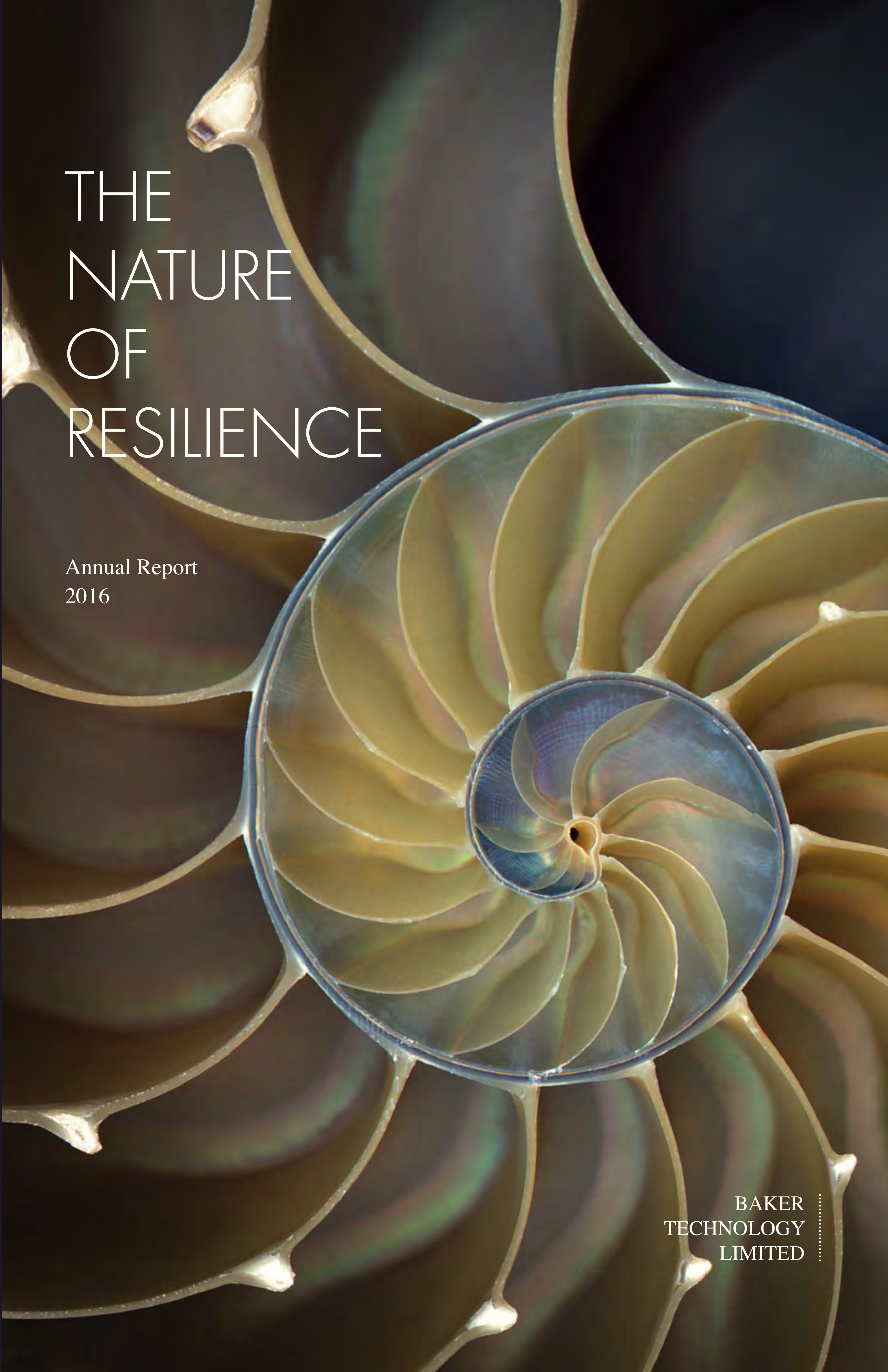
THE NATURE OF RESILIENCE

Annual Report
2016



BAKER
TECHNOLOGY
LIMITED

THE NATURE OF RESILIENCE

Nature is the epitome of resilience. Since the dawn of time, the many species that comprise nature have survived and even thrived in challenging conditions and adverse environments.

The concept of this Annual Report touches on the resilient qualities of nature – in particular sea creatures – that we at Baker Technology Limited ("Baker Tech") not only share our oceans with, but also greatly value. These creatures symbolise qualities that we have emulated for ourselves and applied to our business. Armed with these distinctive traits, we are confident in circumventing the many challenges ahead within our dynamic industry and an ever-evolving world economy.

The Nautilus

The strength and stiffness of the aragonite shell of the nautilus permits it to act as a constant-volume hydrostatic apparatus that enables the nautilus to maintain neutral buoyancy. The gas diffuses into the chambers via the siphuncular tube as cameral water is removed from behind the recently completed last septum of the growing shell. Because the equilibrium gas pressures in the ocean are largely independent of water depth, there is no difference in the final gas pressure of chambers grown at different depths. The imagery of the nautilus aptly reflects our Company's ability to endure external challenging pressures and remain stable and resilient at its core.

VISION

TO BE A LEADING PROVIDER OF SPECIALISED EQUIPMENT AND SERVICES TO THE OIL AND GAS SECTOR, OFFERING ADVANCED PRODUCTS AND INNOVATIVE SOLUTIONS FOR THE DIVERSE AND SPECIFIC NEEDS OF OUR WORLDWIDE CUSTOMERS.

CONTENTS

Clownfish + Sea Anemone

The clownfish and sea anemone are obligatory symbiots, which implies that each species is highly dependent on the other for survival. Symbiosis between the two species is achieved in a variety of ways including a mutual protection from predators, an exchange of nutrients, and the clownfish's tolerance of anemone nematocysts. In return for a safe and protective home, the clownfish benefits the anemone in several important ways. These include cleaning the anemone, providing nutrients in the form of waste, and scaring away predatory fish such as the butterfly fish.

ENHANCING SYNER

Forging Partnerships That Last

WE WILL CONTINUE TO FORGE STRONGER TIES WITH OUR BUSINESS PARTNERS, BUILDING ON SOLID NETWORKS AND EFFECTIVE PARTNERSHIPS THAT WILL PROPEL US TO THE NEXT LEVEL OF GROWTH.

GIES

The clownfish and sea anemone's symbiotic relationship is symbolic of the strong partnerships that we forge with our customers and business partners at Baker Technology Limited.

We believe in delivering the best to our customers, and strive to uphold excellence across every level of our organisation. Working closely with our customers enables us to understand their needs, and in turn empowers us to develop the right services and innovative solutions that cater to their requirements. To achieve this, we will continue to forge stronger ties with our business partners, building on solid networks and effective partnerships that will propel us to the next level of growth.

KEY MILESTONES

2000

MAY

Name changed to Baker Technology Limited.

JULY

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

2004

SEPTEMBER

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

2005

OCTOBER

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

2006

JUNE

Raised $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

Won Merit Award for Best Managed Board* 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

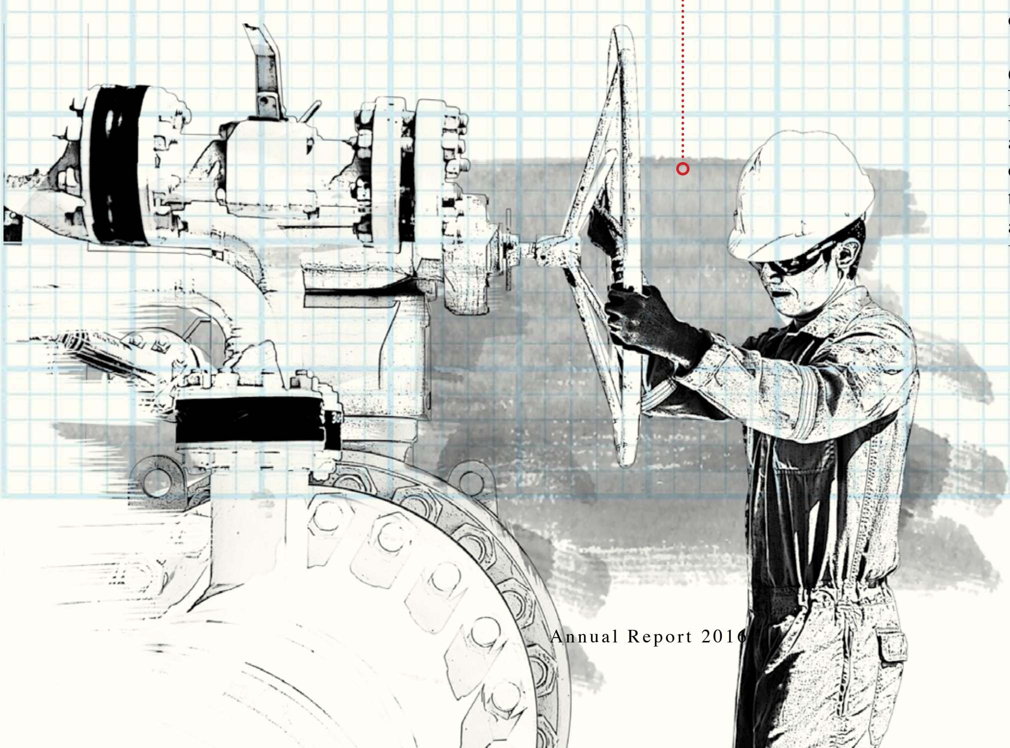
Won Silver Award for Best Managed Board* in the Singapore Corporate Awards.

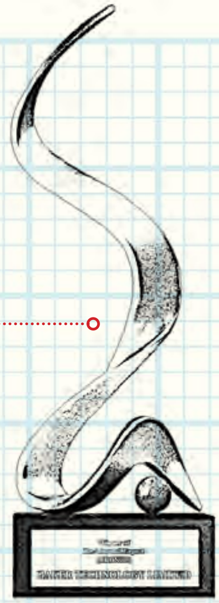
SEPTEMBER

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

Received Best Managed Board (Gold) and Best Annual Report (Silver) awards* at the Singapore Corporate Awards.

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) award* 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) award* at the Singapore Corporate Awards.

2014

JULY

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

2016

JULY

Merit award winner of Singapore Corporate Governance Award (Most Improved Category) at SIAS Investors' Choice Awards.

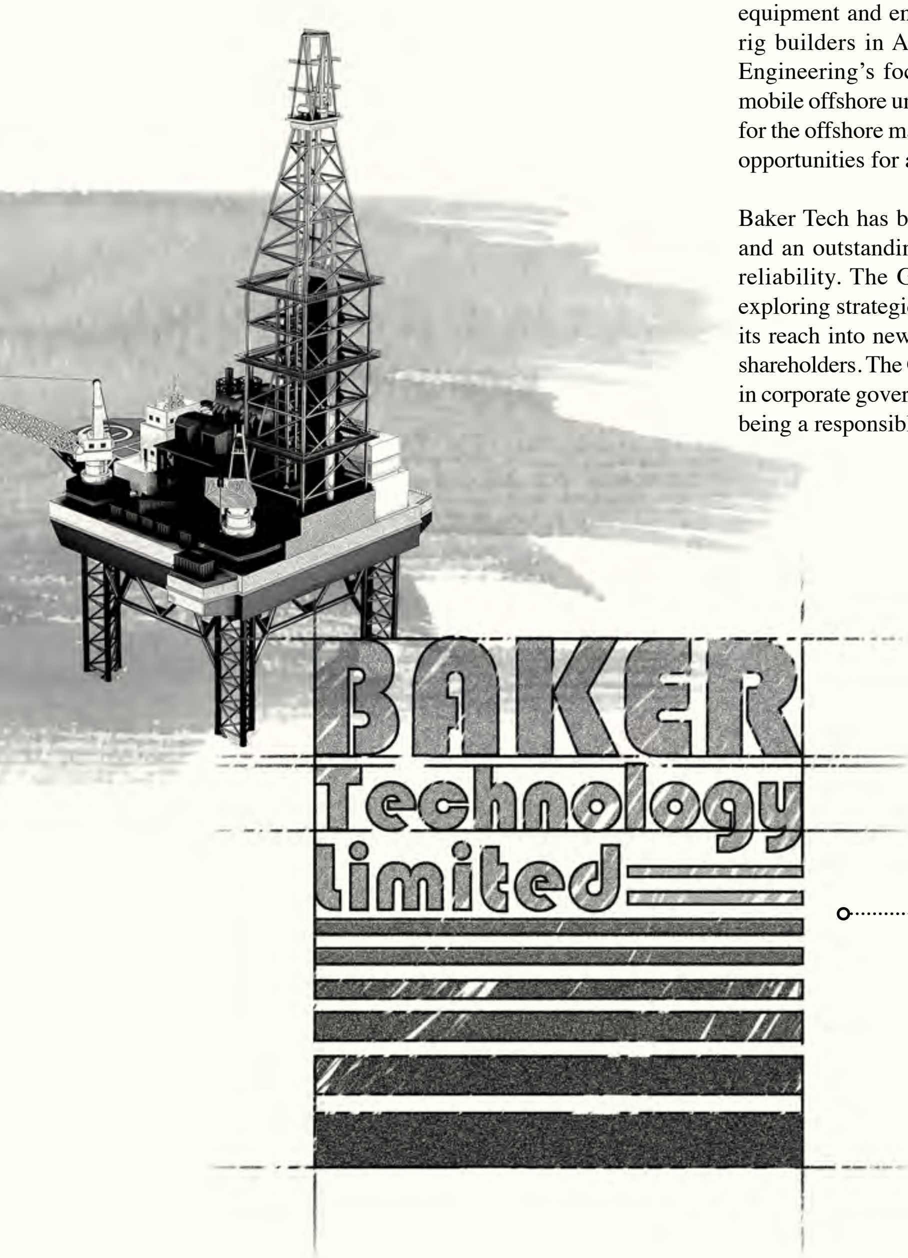
* *denotes for companies with market capitalisation of less than $300 million*

CORPORATE STRUCTURE

Baker Technology Limited ("Baker Tech") is an investment holding company and a provider of specialised marine offshore equipment and services, focused mainly on the offshore oil and gas industry. It has three wholly owned subsidiaries, Sea Deep Shipyard Pte. Ltd. ("Sea Deep"), Baker Engineering Pte. Ltd. ("Baker Engineering") and BT Investment Pte. Ltd. ("BT Investment").

Sea Deep is a leading manufacturer and provider of specialised equipment and engineering solutions to oil companies and rig builders in Asia Pacific and the Middle East. Baker Engineering's focus is on the design and construction of mobile offshore units and critical equipment and components for the offshore marine industry while BT Investment targets opportunities for acquisitions and strategic alliances.

Baker Tech has built up advanced engineering capabilities and an outstanding reputation for innovation, quality and reliability. The Group continues to leverage this, whilst exploring strategic opportunities and partnerships to extend its reach into new markets, in order to enhance returns for shareholders. The Group believes in adhering to best practices in corporate governance, as well as developing its people and being a responsible corporate citizen.



- Sea Deep Shipyard Pte. Ltd. (100%)
- Baker Engineering Pte. Ltd. (100%)
- BT Investment Pte. Ltd. (100%)
- Corporate

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
Lim Ho Seng – Non-Executive

Executive
Dr Benety Chang – Chief Executive Officer
Jeanette Chang

Lead Independent Director
Wong Meng Yeng

Non-Executive
Tan Yang Guan
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
Dr Benety 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

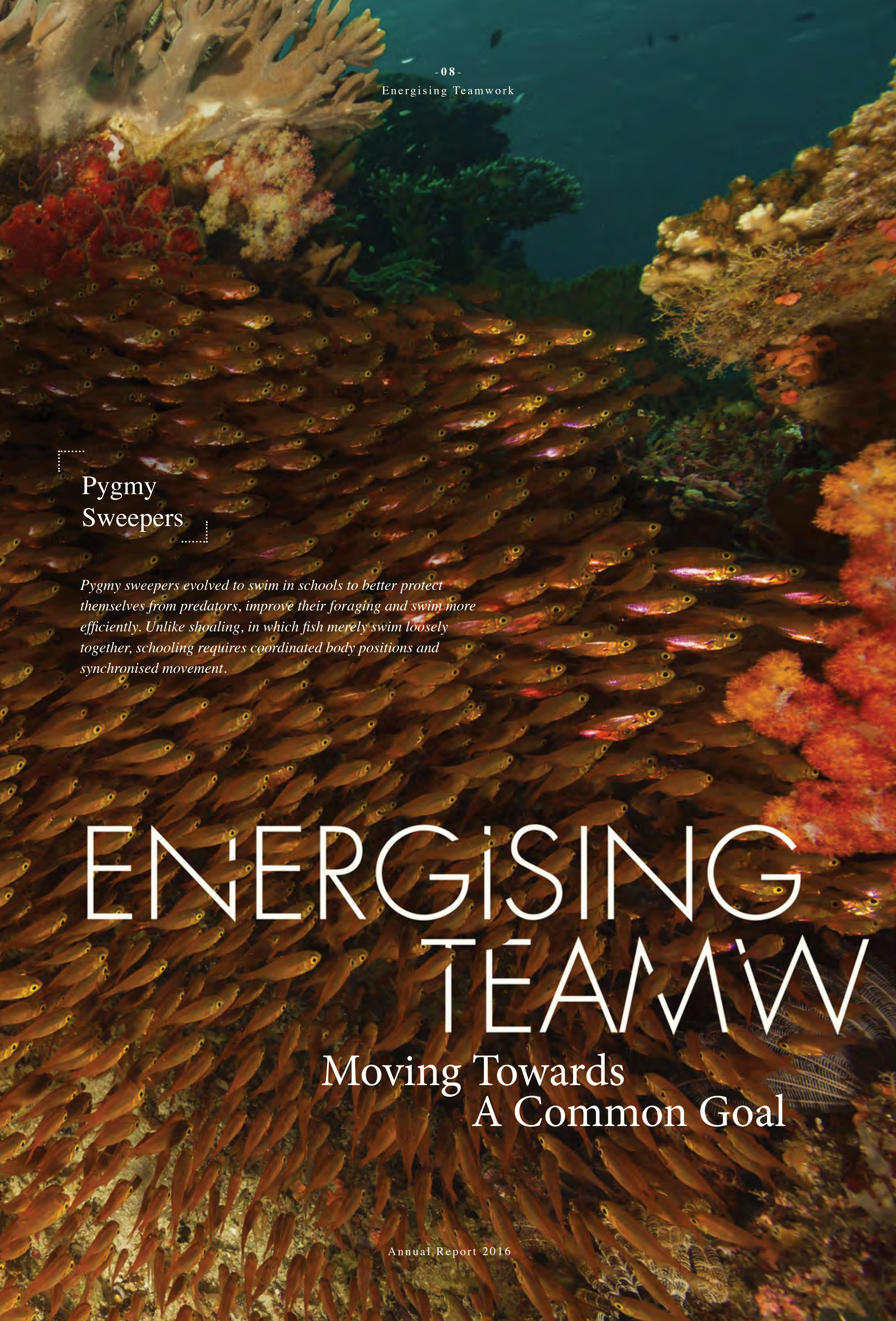
AUDITOR

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

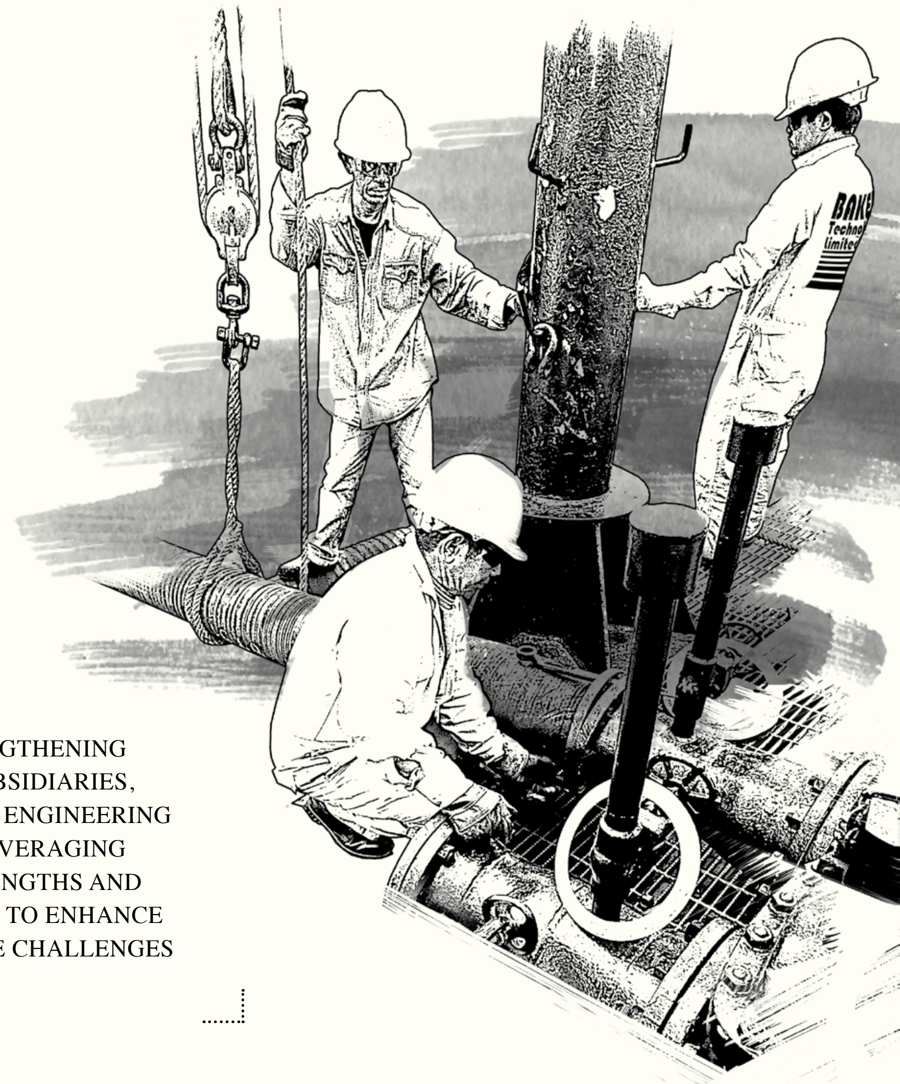


Pygmy Sweepers

Pygmy sweepers evolved to swim in schools to better protect themselves from predators, improve their foraging and swim more efficiently. Unlike shoaling, in which fish merely swim loosely together, schooling requires coordinated body positions and synchronised movement.

ENERGISING TEAMW

Moving Towards A Common Goal



WE ARE FOCUSED ON STRENGTHENING SYNERGIES AMONG OUR SUBSIDIARIES, SEA DEEP SHIPYARD, BAKER ENGINEERING AND BT INVESTMENT. BY LEVERAGING ON THEIR COLLECTIVE STRENGTHS AND CAPABILITIES, WE ARE ABLE TO ENHANCE RESILIENCE AND OVERCOME CHALLENGES THAT LAY AHEAD.

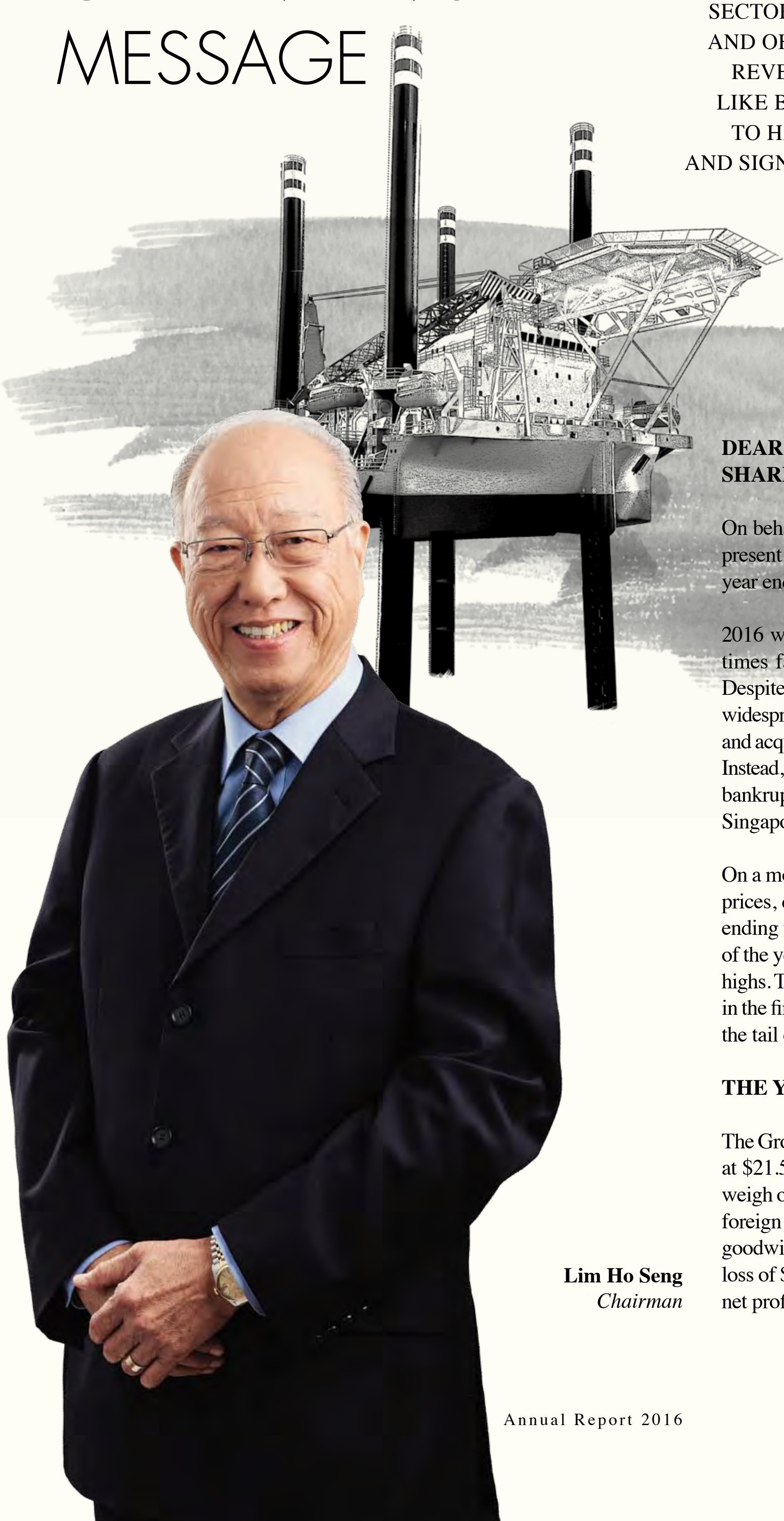
ORK

Like the pygmy sweepers, we aim to build a tightly knit internal network and foster stronger cohesion among our talent. This will enable us to operate more efficiently and improve organisational excellence. At the same time, this will also encourage our people to achieve greater personal and professional development at work.

Beyond people, we are also focused on strengthening synergies among our subsidiaries, Sea Deep Shipyard, Baker Engineering and BT Investment. By leveraging on their collective strengths and capabilities, we are able to enhance resilience and overcome challenges that lay ahead. Working closely together will enable us to pave the way forward and reach a common goal – to deliver positive returns to all our stakeholders.

CHAIRMAN'S MESSAGE

MANY OF THE MERGER AND ACQUISITION OPPORTUNITIES IN THE SECTOR ARE STILL BEING PLAYED OUT AND OFFER POTENTIALLY PROFITABLE REVENUE STREAMS FOR COMPANIES LIKE BAKER TECH WHICH CONTINUES TO HAVE A STRONG BALANCE SHEET AND SIGNIFICANT EXPERIENCE TURNING AROUND STRUGGLING ASSETS.



Lim Ho Seng
Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors ("Board"), I present to you our annual report for the financial year ended 31 December 2016 ("FY2016").

2016 was a further extension of the challenging times faced by the oil and gas sector in 2015. Despite the sustained low oil prices in 2015, the widespread fall of companies and extensive merger and acquisition activity did not take place that year. Instead, 2016 finally saw an emergence of company bankruptcies, debt restructurings and asset sales. Singapore, as an oil hub in Asia, was not spared.

On a more positive note however, Brent crude oil prices, during the course of the year, trended up, ending the year circa 50% higher than at the start of the year but still only around 45% of the 5 year highs. This was as a result of falling US production in the first half of the year and OPEC cuts towards the tail end of 2016.

THE YEAR IN REVIEW

The Group's revenue was down 60% year on year at $21.5 million, as weak sentiment continues to weigh on the oil and gas industry. Lower revenue, foreign exchange gain and the impairment loss on goodwill recorded for FY 2016 resulted in a net loss of $8.3 million for the year, as compared to a net profit of $9.2 million in FY 2015.

The Group reported net operating cash outflows of $30.2 million for FY 2016 to fund working capital required for operations. Cash and short-term deposits were at $107.0 million, with no borrowings as at 31 December 2016.

The Board is recommending a first and final tax exempt (one-tier) dividend of 1.25 cents per share for the financial year ended 31 December 2016, compared to 2.5 cents per share (adjusted for the share consolidation) for the same period in 2015.

In relation to the Company capital structure, on 31 May 2016, the Company completed a share consolidation of every five existing issued ordinary shares in the capital of the Company into one consolidated share.

LOOKING AHEAD

Many market participants expect a better year for the oil and gas sector in 2017 given the OPEC decision to cut production in addition to the lower cost operating environment as companies adjusted to operate more efficiently at a lower cost. However visibility is still lacking as there are still many uncertainties in the market including potential increases in production by non-OPEC countries, slow erosion of high levels of oil inventories and also unpredictable political black swan events in Europe and the US.

Many of the merger and acquisition opportunities in the sector are still being played out and offer potentially profitable revenue streams for companies like Baker Tech which continues to have a strong balance sheet and significant experience turning around struggling assets.

To ensure that we remain a leader in this sector, the Group has taken measures to reduce its cost base and curtail discretionary operational expenditure for the foreseeable future while at the same time exploring many opportunities to add to our Group in a profit accretive fashion.

We have a proven track record of steering the business through some very rough waters and I am confident that we are operationally well-placed to withstand the bumps over the medium term.

IN APPRECIATION

On behalf of the Board, I would like to express my heartfelt thanks to our shareholders, valued customers, suppliers and business associates for their patience and long-standing support in the Company.

I would also like to acknowledge the relentless effort and grit of the management and staff who press on in the face of a tough operating environment.

I also wish to thank my committed colleagues on the Board for their guidance, wise counsel and solidarity as we persevere through the challenging journey ahead.

Lim Ho Seng
Chairman
Baker Technology Limited

BOARD OF DIRECTORS

LIM HO SENG
Chairman

DR BENETY CHANG
Chief Executive Officer

JEANETTE CHANG
Executive Director

TAN YANG GUAN
Non-Executive Director

LIM HO SENG / Age 73
Chairman

Mr Lim is the Chairman of the Board of Directors. He was appointed to the Board on 1 October 1999 and was last re-appointed as Director at the Company's Annual General Meeting held on 22 April 2016. Mr Lim, who is a Non-Executive Director, is also a member of the Remuneration Committee.

Mr Lim is 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.

DR BENETY CHANG / Age 69
Chief Executive Officer

Dr Chang is the Chief Executive Officer of the Company. He was appointed to the Board on 5 May 2000 and was last re-elected as a Director on 23 April 2015. Dr Chang is an Executive Director and a member of the Nominating Committee. 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.

JEANETTE CHANG / Age 40
Executive Director

Ms Chang was appointed to the Board on 1 September 2013 and was last re-elected on 22 April 2016. She is responsible for corporate administration and human resources.

Ms Chang 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.

TAN YANG GUAN / Age 63
Non-Executive Director

Mr Tan was appointed to the Board on 5 May 2000 and was last re-elected as Director on 23 April 2015.

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
Lead Independent Director

ANG MIAH KHIANG
Independent Director

HAN SAH HEOK VICKY
Independent Director

WONG MENG YENG / Age 58
Lead Independent Director

Mr Wong was appointed to the Board on 3 June 2010 and was last re-elected on 22 April 2016. 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, KS Energy Limited and Keong Hong Holdings 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 63
Independent Director

Mr Ang was appointed to the Board on 1 November 2013 and was last re-elected as Director on 25 April 2014. He 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 Katrina Group Ltd, Soo Kee Group Ltd and PS Group Holdings Ltd. He was previously an independent director of Uni-Asia Holdings Limited and Ley Choon Group Holdings Limited.

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 56
Independent Director

Ms Han was appointed to the Board on 1 December 2013 and was last re-elected as Director on 25 April 2014. She 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.

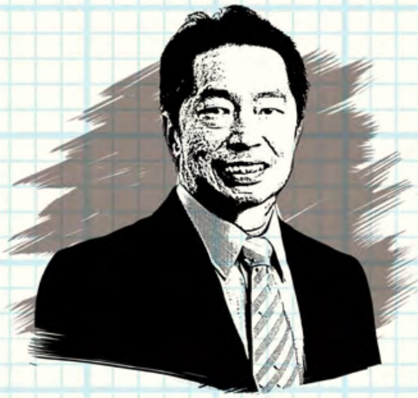
KEY EXECUTIVES

TAN KIANG KHERNG / Age 47

Chief Financial Officer

Mr Tan joined the Group in June 2002 as Financial Controller and became Chief Financial Officer in September 2013. 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 KENG TIONG ALVIN / Age 50

Senior Vice President – Business Development

Mr Tan joined the Group in July 2001 and is responsible for overall business development of the Group. Mr Tan started his career in the marine oil and gas industry and has held several senior positions with various companies in the marine transport sector.

Mr Tan holds a Bachelor of Business degree from Curtin University of Technology, a Master of Business Administration from the Nanyang Technological University and has completed the Advanced Management Programme at Haas School of Business, University of California Berkeley in 2011.

ONG THIAN WHEE ALBERT / Age 66

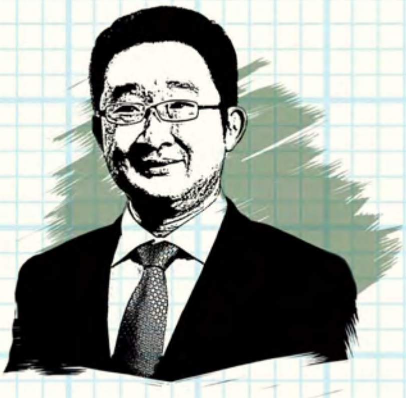
Managing Director
Sea Deep Shipyard Pte. Ltd.

Mr Ong joined the Group in September 2006 as a Director of Sea Deep Shipyard Pte. Ltd. ("Sea Deep") and was appointed as its Managing Director on 25 March 2010. He also sits on the board of Sea Deep's subsidiary, Interseas Shipping (Private) Limited. Mr Ong is responsible for Sea Deep Group's overall management and operations.

Mr Ong has over 41 years of experience in the oil and gas industry and has accumulated extensive industry experience and built numerous valuable business relationships within the industry.

TAN WEE LEE / Age 47

Managing Director
Baker Engineering Pte. Ltd.



Mr Tan joined the Group in October 2013 as the Managing Director of Baker Engineering Pte. Ltd. ("Baker Engineering") and is responsible for overall management and operations of Baker Engineering group. Mr Tan began his career in Keppel FELS as a Graduate Management Trainee (Electrical Superintendent) in 1995. He joined PPL Shipyard Pte Ltd ("PPL Shipyard") in 1998 as a Project Engineer and was promoted to Project Manager in 2005. During his 10 years in PPL Shipyard, he was involved in all aspects of rig construction and was Project Manager of 5 high specification jack up drilling rig projects. Prior to joining the Group, he was the General Manager of a private Chinese shipyard and was responsible for setting up a marine and offshore division. He later established an engineering and marketing subsidiary in Singapore and was the Managing Director of the Singapore entity.

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

HEATH MCINTYRE / Age 47

Managing Director
BT Investment Pte. Ltd.

Mr McIntyre joined the Group in December 2013 as the Managing Director of BT Investment Pte. Ltd. ("BT Investment") and 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.

OUR BUSINESS

SEA DEEP IS A LEADING MANUFACTURER AND PROVIDER OF SPECIALISED EQUIPMENT AND ENGINEERING SOLUTIONS TO OIL COMPANIES AND RIG BUILDERS IN ASIA PACIFIC AND THE MIDDLE EAST. BAKER ENGINEERING'S FOCUS IS ON THE DESIGN AND CONSTRUCTION OF MOBILE OFFSHORE UNITS, CRITICAL EQUIPMENT AND COMPONENTS FOR THE OFFSHORE MARINE INDUSTRY WHILE BT INVESTMENT TARGETS OPPORTUNITIES FOR ACQUISITIONS AND STRATEGIC ALLIANCES.

Sea Deep Shipyard Pte. Ltd.

Sea Deep Shipyard Pte. Ltd. ("Sea Deep"), a wholly-owned operating subsidiary of Baker Tech, was incorporated in 1996 and is a leader in the manufacturing and production of high quality steel products and components for specialised equipment, new builds, repairs, conversions and upgrades of jackup rigs and liftboats. Sea Deep and its in-house team of skilled engineers provides product customisation services to meet customers' specific requirements for specialised engineering products.

Its proprietary Sea Hercules cranes are specifically designed for both fixed and floating platforms.

The Sea Hercules cranes have a proven track record and a strong presence in Asia Pacific and the Middle East. These user-friendly cranes offer reliability and cost effective maintenance.

Sea Deep is also the sole-agent for DMW Marine Group LLC for South East Asia.

The components produced by Sea Deep include racks, chords and pipes which are then assembled by Sea Deep into leg sections. As an ISO 9001 certified company, Sea Deep ensures every aspect of the production procedures is subjected to stringent quality control whilst ensuring the highest standards of health and safety.

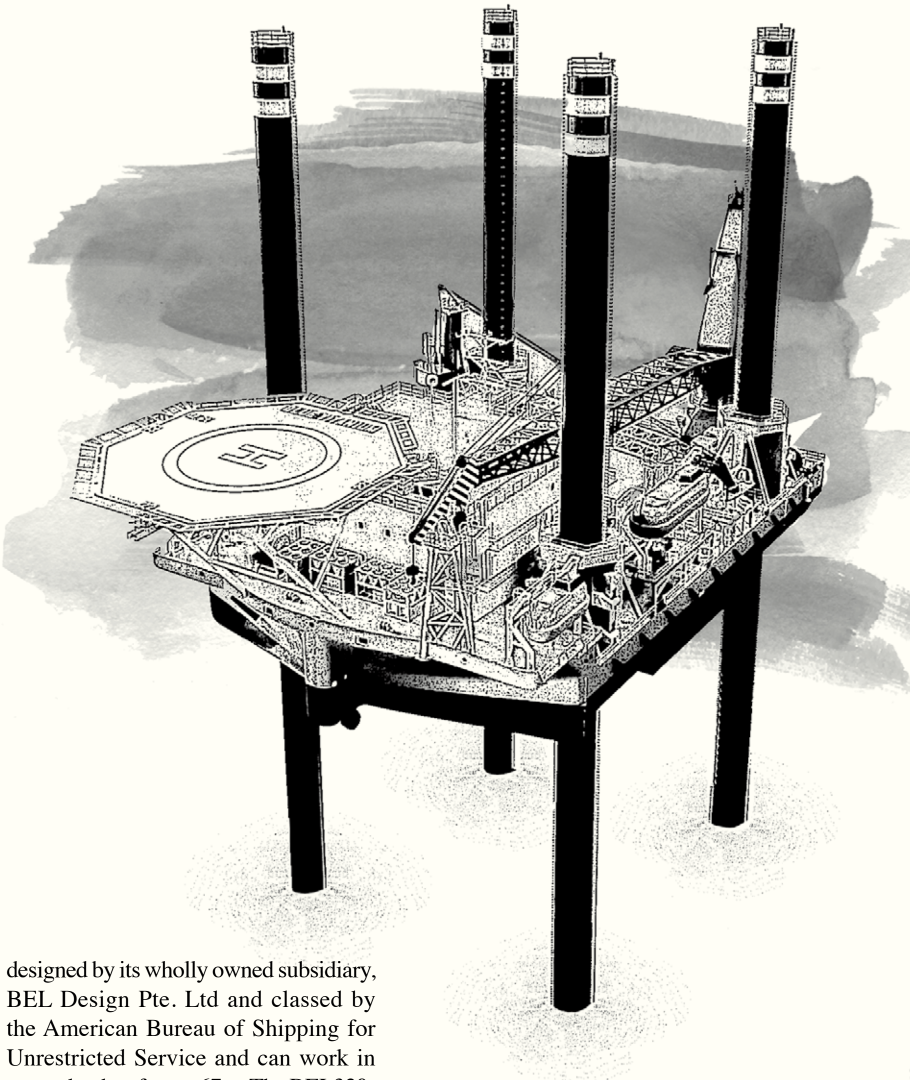
Sea Deep's range of products and services are:

- 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

Focused on innovation and efficiency, Sea Deep partakes in project management and turnkey conversions with its proprietary designs. Sea Deep is located in Singapore on a waterfront facility and has fully equipped workshops and in-house testing and training facilities.

Sea Deep and its wholly-owned subsidiary, Interseas Shipping (Private) Limited ("Interseas"), have forged long term relationships with its customers to provide a full range of services and support from manufacturing, servicing and maintenance to refurbishment and replacement support. Together, Sea Deep and Interseas will continue to build upon its capabilities by improving and complementing the comprehensive suite of products and services offered.

OUR BUSINESS



Baker Engineering Pte. Ltd.

Baker Engineering Pte. Ltd. ("Baker Engineering") was incorporated in May 2013 as a wholly-owned subsidiary of Baker Tech. Baker Engineering complements and adds a new dimension to Baker Tech's core business segment by designing and constructing mobile offshore units and critical equipment/components for the offshore marine industry.

In the year of review, Baker Engineering made significant progress on the construction of its first Liftboat (BEL320-4R200S Liftboat). The state of the art Liftboat was designed by its wholly owned subsidiary, BEL Design Pte. Ltd and classed by the American Bureau of Shipping for Unrestricted Service and can work in water depths of up to 67m. The BEL320-4R200S Liftboat has a four structured round/column legs supporting a large hull thus providing a substantial useable deck area. The hull can be elevated from the sea to provide a stable platform from which offshore installation, construction and maintenance work may be carried out.

BEL Design continues to develop other Mobile Offshore Unit designs to expand its product offering to cater to the needs of the offshore oil and gas and wind industry. Each design targets a different sub-segment in terms of operational use, water depths, environmental conditions, crane lifting capacity and personnel accommodation. In addition to the Wind Turbine Installation Vessel designed previously, BEL Design is developing other Mobile Offshore Units including Offshore Workover Jackup Vessel designs and Jack up Platforms for supporting production topside modules.

Baker Engineering operates from two shipyards in Jurong in Singapore which includes office buildings, workshop facilities and a slipway. Baker Engineering's Quality Management System was certified to ISO9001:2015 on 2nd June 2016 by DNV-GL. Together with its OHSAS 18001:2007 Certification and bizSAFE STAR certification, Baker Engineering is able to combine its outstanding engineering and construction capabilities with a high level of quality while still maintaining exceptional health and safety standards to deliver crucial equipment to the industry.

CLASS 320 LIFTBOAT SPECIFICATIONS

Suitable for Oil and Gas and Windfarm Applications

Classification:	American Bureau of Shipping Classification–SEU “Unrestricted Service”
General Dimensions:	Hull Size: Size 64m x 40m Leg Length 97.5m
Design Loads:	1000SQM Usable Deck Space with 1500MT Variable Load
Design Temperatures	-10 to +55% Degree Celsius Operating Temperature
Generators:	Four sets of Main Diesel Engine Each Rated at 1700eKW
Propulsion and Positioning Systems:	One retractable Forward Tunnel, One Forward Tunnel and Three Aft Azuimuth Thrusters; 6 Knots Transit Speed
Lifting Equipment:	300MT Huisman Crane and 38.8MT Sea Hercules Kingpost Crane
Accommodation:	200 Personnel in Single, Double and 4-Man Rooms

BT Investment Pte. Ltd.

BT Investment Pte. Ltd. (“BT Investment”) was incorporated as a wholly-owned subsidiary of Baker Tech in 2013.

BT Investment is 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.

On 17 October 2016, BT Investment incorporated a wholly-owned subsidiary, BT Titanium Pte. Ltd. which engages in the business of providing offshore marine logistics support services.

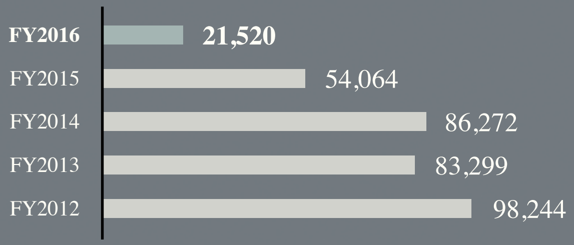
FIVE-YEAR FINANCIAL HIGHLIGHTS

	2016	2015	2014	2013	2012
FINANCIAL PERFORMANCE ($'000)					
Revenue	**21,520**	54,064	86,272	83,299	98,244
Gross profit	**5,671**	15,219	22,707	23,768	25,084
Share of results from joint venture / associates	**-**	-	-	(495)	587
Recognition of deferred gain on disposal of subsidiary	**-**	-	-	-	58,237
Gain on disposal of associates	**-**	-	-	8,757	10,894
Pre-tax (loss) / profit	**(9,222)**	11,124	16,326	26,080	84,799
Pre-tax (loss) / profit*	**(9,222)**	11,124	16,326	17,818	15,081
(Loss) / profit after tax	**(8,327)**	9,164	13,517	22,373	81,591
FINANCIAL POSITION ($'000)					
Total assets	**224,590**	246,066	236,049	256,169	292,485
Cash and short-term deposits	**106,956**	140,070	168,685	205,871	173,902
Loans and borrowings	**-**	-	-	-	3,678
Net current assets	**194,046**	192,481	188,526	222,902	225,358
Shareholders' equity	**215,667**	228,913	216,901	239,843	268,143
PER SHARE DATA (CENTS) #					
Earnings per share	**(4.1)**	4.7	7.5	13.4	57.7
Diluted Earnings per share	**(4.1)**	4.7	7.1	12.0	41.3
Ordinary Dividend per share	**1.25**	2.50	5.00	5.00	7.50
Special Dividend per share	**-**	-	-	20.00	42.50
Cash per share	**52.7**	69.0	91.4	118.0	118.0
Net asset per share	**106.3**	112.8	117.5	137.5	182.0
OTHER INFORMATION					
Return on shareholders' equity	**-4%**	4%	6%	9%	30%
Return on assets	**-4%**	5%	7%	10%	31%
Dividend cover	**-3.3**	1.9	1.5	0.5	1.2
STOCK INFORMATION #					
Number of shares in issue ('000)	**202,878**	202,878	184,614	174,428	147,361
Highest / lowest share price (cents)	**99.5 / 54.5**	132.5 / 90.5	167.5 / 120.0	225.0 / 127.5	172.5 / 125.0
Year-end share price (cents)	**61.5**	94.5	125.0	135.0	162.5
Year-end market capitalisation ($'m)	**124.7**	191.7	230.8	235.5	239.5

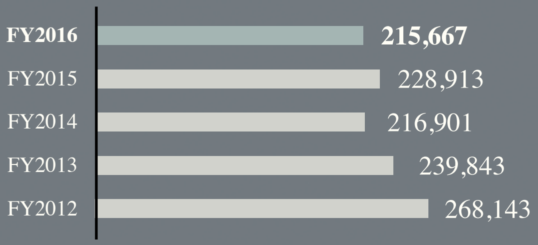
* *Excluding share of results from joint ventures / associates and gains from disposal of subsidiary / associates*

\# *Numbers are adjusted based on the revised numbers of shares as a result of share consolidation*

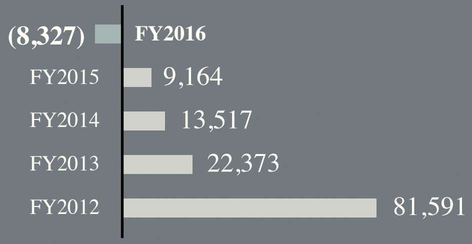
FIVE - YEAR REVENUE
($'000)



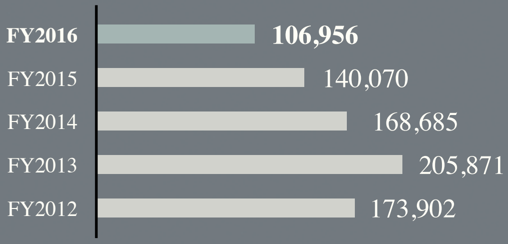
FIVE - YEAR SHAREHOLDERS' EQUITY
($'000)



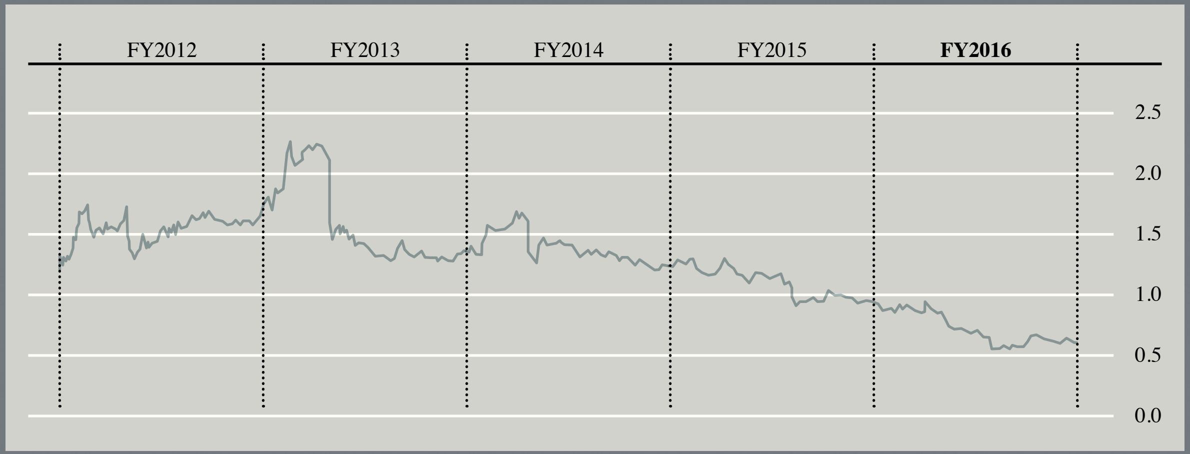
FIVE - YEAR PROFIT / (LOSS) AFTER TAX
($'000)



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



FIVE - YEAR SHARE PRICE PERFORMANCE
($)



Note: Share price adjusted for share consolidation

Bottlenose Dolphin

Extremely social animals, bottlenose dolphins live together in groups or pods. These pods can contain up to 100 individuals, but size varies according to species. Members of a pod form strong bonds with each other and will help out sick or injured individuals, working together to protect the group. Pods of dolphins have even been known to kill sharks that are threatening them. These playful creatures will often chase one another or throw found items back and forth as a game.

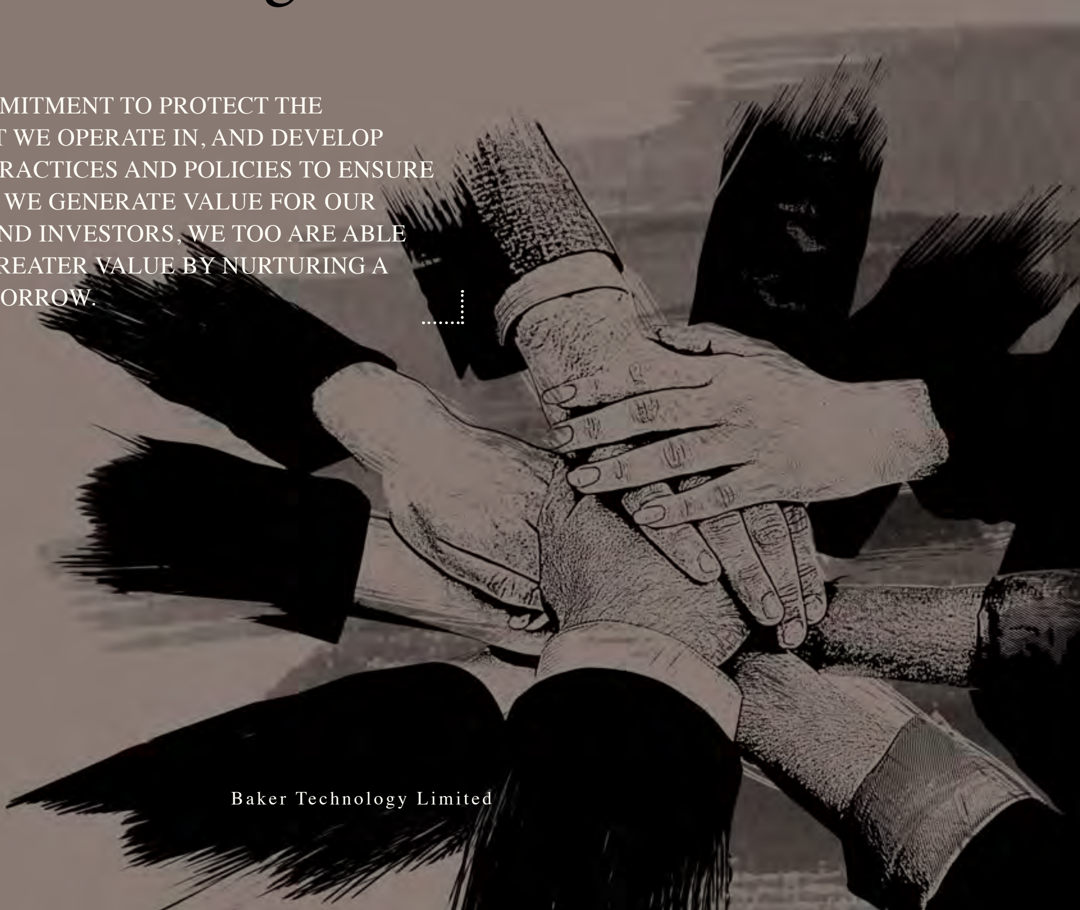
As bottlenose dolphins are reputed for their intelligence and inventiveness, Baker Tech likewise displays these qualities through our experienced leadership and strong management team. Guided by their distinct vision and innovative strategies, we have managed to stay sharp by operating a resilient business capable of enduring market changes.

Baker Tech continues to remain relevant by evolving with the global economy, which includes increasing our efforts in driving a sustainable future. It is our commitment to protect the environment we operate in, and develop strategies, practices and policies to ensure that even as we generate value for our customers and investors, we too are able to deliver greater value by nurturing a greener tomorrow.

NG

Developing Innovative Strategies

IT IS OUR COMMITMENT TO PROTECT THE ENVIRONMENT WE OPERATE IN, AND DEVELOP STRATEGIES, PRACTICES AND POLICIES TO ENSURE THAT EVEN AS WE GENERATE VALUE FOR OUR CUSTOMERS AND INVESTORS, WE TOO ARE ABLE TO DELIVER GREATER VALUE BY NURTURING A GREENER TOMORROW.

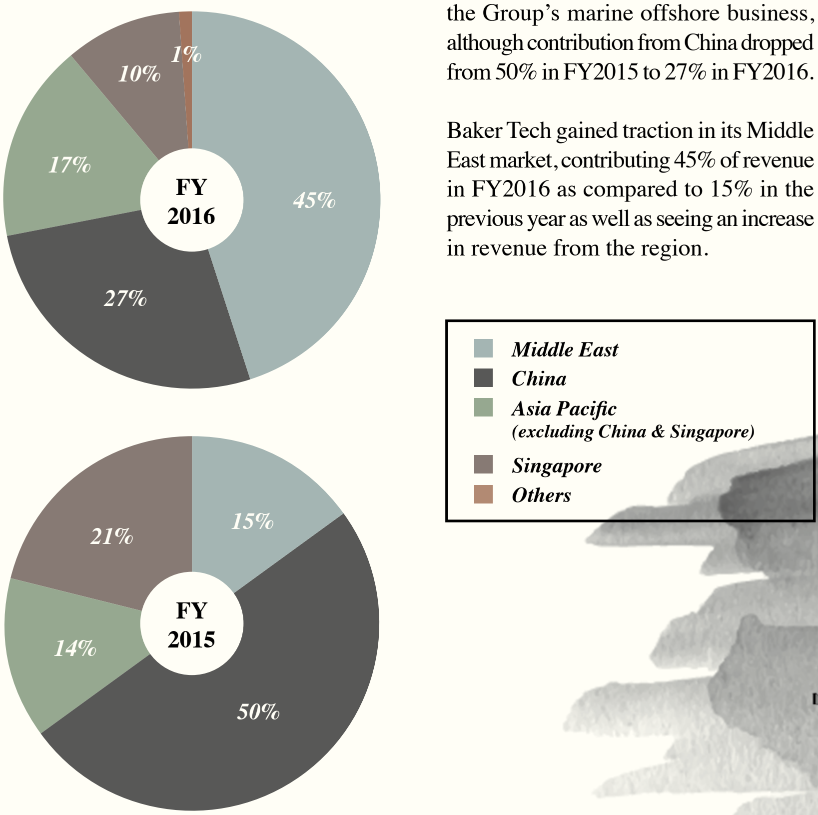


OPERATING REVIEW

Due to the extended oil price downturn and the reduction in Exploration & Production spending during 2016, Baker Tech recorded a lower revenue at $21.5 million and a net loss of $8.3 million for FY2016. The net loss for the year was attributed to the impairment of goodwill in a subsidiary ($7.6 million) in view of the continued weakness in the oil and gas industry.

	2016 $'000	2015 $'000	% Change
Revenue	**21,520**	54,064	-60%
Net (loss) / profit	**(8,327)**	9,164	NM

REVENUE BY GEOGRAPHICAL AREAS



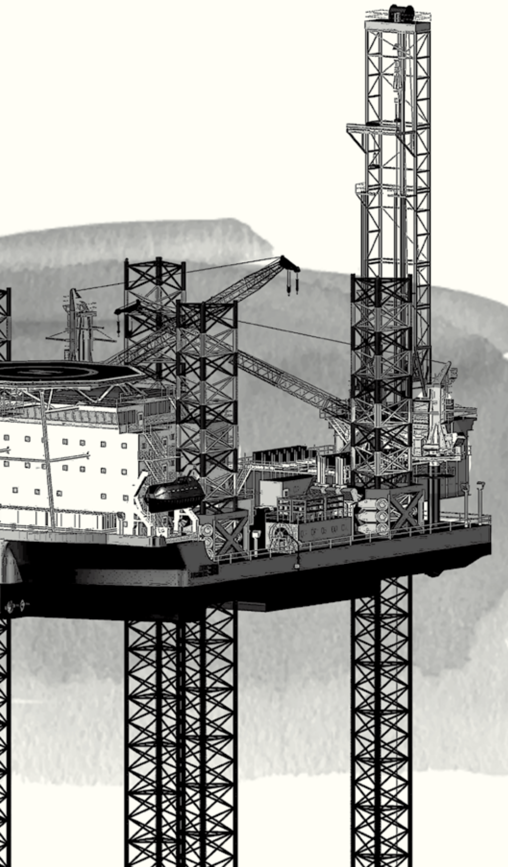
For FY2016, Middle East and China were the two most important markets for the Group's marine offshore business, although contribution from China dropped from 50% in FY2015 to 27% in FY2016.

Baker Tech gained traction in its Middle East market, contributing 45% of revenue in FY2016 as compared to 15% in the previous year as well as seeing an increase in revenue from the region.

FINANCIAL REVIEW

Income Statement	2016 $'000	2015 $'000	Changes %
Revenue	**21,520**	54,064	-60%
Cost of sales	**(15,849)**	(38,845)	-59%
Gross profit	**5,671**	15,219	-63%
Other operating income	**2,425**	1,123	+116%
Foreign exchange gain	**1,183**	5,322	-78%
Impairment of goodwill	**(7,551)**	-	NM
Administrative expenses	**(10,950)**	(10,540)	+4%
(Loss) / profit before tax	**(9,222)**	11,124	NM
Income tax write back / (expenses)	**895**	(1,960)	NM
(Loss) / profit after tax	**(8,327)**	9,164	NM
Gross profit margin	**26%**	28%	

* *NM denotes Not Meaningful*



The Group continued to feel the impact of a weak demand in FY2016 which had negatively affected the results of the Group as revenue was down 60% year on year at $21.5 million. In view of the weakness of the industry, the Group also recorded an impairment loss of $7.6 million on goodwill in a subsidiary in 4Q2016.

In 2Q2016, the Group recognised a one-off compensation income from a supplier for defective materials. Baker Tech also recorded a foreign exchange gain of $1.2 million in FY2016 as compared to $5.3 million in FY2015 due to the further strengthening of the US dollar against the Singapore dollar, especially during the fourth quarter. The US dollar appreciated approximately 2.3% and 7.0% against the Singapore dollar in FY2016 and FY2015, respectively.

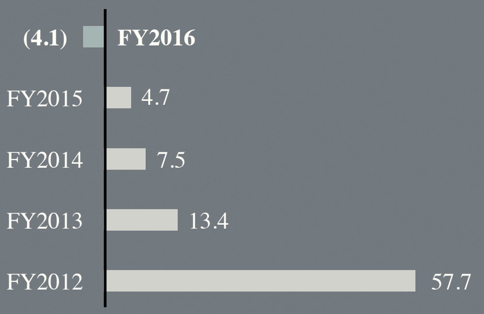
In May 2016, the Group completed a share consolidation exercise during which every five existing issued ordinary shares in the capital of the Company were consolidated into one ordinary share.

With the decrease in revenue and the impairment loss on the goodwill, Baker Tech reported a pre-tax loss of $9.2 million in FY2016. Net loss was at $8.3 million after a tax credit of $0.9 million primarily from the write-back of excess tax provision from prior years.

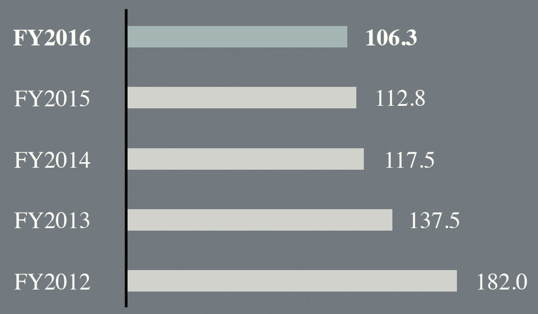
The Directors have recommended a first and final tax-exempt (one-tier) dividend of 1.25 cents per share to be paid for the year ended 31 December 2016. This is subjected to shareholders' approval at the forthcoming Annual General Meeting of the Company.

FINANCIAL REVIEW

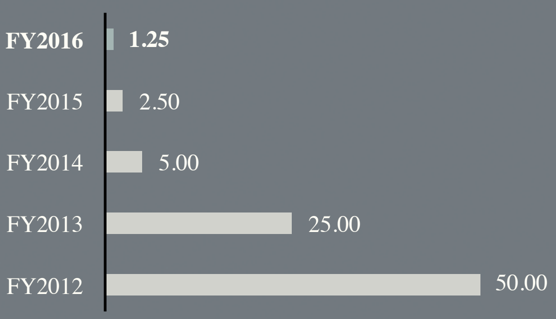
BASIC EARNINGS PER SHARE
(cents)



NET ASSET PER SHARE
(cents)



DIVIDEND PER SHARE
(cents)



* *For FY2012-2015, per share figures are based on the revised number of shares as a result of the share consolidation*

Balance Sheets	2016 $'000	2015 $'000	Changes %
Non-current assets			
Property, plant and equipment	**16,461**	18,076	-9%
Intangible assets	**2,050**	9,747	-79%
Investment securities	**3,317**	8,399	-61%
Deferred tax assets	**248**	360	-31%
	22,076	36,582	-40%
Current assets	**202,514**	209,484	-3%
Current liabilities	**(8,468)**	(17,003)	-50%
Net current assets	**194,046**	192,481	+1%
Non-current liabilities – deferred tax liabilities	**455**	150	+203%
Net assets	**215,667**	228,913	-6%
Share capital	**108,788**	108,788	-
Reserves	**106,879**	120,125	-11%
Shareholders' equity	**215,667**	228,913	-6%

* *NM denotes Not Meaningful*

The Group's non-current assets decreased 40% mainly due to the impairment loss on goodwill in a subsidiary and the reclassification of investment securities which are maturing in the next 12 months to current assets.

Net current assets saw a slight increase of 1%. Approximately 96% of the Group's current assets comprised of cash, short-term deposits and investment securities ($110.2 million), and work-in-progress for the self-propelled multi-purpose jack-up liftboat and other project related work ($85.9 million). The Group has no borrowings as at 31 December 2016 and 31 December 2015.

Shareholders' equity decreased from $228.9 million as at 31 December 2015 to $215.7 million as at 31 December 2016, attributable mainly to the net loss and the payment of dividends to shareholders during the year. Baker Tech's net asset value per share reduced from 112.8 cents at the end of 2015 to 106.3 cents by end 2016 (based on the revised number of shares as a result of the share consolidation).

FINANCIAL REVIEW

Cash Flows	2016 $'000	2015 $'000	Changes %
Cash used in operating activities	**(30,223)**	(22,489)	-34%
Cash from / (used in) investing activities	**1,296**	(12,964)	NM
Cash (used in) / from financing activities	**(5,072)**	3,166	NM
Net decrease in cash & cash equivalents	**(33,999)**	(32,287)	-5%
Effect of exchange rate changes on cash and cash equivalents	**885**	3,672	-76%
Cash & cash equivalents at beginning of year	**140,070**	168,685	-17%
Cash & cash equivalents at end of year	**106,956**	140,070	-24%

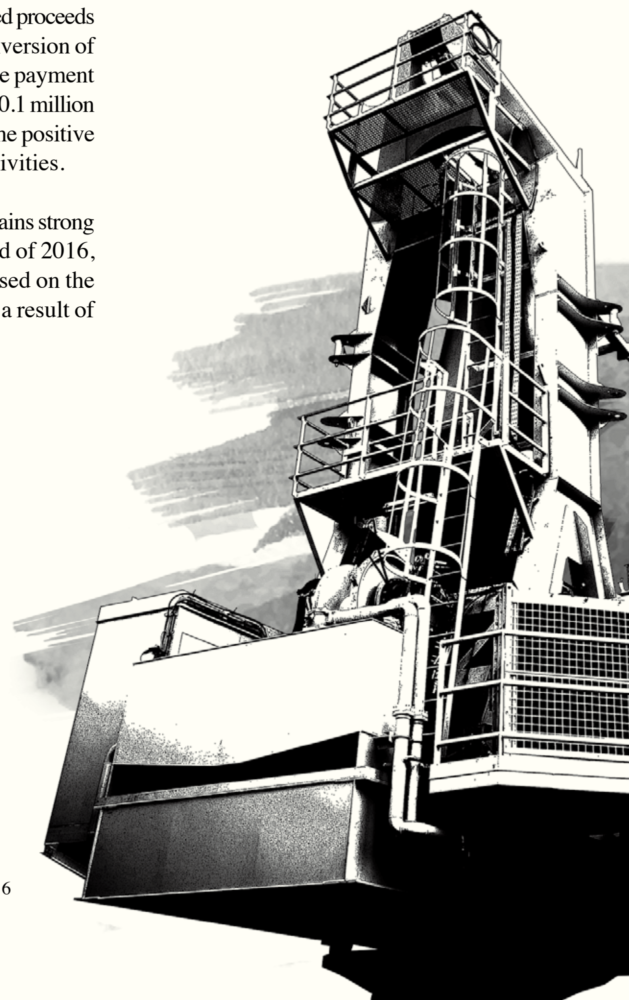
* *NM denotes Not Meaningful*

The Group reported a negative cash flow from operating activities in 2016 predominantly due to higher working capital requirements, especially for work-in-progress.

In 2016, positive cash flow from investing activities was at $1.3 million in 2016 mainly due to the maturities of investment securities. Baker Tech has incurred lower capital expenditure at $2.0 million in FY2016 as compared to $11.6 million in FY2015.

Cash used in financing activities of $5.1 million in FY2016 was the payment of dividend to shareholders at 2.5 cents per share (adjusted for share consolidation). For FY2015, the Group collected proceeds of $13.2 million from the conversion of warrants, partially offset by the payment of dividend to shareholders ($10.1 million or 5 cents per share). Hence, the positive cash flow from financing activities.

The Group's cash position remains strong at $107.0 million as at the end of 2016, or at 52.7 cents per share (based on the revised numbers of shares as a result of the share consolidation).



Quarterly revenue has been on a declining trend since the second half of 2015 as the impact from a weaker demand arising from prolonged low oil prices was felt. As a result, the Group reported net losses (excluding foreign exchange gains / losses) from 3Q2015 to 4Q2016 with the exception of 2Q2016 where the Group recorded a one-off compensation income from a supplier for defective materials. Net loss (excluding foreign exchange gain / losses) surged to $7.6 million for 4Q2016 mainly due to the recognition of impairment loss on goodwill in a subsidiary.

Gross profit margins varied depending on the product mix and stages of construction for the projects being undertaken during the various quarters.

Although the US dollar has appreciated approximately 2.3% and 7.0% against the Singapore dollars for FY2016 and FY2015, respectively, the quarter-to-quarter foreign exchange movements had been very volatile. As a result, quarterly net profit / loss fluctuates significantly.

Group Quarterly Results	Q1 $'000	Q2 $'000	Q3 $'000	Q4 $'000	Full Year $'000
Revenue					
2016	5,966	8,125	5,026	2,403	21,520
2015	27,935	12,682	5,556	7,891	54,064
Gross profit					
2016	2,361	1,555	133	1,622	5,671
2015	7,856	3,795	2,054	1,514	15,219
Net (loss) / profit					
2016	(2,757)	371	(1,483)	(4,458)	(8,327)
2015	6,401	45	2,663	55	9,164
Net (loss) / profit *					
2016	(163)	439	(2,165)	(7,621)	(9,510)
2015	3,818	1,219	(905)	(290)	3,842
Gross profit margin					
2016	40%	19%	3%	67%	26%
2015	28%	30%	37%	19%	28%

* *Excluding foreign exchange gain / losses*

FIVE-YEAR PERFORMANCE REVIEW

5-year performance	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Revenue	**21,520**	54,064	86,272	83,299	98,244
Gross profit	**5,671**	15,219	22,707	23,768	25,084
Pre-tax (loss) / profit	**(9,222)**	11,124	16,326	26,080	84,799
Pre-tax (loss) / profit*	**(9,222)**	11,124	16,326	17,818	15,081
Net (loss) / profit	**(8,327)**	9,164	13,517	22,373	81,591
Shareholders' equity	**215,667**	228,913	216,901	239,843	268,143
Loans and borrowings	**-**	-	-	-	3,678
Cash and short-term deposits	**106,956**	140,070	168,685	205,871	173,902
Earnings per share (cents)**	**(4.1)**	4.7	7.5	13.4	57.7
Diluted Earnings per share (cents)**	**(4.1)**	4.7	7.1	12.0	41.3
Cash per share (cents)**	**52.7**	69.0	91.4	118.0	118.0

* *Excluding share of results from joint ventures / associates and gains from disposal of subsidiary / associates*

** *Numbers are adjusted based on the revised number of shares as a result of share consolidation*

2012

The Group revenue peaked in 2012, growing 21% from $81.1 million in 2011 to $98.2 million. The Group also disposed of its 49% stake in York Transport Equipment (Asia) Pte Ltd for $22.2 million, recognising a gain of $10.9 million from the disposal. Following the High Court ruling in the Group's favour in relation to the legal suit with Sembcorp Marine Ltd, the Group recognised the deferred gain of $58.2 million from the disposal of PPL Holdings Pte Ltd. As a result of these gains, pre-tax profit surged to $84.8 million.

2013

With the gain of $8.8 million from the disposal of its associate, Discovery Offshore S.A., the Group saw greater profitability in 2013. With the exclusion of the investment gain, the Group's pre-tax profit improved from $15.1 million in 2012 to $17.8 million for 2013.

Despite paying out a record dividend of $87.2 million to shareholders for financial year 2012, the Group's cash position remained strong at $205.9 million at December 2013 or 118.0 cents per share. This was attributable to proceeds from the conversion of warrants and positive cash inflows from operations.

2014

In 2014, the Group witnessed its revenue increasing 4% year-on-year. The Group's pre-tax profit of $16.3 million for FY2014 slightly declined compared to the pre-tax profit (excluding investment gain) of $17.8 million recorded for FY2013.

With higher administrative expenses due to new operating subsidiaries, the Group incurred an additional administrative expense of $3.2 million in FY2014. However, this increase was offset by higher exchange gain and lower taxation charge for the year.

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 FY2015.

2016

Uncertainties and weak sentiment continue to weigh 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.

The Group's cash position remained healthy at $107.0 million or 52.7 cents per share (based on the revised number of shares as a result of the share consolidation).

Humpback Whales

The humpback whale is a baleen whale and a rorqual whale that sings amazing songs. It performs complex and cooperative feeding techniques. Humpbacks are acrobats of the ocean and travel in large, loose groups that last at most, a few days. The exception is the strong and lasting bond between mother and calves, in which the mother allows its calf to ride on her back as she propels it towards the surface. This display of guidance and protection is a prime example of the lengths to which a mother will go to care for its young.

NURTURING OUR

Delivering On Our Commitments

Just as the mother allows its calf to ride on her back as she propels it towards the surface, Baker Tech continually seeks to uphold and support many worthy causes that benefit the communities in which we operate.

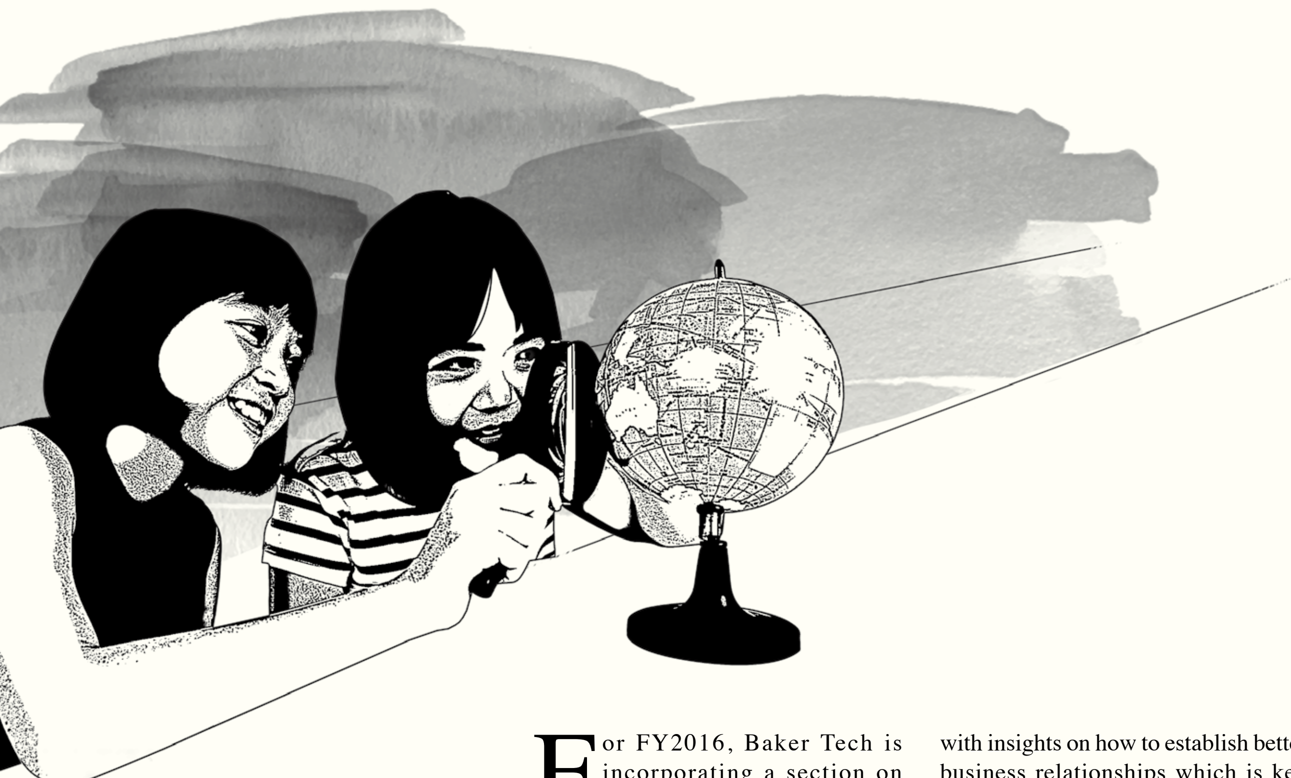
We give back to society through several community and charity projects. This includes inspiring our employees to pay it forward by volunteering their time and efforts at a food distribution drive, which Baker Tech partnered with Apex Club to pack and distribute food rations. Baker Tech also contributed to the School Pocket Money Fund Initiative, where we worked with the South West Community Development Council to identify children from low income families who could benefit from vouchers that allowed them to purchase necessary items for school. We were also an institutional sponsor for the Singapore Exchange Bull Charge Charity Race in 2016. Management and staff from Baker Tech and our subsidiaries took part in a 5km race that raised funds for different charities in Singapore.

FUTURE

WE GIVE BACK TO SOCIETY THROUGH SEVERAL COMMUNITY AND CHARITY PROJECTS. THIS INCLUDES INSPIRING OUR EMPLOYEES TO PAY IT FORWARD BY VOLUNTEERING THEIR TIME TO WORTHY CAUSES AND FUND RAISERS.

SUSTAINABILITY

OVERVIEW



For FY2016, Baker Tech is incorporating a section on sustainability. The following section highlights the environmental, social and governance ("ESG") factors, approaches and practices of the Group. This is Baker Tech's first initiative at presenting sustainability concepts inherent to our management systems, structure, operations and culture.

As a leading provider of specialised equipment and services to the oil and gas industry, the Group addresses ESG factors which not only impact but are critical for the growth of our business. Preliminary observations carried out with stakeholders provided the Group with insights on how to establish better business relationships which is key towards building a sustainable future. With the ever changing environment, the Group also constantly reviews its practices and performances in order to strive towards organisational excellence.

Baker Tech references the Global Reporting Initiatives ("GRI") Core Reporting Option as issued by the Global Sustainability Standards Board ("GSSB"). The GRI Content Index is found on pages 37-38.

The following sections covers the financial year from 1 January 2016 to 31 December 2016 and is not subjected to any external assurance.

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Reference to Annual Report	Annual Report Section / *Additional Comments / Reasons for Omission (if applicable)*
General Disclosures			
Organisation Profile			
GRI 102-1	Name of organisation	-	Cover Page
GRI 102-2	Activities, brands, products, and services	Page 06 Page 18	Corporate Structure Our Business
GRI 102-3	Location of headquarters	Page 07	Corporate Information
GRI 102-4	Location of operations		*Our operations are essentially conducted in Singapore*
GRI 102-5	Ownership and legal form	Page 133	Analysis of Shareholdings
GRI 102-6	Markets served	Page 26	Operating Review
GRI 102-7	Scale of organisation	Page 26 Page 27	Operating Review Financial Review
GRI 102-8	Information on employees and other workers	Page 42	Sustainability - Our People Are An Asset
GRI 102-9	Supply chain	Page 42	Sustainability - Our People Are An Asset
GRI 102-10	Significant changes to the organisation and its supply chain		*There are no significant changes during the year of review*
GRI 102-11	Precautionary Principle or approach	Page 50	Sustainability - Risk Management
GRI 102-12	External initiatives	Page 46	Sustainability - Giving Back to Society
GRI 102-13	Membership of associations	Page 18	Our Business
Strategy			
GRI 102-14	Statement from senior decision-maker	Page 10	Chairman Statement
Ethics and Integrity			
GRI 102-16	Values, principles, standards, and norms of behaviour	Page 36	Sustainability - Overview
Governance			
GRI 102-18	Governance structure	Page 52	Sustainability - Corporate Governance Report
Stakeholder Engagement			
GRI 102-40	List of stakeholder groups	Page 36	Sustainability - Overview
GRI 102-41	Collective bargaining agreements		*None of our employees are covered by collective bargaining agreements*
GRI 102-42	Identifying and selecting stakeholders	Page 36	Sustainability - Overview
GRI 102-43	Approach to stakeholder engagement	Page 36	Sustainability - Overview

SUSTAINABILITY

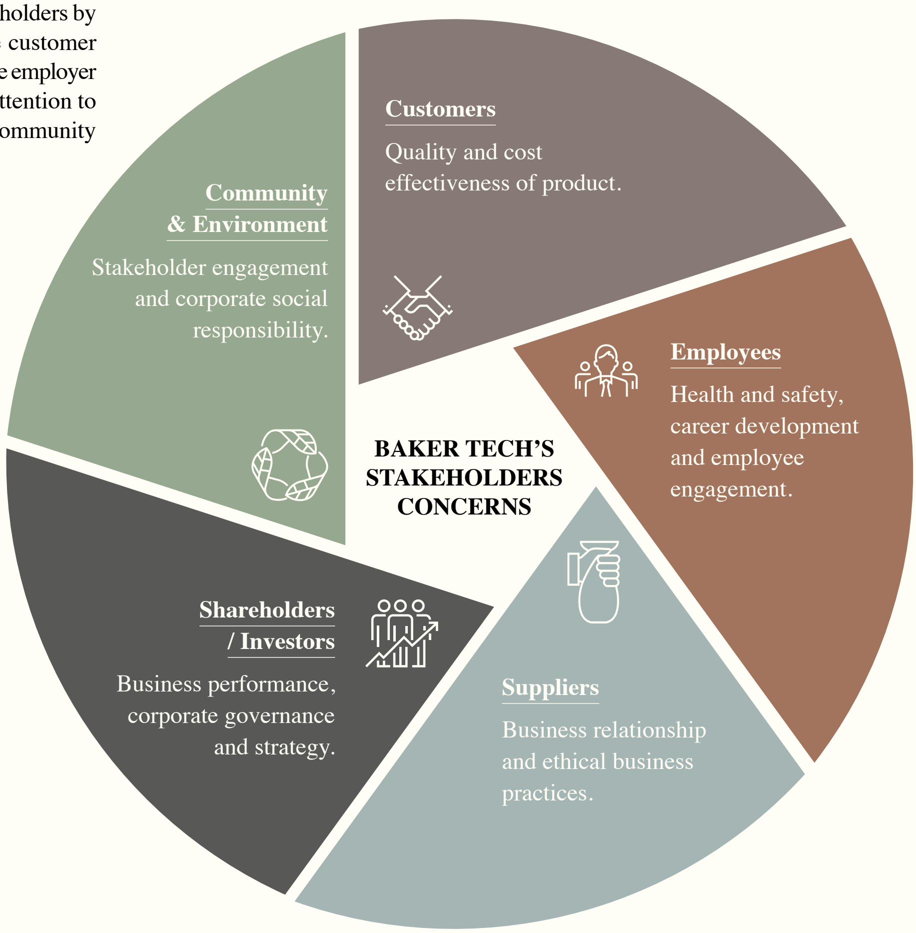
OVERVIEW

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Reference to Annual Report	Annual Report Section / *Additional Comments / Reasons for Omission (if applicable)*
General Disclosures			
GRI 102-44	Key topics and concerns raised		*Our processes and procedures are subject to regular reviews*
Reporting Practice			
GRI 102-45	Entities included in the consolidated financial statements	Page 114	Notes to the Financial Statements
GRI 102-46	Defining report content and topic Boundaries	Page 50	Sustainability - Risk Management
GRI 102-47	List of material topics	Page 50	Sustainability - Risk Management
GRI 102-48	Restatements of information		*No restatement*
GRI 102-49	Changes in reporting		*No changes as this is the first year of reporting*
GRI 102-50	Reporting period	Page 36	Sustainability - Overview
GRI 102-51	Date of most recent report		*This is the first report prepared by the Company*
GRI 102-52	Reporting cycle	Page 36	Sustainability - Overview
GRI 102-53	Contact point for questions regarding the report		*For enquiries to this report, email: sustainability@bakertech.com.sg*
GRI 102-54	Claims of reporting in accordance with the GRI Standards		*This report has been prepared based on reference to the GRI Standards: Core option*
GRI 102-55	GRI content index	Page 37	Sustainability - Overview
GRI 102-56	External assurance	Page 36	Sustainability - Overview
Material Topic			
Occupational Health & Safety			
GRI 103-1	Explanation of the material topic and its Boundary	Page 40	Sustainability - Strengthening Our Workforce Health And Safety
GRI 103-2	The management approach and its components	Page 40	Sustainability - Strengthening Our Workforce Health And Safety
GRI 103-3	Evaluation of the management approach	Page 40	Sustainability - Strengthening Our Workforce Health And Safety

STAKEHOLDER ENGAGEMENT

At Baker Tech, we develop and provide sustainable value to our stakeholders by offering reliability to ensure customer satisfaction, being a prospective employer of choice and paying close attention to which the environment and community which we operate in.



Stakeholders	Baker Tech's Commitment
Customers	Offering reliability, timely delivery, and providing customisation to fulfil our customers' requirement.
Employees	Providing learning and development programmes and creating a safe and healthy working environment.
Suppliers	Reinforcing relationships with our suppliers, contractors and sub-contractors. Together, we work towards achieving a common goal without any compromise to the environmental, health or social factors.
Shareholders / Investors	Strong emphasis on shareholder return on investment through fundamental strategies.
Community and Environment	To be a good corporate citizen by continuing our support to various not-for-profit charitable causes and other organisations.

SUSTAINABILITY

STRENGTHENING OUR WORKFORCE HEALTH AND SAFETY

The Group is committed to providing a safe and healthy workplace for all our employees, contractors and subcontractors. Given the high risk nature of our business, we place greater emphasis on health and safety training, awareness, procedures and general education and aim to develop a culture whereby safety is ingrained into each and every employee and subcontractor working with us.

The operating subsidiaries (Sea Deep, Interseas 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 Interseas are bizSAFE Level 3 certified while Baker Engineering is a bizSAFE Star Enterprise.

Safety awareness starts with all new hires attending a compulsory safety induction programme where workplace hazards and at-risk areas are highlighted and the Group's OHSAS procedures are outlined. New employees are also issued with personal protective equipment including safety boots, helmets, goggles and ear plugs. All regulatory training, in addition to all medical examinations required under the Workplace Safety and Health Act, are carried out by external providers where necessary. Training in the employee's local language is provided if necessary to ensure proper understanding of the training material. Additional supervision and training for other high risk activities like confined space and fire safety awareness is further provided to encourage all employees to work safely and responsibly at all times.

From a supply chain perspective, new suppliers, contractors and subcontractors are screened in accordance with our subcontracting, purchasing and requisition policies. Included in the assessment criteria are considerations for health and safety certifications and practices and labour considerations. All suppliers, contractors and subcontractors are required to abide by relevant laws and regulations in addition to company safety policy and procedures. An annual review, based on the same criteria, is conducted on all supply chain participants.

Safety induction training is also provided onsite for any contractors and subcontractors required to work in our yards prior to commencing work. Safe work procedures and risk

assessments are also required to be in place prior to the start of a project and are regularly reviewed at various stages of the project.

To reinforce workplace safety and health practices, regular WSHE ("Workplace Safety Health and Environment") promotions are conducted during the course of the year including two successful customised safety programmes - a "Project Safety Award" and a "Hand Safety Campaign" where participation from all employees (including supervisory staff, general workers), contractors and sub-contractors were highly encouraged. The safety programmes included elements of continual education, refresher courses, quizzes and practical demonstrations on workplace health, safety and environment topics to serve as a reminder of good workplace health and safety practices and behaviour and to promote ownership of WSHE responsibility. Employees, contractors and subcontractors are also encouraged to highlight areas of good safety performance and areas of improvements. Incentives are presented to employees, contractors and subcontractors who demonstrate outstanding safety awareness and performance.

As a constant reminder of safety precautions and practices, the WSHE committee places advisory messages and signboards strategically around the workplace. Morning tool box meetings are held to evaluate all at-risk working areas and to raise or discuss any safety related incidents and case studies and short falls of its current practices. Emergency drills with various scenarios including fire and rescue are also conducted periodically by the WSHE committee. This is done to reinforce the emergency readiness of our employees and to prepare them for any potential hazardous incidents such as fires or gas leaks.

In addition, employees regularly attend external risk management and safety courses including emergency response team training. By educating and equipping our employees with safety awareness and safety knowledge, we can be sure that our employees adopt the best workplace safety and health practices and work towards achieving incident-free days. For FY2016, the Group has zero fatalities and has zero stop work orders.

The Group has implemented health emergency protocols to safeguard its employees, contractors and subcontractors during national crises and communicable diseases including strict haze management guidelines in line with the Tripartite Advisory on haze related workplace measures and quarantine procedures. 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 (including fumigation and larvaciding) is carried out to identify and eliminate mosquito and vermin breeding grounds.

Our workplace safety and health processes and compliance programmes for the Group and subsidiaries, go through a stringent review yearly to ensure the safety and well-being of our employees.

SUSTAINABILITY

OUR PEOPLE ARE AN ASSET

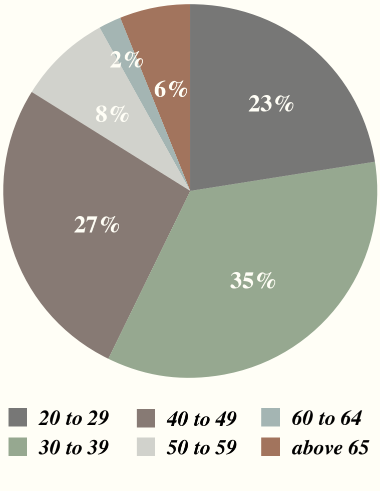
Human resource policies and practices govern our daily operating procedures to promote and ensure a safe and healthy working environment, fair employment practices, learning and development, staff retention and opportunities to grow and retain talent.

Being a prospective employer of choice, the Group regularly reviews its human resource and fair employment practices and ensure that none of its policies discriminates against race, gender, age, culture or religion. Baker Tech and its subsidiaries welcome employees from diverse backgrounds and cultures to draw on a wider range of experience and knowledge, potentially gaining a competitive advantage amongst its competitors. At present, employees come from varied backgrounds and nationalities including Singapore, Malaysia, Myanmar, Philippines, India and Bangladesh.

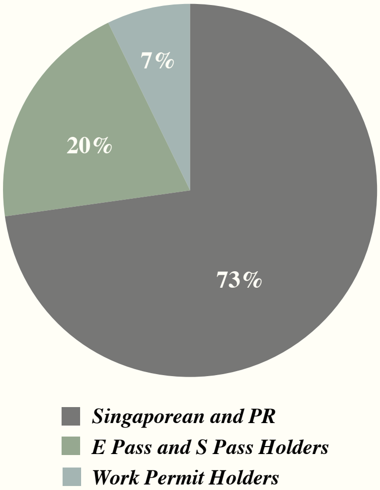
The Group is determined to cultivate a workforce with positive attitudes coupled with a healthy work-life balance. The Group adopts a five day working week to encourage employees to spend more time with their families and friends on weekends. With a nurturing work environment, employees are motivated to perform to the best of their abilities. The Group also places utmost importance on employee welfare, and invests in a comprehensive healthcare support system where employees can enjoy healthcare insurance and both medical and dental benefits.

We are also committed to look after the well-being of our foreign workers. The Group ensures that its foreign workers are housed in clean and well-maintained dormitories offering a variety of recreational facilities and amenities like convenience stores, food courts and ATM machines which are easily accessible. Lockers and

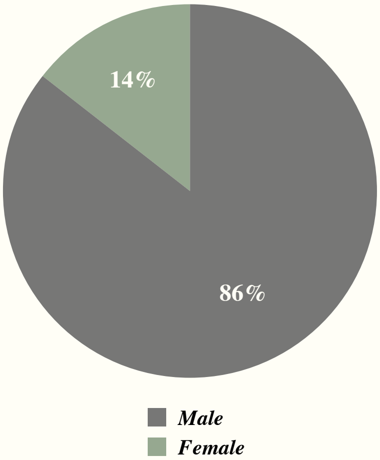
EMPLOYEE DEMOGRAPHICS



NATIONALITY



GENDER*



* *Excluding Non-traditional source workers*

storage boxes are provided for the workers to store their personal belongings both at work and in the dormitories. Moreover, regular site visits to the dormitories are carried out by the Human Resource team together with the Health and Safety team to further ensure that they have clean, comfortable and safe living conditions. The Group also provides transportation to ferry the workers to and from work.

As a shipyard with contractors, our Group is committed to ensure that our contractors adhere to Ministry of Manpower guidelines for the employment of foreign workers. We regularly audit our common contractors to ensure adherence and also have open lines of communication with contractor workers.

The Group regularly organises lunches for its employees including the workers to celebrate various religious festivals. In addition, the Company also organises luncheons for its employees with the Board Directors during which employees may raise their concerns and provide any feedback to senior management. This has been proven useful for the management team in getting to understand its employees' needs, welfare and concerns better and also to encourage better communication across the Group. As another platform to drive employee team bonding, a Christmas party was held to celebrate the end of 2016.

With the increasing competition for talent, the Group believes in nurturing its current employees to develop and reach their maximum potential. Training and development programmes are available to provide employees with the right skills and technical know-how, which will enable them to accept bigger challenges and advance through the ranks. This in turns, help the Group to grow in the ever-changing marketplace.

With the growing aging population in Singapore, the Group appreciates the value that senior experienced employees can bring and have welcomed a number of pioneer generation employees across the Group in various roles. We have also provided some flexible working arrangements in specific job functions where possible.

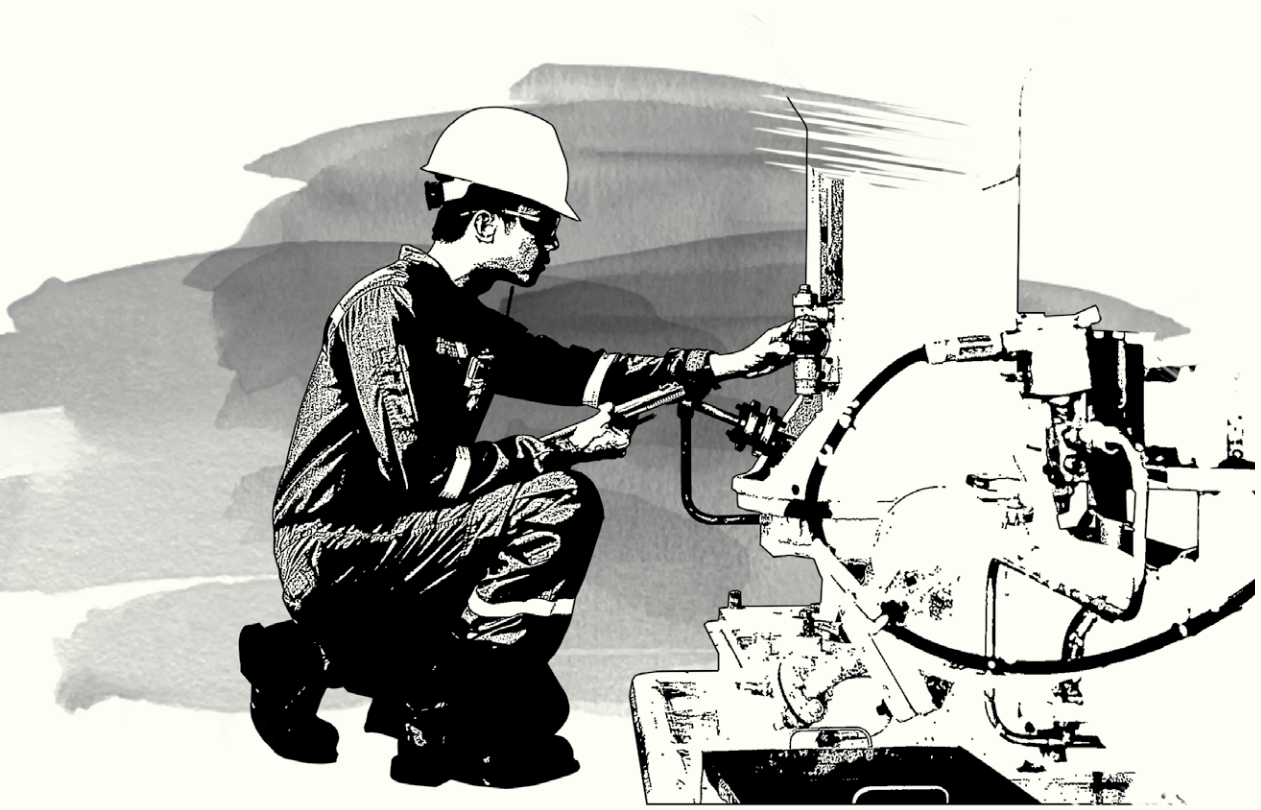
By creating a vibrant and conductive work environment, employees reap the benefits of a healthy work-life balance and have the drive to complete their daily work. It is in the Group's nature to protect not only the human capital aspect but also appreciate and retain their value to ensure a more productive workplace.

SUSTAINABILITY

OUR ENVIRONMENT

To further strengthen and improve on our commitment towards the environment, Baker Tech aims to reduce and recycle the amount of waste which we produce. At present one of the Group's subsidiary – Baker Engineering is in its final audit stages of obtaining the IS0 14001 which sets out the criteria for an effective environmental management system which monitors and controls environmental issues in a holistic manner.

Due to the nature of our business, some of our daily processes, require the use of hazardous materials such as paint, chemicals and flammable material. We also generate scrap material in the form of scrap steel and wooden pallets. To protect and conserve the environment, we have risk assessments and procedures in place for the identification, handling and disposal of both hazardous and non-hazardous material. Authorised third party disposal companies are appointed to remove hazardous materials which are stored in specially appointed containers. Scrap material which can be reused are also set aside for future use.



Printers are set by default for double-sided printing and our monthly consumption of paper and paper waste products are being closely monitored. To minimise paper wastage, the use of electronic memos for internal communication and subscription to electronic mailing further eliminates the need for excessive use of paper.

During office functions and meetings, regular glassware is used instead of disposable cups and utensils. Staff also bring their own coffee mugs which reduces the need for plastic or styrofoam cups. At Baker Tech, we aim to minimise food wastage during office functions.

In addition, employees and their families are encouraged to use electricity and water wisely not just in the office but also back at home. During working hours, air conditioning units are set to optimum temperature and are programmed to switch off automatically after working hours. Air conditioning servicing and changing of air conditioning filters are carried out frequently to ensure that they are in good working condition and this in turn helps to reduce monthly electricity consumption. The replacement of existing lighting to LED lighting in the offices and the use of energy saving features has too seen an increase in our electricity efficiency. To conserve water, rain water is harvested and reused to water indoor and outdoor potted plants. Additional tips on how to conserve water and electricity in the office are also communicated to staff through notice board posters and internal memos.

With continued effort to reduce energy usage, the Group strives to mitigate the harmful effects of climate change and in turn, enjoy high cost savings.

SUSTAINABILITY

GIVING BACK TO SOCIETY

Through the years, Baker Tech has worked with various community and charity organisations and continues to offer its support through either cash donations or staff volunteerism. As a good corporate citizen we target a wide spectrum of social development projects to improve the well-being and development of the community which we work in.

FOOD DISTRIBUTION DRIVE

Inspiring our employees to pay it forward and do their part for charity, Baker Tech partnered with Apex Club of Bukit Timah to pack and distribute food rations to the elderly and less fortunate living around Redhill and Queenstown. Volunteers also took this opportunity to chat and mingle with the elderly. To set a good example for future generations, employees were encouraged to bring their family members especially the children to cultivate a sense of giving and support in the younger people.

SCHOOL POCKET MONEY FUND INITIATIVE

Baker Tech worked with the South West Community Development Council ("CDC") and identified children from low income families living in the south western part of Singapore. As part of the school pocket money fund initiative, they were provided POPULAR vouchers to purchase school books and stationery.

SGX BULL RUN

Baker Tech is an institutional sponsor for the Singapore Exchange ("SGX") Bull Charge 2016 Charity Race. Management and staff from Baker Tech and its subsidiaries took part in a 5km race around the Marina Bay area in the Central Business District. The race raised funds for four different charities in Singapore and is an excellent staff engagement tool for all of the Group's employees at Baker Tech to bond and interact among the different subsidiaries and departments.

SINGAPORE CORPORATE GOVERNANCE WEEK

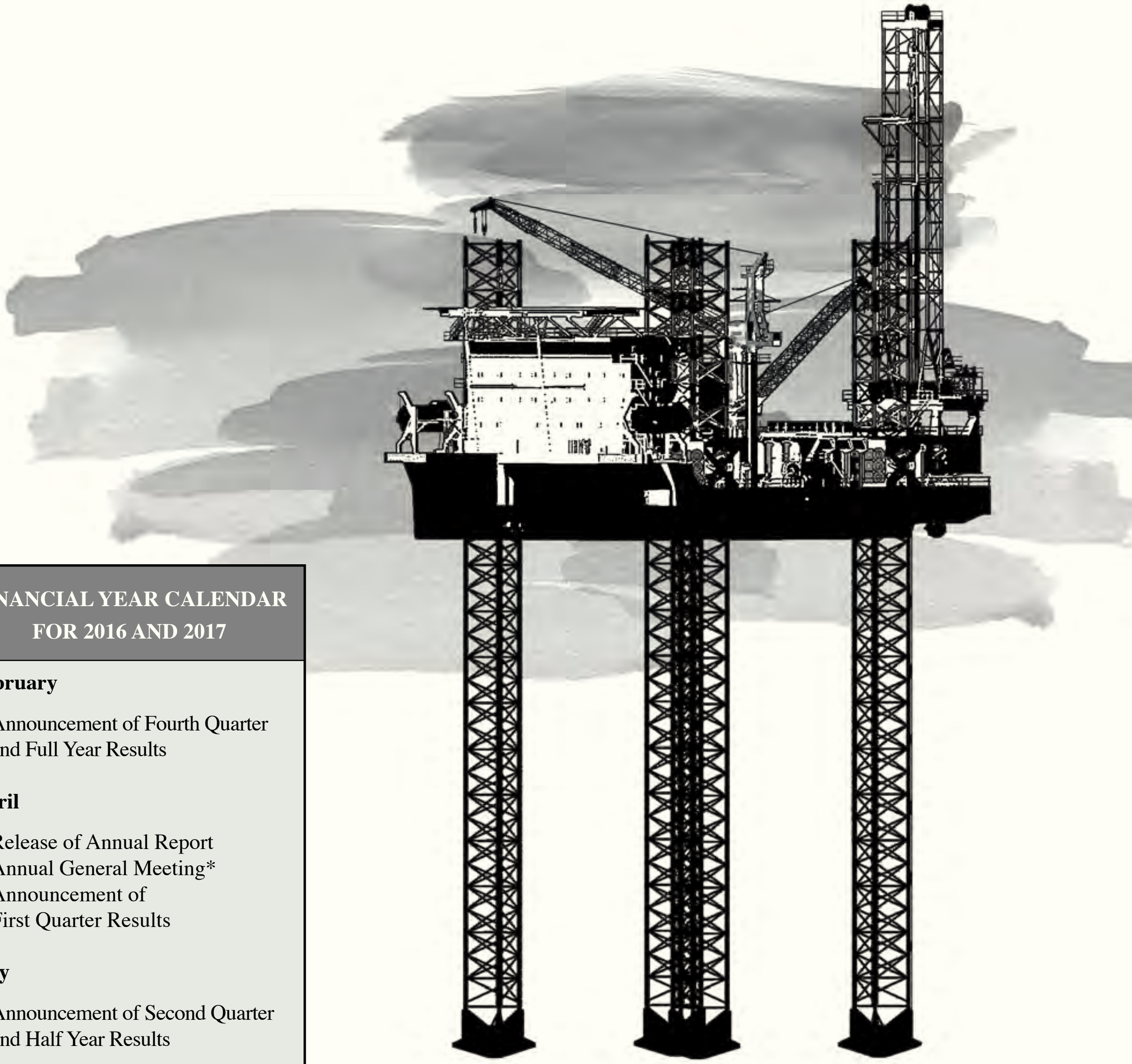
Baker Tech continues to participate and contribute towards the Singapore Corporate Governance week as the Company remains transparent in its financial reporting and adopts the best practices in corporate governance and code of conduct.

SUSTAINABILITY

INVESTOR RELATIONS

Baker Tech is committed to creating sustainable value for its stakeholders. Therefore to continue building on the rapport and to reinforce long term relationships with stakeholders, our Investor Relations ("IR") practices are designed to facilitate continued engagement with stakeholders by maintaining effective communication through clear and timely updates.

Spearheading the IR team is Chairman of the Board, Mr Lim Ho Seng. Mr Lim has been actively involved in the various interactions and communication channels between stakeholders, shareholders and the investment community. With the use of multiple communication platforms, the IR team effectively reaches out to analysts, fund managers and potential investors to provide them with latest updates and an in-depth understanding of the Group's business performance.



FINANCIAL YEAR CALENDAR FOR 2016 AND 2017

February

- Announcement of Fourth Quarter and Full Year Results

April

- Release of Annual Report
- Annual General Meeting*
- Announcement of First Quarter Results

July

- Announcement of Second Quarter and Half Year Results

October

- Announcement of Third Quarter and Nine Months Results

December

- End of Financial Year

* *For FY2016, an Extraordinary General Meeting was convened in April to seek approval for share consolidation.*

SUSTAINABILITY

RISK MANAGEMENT

IN PURSUIT OF BUSINESS EXCELLENCE

Business excellence comes hand in hand with strong corporate governance and effective risk management systems. The Group has in place, an enterprise risk management framework which identifies critical and major risks that could impact its operations, business activity and stakeholders, assesses the risks in terms of likelihood and magnitude of consequences and determines an effective mitigation strategy.

The framework, implementation actions and risk tolerance and appetite are regularly evaluated by the Board to ensure relevance in an ever-changing operating environment, alignment with the Group's strategic objectives and safeguarding of stakeholders' interests and the Group's assets, in order to protect and create sustainable value for stakeholders.

INDUSTRY-RELATED RISKS

As a manufacturer and provider of specialised equipment and services for the oil and gas industry, the Group is exposed to the ongoing turmoil in the oil and gas industry today. The extended oil price downturn and reduced exploration and production spending created much instability during 2016.

In light of this uncertainty, the Group has taken measures to reduce its cost base and curtail discretionary operational expenditure for the foreseeable future.

With steel being the main element in the Group's products, volatility in prices or delayed delivery of raw materials resulting in extended completion time, could weigh on the Group's financial performance. The Group accounts for steel price volatility within its contracts with customers, while maintaining close working relationships with its long-term suppliers to ensure prompt delivery of raw materials.

The slump in the oil market also resulted in projects being deferred or cancelled, and diminished appetite for long-term major capital projects. While the Group has forayed into the less volatile oil production maintenance segment, we remain mindful of the competition risk in an already soft market.

With the support of an experienced management and a sound balance sheet, the Group continue to pursue opportunities for a diversified revenue stream.

OPERATIONAL RISKS

The Group recognises the need to maintain operational resilience in the face of any unforeseen disruptions and has put in place measures that allow for pre-emptive identification of areas of potential exposure which can be addressed to minimise adverse impact.

Our operations entail high risk activities such as hot works, work at height and confined space activity and major lifting operations. As such, the Group observes stringent in-house safety procedures and policies and cultivates safe working mind sets and habits. There are ongoing efforts to raise awareness through trainings, toolbox meetings and safety promotions as well as regular site walkabouts and safety meetings by the safety committee which includes subcontractor representatives.

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

Disruption of business activities can also occur in a larger scale such as an epidemic outbreak, flood, fire or explosions that can have an adverse impact to our operations. In this regard, the Group has in place, a business continuity plan and response measures for any disruption of business operations to ensure preparedness and cooperation during emergencies. The Group also has alternative sites for operations to minimize downtime.

The Group has also adopted ISO18001 certification to ensure adoption of best practices and procedures to deliver high quality products. To ensure compliance with all relevant laws and regulations (including Ministry of Manpower regulations, National Environment Agency rules among others), the Group monitors developments in such regulations through regular engagement with regulatory bodies, membership and subscription to relevant associations and publications and mainstream media.

FINANCIAL RISKS

The oil and gas industry is cyclical in nature which poses difficulties for companies in this sector. Having sufficient liquidity and a robust balance sheet has allowed the Group to mitigate this risk however the Board and senior management review the Group's strategy and finances regularly to ensure continued liquidity while identifying market opportunities.

In its current bearish climate, more industry players have succumbed to millions of dollars of possibly unsustainable outstanding debt and have seen their market capitalisation reduce significantly as their finances have come under strain. In order to ensure financial discipline, the Group adopts a policy to collect payment before delivery or an up-front collection of non-refundable deposits, while closely reviewing outstanding debts and debtors.

Like any global operations, the Group's activities are susceptible to foreign currency fluctuations, primarily in U.S. dollar and Euro. Such 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

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 ranked 23rd amongst 631 Singapore-listed companies in the August 2016 Singapore Governance and Transparency Index (SGTI) and was presented with a Merit award at the 17th SIAS Investors' Choice Awards 2016 - Singapore Corporate Governance Award for its outstanding efforts in improving corporate governance.

This report sets out the Company's corporate governance practices for the financial year ended 31 December 2016 ("FY2016"), with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code"). The Company has adhered to such principles and guidelines of the Code, where applicable, and has identified and explained areas of non-compliance in this report.

BOARD MATTERS

Principle 1: Board's Conduct of Affairs

Board's Role

The Board oversees the overall management and business affairs 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.

During FY2016, 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	5	4	5	4*	1	1*	1	1
Dr Benety Chang	5	5	5	5*	1	1	1	1*
Jeanette Chang	5	5	5	5*	1	1*	1	1*
Tan Yang Guan	5	5	5	5*	1	1*	1	1*
Wong Meng Yeng	5	5	5	5	1	1	1	1*
Ang Miah Khiang	5	5	5	5	1	1*	1	1
Han Sah Heok Vicky	5	5	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 whereby they are briefed by Management on the Group's industry, business operations, governance practices and Directors' duties and obligations. 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. Directors with no prior experience as a director of a listed company will be encouraged to attend the Listed Company Director Programme conducted by the Singapore Institute of Directors ("SID"). All Directors are appointed to the Board by way of a formal letter of appointment or service agreement setting out the key terms of their appointment, duties and obligations. No new Directors were appointed in 2016.

Where appropriate, the Directors are provided with updates on changes in relevant laws and regulations, which are relevant to the Group. In addition, the Directors are also encouraged to attend relevant training

SUSTAINABILITY

CORPORATE GOVERNANCE REPORT

programmes, seminars and workshops to enhance their skills and knowledge, at the expense of the Company.

News releases issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and Accounting and Corporate Regulatory Authority, which are relevant to the Directors are circulated to the Board. The Company Secretary also keeps the Directors informed of upcoming conferences and seminars such as those conducted by the SID. The external auditors regularly update the AC and the Board on new or revised financial reporting standards which are relevant and applicable to 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 2016.

Principle 2: Board Composition and Guidance

Board Independence

The Board has seven Directors comprising three Independent Directors, two Non-Executive Directors and two Executive Directors. The Directors as at the date of this report are listed as follows:

Mr Lim Ho Seng	*Chairman, Non-Executive Director*
Dr Benety Chang	*Chief Executive Officer*
Ms Jeanette Chang	*Executive Director*
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 re-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 NC has given due consideration to Guideline 2.2 of the Code which states that where the Chairman of the Board is not an Independent Director, at least half of the Board composition should be independent at the annual general meeting following the end of financial year commencing on or after 1 May 2016.

Whilst taking steps to comply with the aforesaid guideline, the Board has taken the position that any new Board member should have the appropriate expertise and experience to add diversity to the breadth and depth of any Board discussions. At present, 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. The profiles of the Directors are set out on page 12 of this Annual Report.

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 Chief Executive Officer

There is a clear separation of roles and responsibilities of the Chairman and Chief Executive Officer ("CEO"). The Chairman of the Board is Mr Lim Ho Seng. He has no familial relationship with the CEO of the Company. The Chairman provides leadership to the Board. He sets the meeting agenda in consultation with the CEO and ensures that Directors are provided with accurate, timely and clear information, 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 supervises the day-to-day business operations and executions of strategies and policies with the support of the Executive Director and Management.

SUSTAINABILITY

CORPORATE GOVERNANCE REPORT

Mr Wong Meng Yeng acts as the Lead Independent Director and is the principal liaison to address shareholders' 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. The Independent Directors have met without the presence of other Directors in FY2016 and the Lead Independent Director has provided feedback to the Chairman after the meeting.

Principle 4: Board Membership

NC Composition

The NC comprises Mr Wong Meng Yeng, Ms Han Sah Heok Vicky and Dr Benety Chang. The Chairman of the NC is Mr Wong Meng Yeng, the Lead Independent Director. Independent Directors make up the majority of the NC.

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 for 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 of the candidates 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. The guideline stipulates that, as a general rule, each Director should not hold 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.

In respect of FY2016, the NC was of the view that each Director had discharged his/her duties adequately and that each Director's directorship was in line with the Company's guidelines of not more than five listed company board representations and other principal commitments.

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 104 of the Company's Constitution, namely Mr Tan Yang Guan, 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, Mr Tan Yang Guan, 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. 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.

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. No external facilitator has been engaged.

SUSTAINABILITY

CORPORATE GOVERNANCE REPORT

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. Key management personnel are invited to attend the Board and Board Committee meetings in order to make the appropriate presentations and to answer any queries from the Directors, if necessary. The Directors are given separate and independent access to the 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 Ms Han Sah Heck Vicky, Mr Ang Miah Khiang and Mr Lim Ho Seng. Ms Han Sah Heok Vicky, an Independent Director, is the Chairman of the RC. Independent Directors make up the majority of the RC.

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. The RC has full authority to engage any external independent professional advice on executive compensation and remuneration related matters, if and when required at the Company's expense.

The RC reviews the Company's obligations of 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.

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.

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.

SUSTAINABILITY

CORPORATE GOVERNANCE REPORT

The Company does not have any long-term incentive or share option scheme in place.

The framework for Non-Executive Directors' fee is set out below.

Basic Fee for Board Members	$38,500 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 Members	25.0% of Basic Fee
- Remuneration / Nominating Committee Chairman	25.0% of Basic Fee
- Remuneration / Nominating Committee Members	12.5% of Basic Fee

Shareholders' approval will be sought at the AGM of the Company on 25 April 2017, for the payment of Directors' fees proposed for the financial year ending 2017 amounting to $262,763 (FY2016: $262,763).

Principle 9: Disclosure on Remuneration

Disclosure of Remuneration

The Directors' remuneration for FY2016 is set out below:

Name of Directors	**Fees ($)**	**Salary, CPF & Allowance ($)**	**Bonus ($)**	**Other Benefits* ($)**	**Total ($)**
Lim Ho Seng	72,187	-	-	-	72,187
Dr Benety Chang	-	488,850	35,700	-	524,550
Jeanette Chang[1]	-	288,540	20,400	-	308,940
Tan Yang Guan	-	-	-	144,000	144,000
Wong Meng Yeng	65,450	-	-	-	65,450
Ang Miah Khiang	62,563	-	-	-	62,563
Han Sah Heok Vicky	62,563	-	-	-	62,563

Notes:

[1] Ms Jeanette Chang is the daughter of Dr Benety Chang, Chief Executive Officer.

** This relates to consultancy fees paid by the Group.*

The table below shows the remuneration of the top five key management personnel (who are not Directors or the CEO) for FY2016:

Name of Key Management Personnel	Designation	Salary, CPF & Allowance (%)	Bonus (%)
$500,001 to $750,000			
Ong Thian Whee Albert	Managing Director (Sea Deep Shipyard Pte. Ltd.)	43	57
$250,000 to $500,000			
Tan Kiang Kherng	Chief Financial Officer (Baker Technology Limited)	93	7
Tan Keng Tiong Alvin	Senior Vice President – Business Development (Baker Technology Limited)	93	7
Tan Wee Lee	Managing Director (Baker Engineering Pte. Ltd.)	93	7
Heath McIntyre	Managing Director (BT Investment Pte. Ltd.)	93	7

The total remuneration paid to the top five key management personnel for FY2016 amounted to $1,827,321.

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 $50,000 during FY2016. "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. In line with Rule 705(5) of the Listing Manual of SGX-ST, the Board provides negative assurance statement in respect of the interim financial statements. In addition, all Directors and key management personnel of the Company also signed a letter of undertaking pursuant to Rule 720(1) of the Listing Manual of SGX-ST.

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 financial year under review, the CEO and the CFO have provided assurance to the Board on the integrity of the financial statements for the Company and its subsidiaries.

SUSTAINABILITY

CORPORATE GOVERNANCE REPORT

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 Group'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. Any material findings from both the internal and external auditors together with the improvement recommendations are reported to the AC. The AC will review the internal and external auditors' comments and findings, ensure that there are adequate internal controls within the Group and follow up on actions implemented.

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 Group, 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.

For 2016, 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.

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 internal controls and risk management systems maintained by Management during the financial year and up to the date of this report are adequate and effective in addressing the risks relating to financial, operational, compliance and information technology controls and to meet 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 carried out their duties in accordance with the terms of reference which include the following:

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

(ii) review the Group's quarterly and full year financial statements, the accounting principles adopted and the external auditor's report on the financial statements of the Group before submission to the Board for approval;

(iii) 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;

(iv) review and report to the Board at least annually on 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;

(v) recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors; and

(vi) review interested person transactions in accordance with the requirements 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 53. The auditors (if required), the AC and Company Secretary are invited to these meetings.

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 meets with the Company's external and internal auditors without the presence of Management at least once a year 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.

The aggregate audit and non-audit fees payable to the external auditors, Ernst & Young LLP ("EY") for FY2016 were $198,000 and $11,000 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 would not prejudice 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 2017, 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.

SUSTAINABILITY

CORPORATE GOVERNANCE REPORT

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 to the Board the nomination of EY for re-appointment as external auditor at the forthcoming AGM.

The AC has reviewed the key audit matters disclosed in the independent 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 behavior 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 outsources its internal audit function to the independent internal auditors ("IA"), PricewaterhouseCoopers. The IA's primary line of reporting would be to the AC Chairman and administratively to the CFO.

The audit work carried out is according to the standards set by internationally recognised professional bodies including the Standards for the Professional Practice 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.

The AC is of the view that the internal auditors have adequate resources to perform its functions and is independent of the activities that it audits.

During FY2016, the IA completed an internal audit review of the Group on key processes such as ERM, production efficiency, project management and inventory management. The findings and recommendations of the IA, Management's responses and Management's 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 Board ensures that all the Company's shareholders are treated 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 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 team 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).

SUSTAINABILITY

CORPORATE GOVERNANCE REPORT

Dividend Policy

The Company does not have a formal policy on dividend distribution.

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. All Directors, in particular the Chairman of the Board and Chairpersons of Board Committees, and the external auditors are present and available to address shareholder's questions. Minutes of the AGM are prepared and available upon request, which includes substantive comments or queries from the shareholders and responses from the Board and Management. The Company ensures that every matter requiring approval is proposed as a separate resolution.

For greater transparency and to allow for a more efficient voting system, the Company has employed electronic poll voting for all resolutions put at the AGM since 2016. The results of each resolution including the number of votes for, or against each resolution are instantaneously displayed at the meeting and announced via SGXNet after the AGM.

DEALINGS IN SECURITIES

The Group has adopted an internal guideline 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. In addition, 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 Transaction Policy

All interested person transactions are subject to review by the AC.

For financial year 2016, there were no interested person transactions.

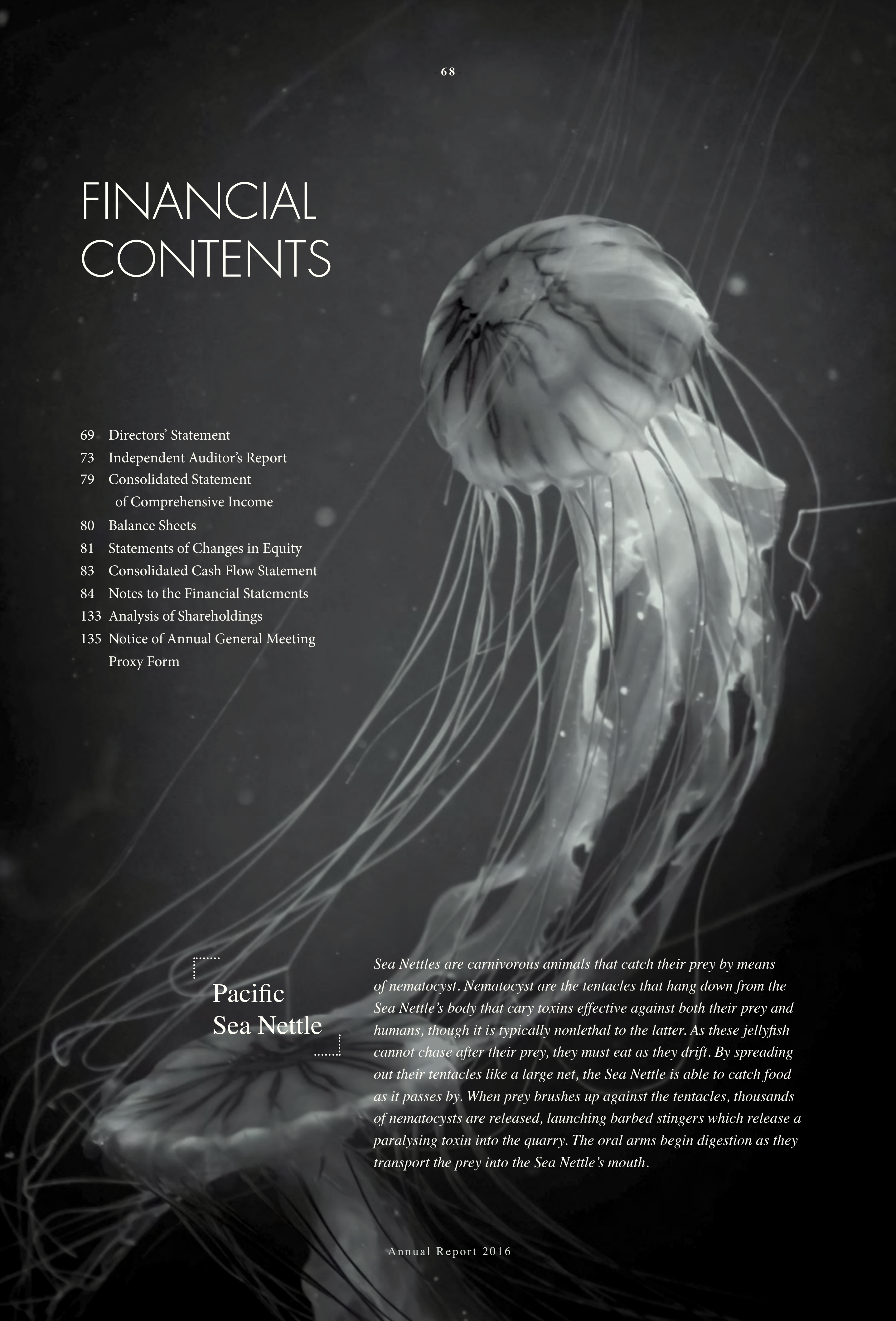
MATERIAL CONTRACTS

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.

MAJOR PROPERTIES

The Group holds the following properties in Singapore:

Location	Description	Area (sqm)	Tenure of land
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



FINANCIAL CONTENTS

Pacific Sea Nettle

Sea Nettles are carnivorous animals that catch their prey by means of nematocyst. Nematocyst are the tentacles that hang down from the Sea Nettle's body that cary toxins effective against both their prey and humans, though it is typically nonlethal to the latter. As these jellyfish cannot chase after their prey, they must eat as they drift. By spreading out their tentacles like a large net, the Sea Nettle is able to catch food as it passes by. When prey brushes up against the tentacles, thousands of nematocysts are released, launching barbed stingers which release a paralysing toxin into the quarry. The oral arms begin digestion as they transport the prey into the Sea Nettle's mouth.

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 2016.

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 2016, 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)
Dr Benety Chang	(Chief Executive Officer)
Jeanette 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 warrants of the Company as stated below:-

	Direct interest		**Deemed interest**	
Name of director	**At 1.1.2016**	**At 31.12.2016**	**At 1.1.2016**	**At 31.12.2016**
The Company				
Baker Technology Limited				
Ordinary shares				
Lim Ho Seng	1,134,000	226,800	–	–
Dr Benety Chang	427,722,887	85,544,577	95,758,856	19,151,771
Tan Yang Guan	20,642,770	4,128,554	–	–
Han Sah Heok Vicky	500,000	100,000	–	–

The Company undertook a share consolidation of every five (5) issued ordinary shares in the share capital of the Company into one (1) consolidated share, which became effective on 31 May 2016 ("Share Consolidation").

There was no change in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2017.

Except as disclosed in this report, no director who held office at the end of the financial year had interest in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

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

- reviewing the scope, changes, results and cost effectiveness of the external audit plan and process;
- reviewing the Group's quarterly and full year results announcement, the accounting principles adopted and the external auditor's report on the annual financial statements of the Group and the Company before submitting such documents to the Board for approval;
- reviewing, with the internal auditors, the scope of the internal audit procedures and the results of the internal audit, monitoring the responses to their findings to ensure that appropriate follow-up measures are taken;
- reviewing the 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 auditors;
- meets with the external and internal auditors and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- reviewing 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;
- reviewing the independence and objectivity of the external auditors;
- reviewing the nature and extent of non-audit services provided by the external auditor;
- recommending the reappointment of the external auditor to the Board, approving the compensation of the external auditor, and results of the audit;
- reviewing the assistance given by the Company's officers to the auditors;
- reports discussions and actions of the AC to the Board of directors with such recommendations as the AC considers appropriate; and
- reviewing the interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

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

The AC has held five meetings during the year. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Report.

DIRECTORS' STATEMENT

AUDITORS

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

On behalf of the board of directors:

Lim Ho Seng
Chairman

Dr Benety Chang
Chief Executive Officer

Singapore
10 March 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Report on the audit of the financial statements

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 2016, 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 Financial Reporting Standards in Singapore (FRSs) 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 2016 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 2016

Key audit matters (cont'd)

Goodwill impairment

As disclosed in Note 11, during the current financial year, the Group recognised a full impairment of its goodwill (S$7.6 million) allocated to the cash generating unit (CGU) comprising of its subsidiary, Sea Deep Shipyard Pte. Ltd.

In accordance with the requirement of FRS 36 *Impairment of Assets*, goodwill acquired in business combination is required to be tested for impairment annually. We have identified this as a key audit matter as the management's annual impairment test was complex and involved management exercising significant judgement and making assumptions about future market and economic conditions to determine the recoverable amount of the CGU.

We reviewed management's impairment assessment of the goodwill based on our understanding of the current business condition of the CGU and the outlook of the oil and gas industry. In our review of the cash flows projections of the CGU, we evaluated the reasonableness of management's forecast by reviewing the status of ongoing projects as at year end and the projected order book and considered market analyst reports. We also involved our internal valuation specialist to review the reasonableness of the discount rate used in computing the recoverable amount. We recomputed the excess of the carrying amount of the CGU over the recoverable amount.

We also performed sensitivity analysis on changes in the key assumptions to the recoverable amount of the CGU. We further considered subsequent events or transactions that may provide additional evidence to support the cash flow projections.

We considered the adequacy of the disclosures related to the results of the impairment testing of goodwill in Notes 3 and 11 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Key audit matters (cont'd)

Determination of net realisable value of the liftboat

As disclosed in Note 11, in 2014 the Group had acquired a vessel design and the Group commenced the construction of a liftboat with the intention to sell to customers in the oil and gas industry. The carrying amount of the vessel design is disclosed in Note 11 and the cost of the construction of the liftboat is included in work in progress in Note 16.

In accordance with FRS 2 *Inventories*, the Group recognised the liftboat at 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 for completion and the estimated costs necessary to make the sale. Further, the net realisable value of the liftboat has an impact on management's assessment of the vessel design capitalised as an intangible asset as they are related.

As disclosed in Note 3.2(b), due to the uncertainty in oil prices, the oil and gas industry has been affected by delays in rigs and vessel deliveries, resulting in significant pressures on the contract rates, which may have a bearing on the net realisable value. We have identified this as a key audit matter as the management's process of determining the net realisable value is complex and involved management exercising significant judgement and making assumptions.

We evaluated the reasonableness of the net realisable value of the liftboat determined by the management by obtaining an understanding of the specifications of the liftboat and considered the market analyst reports. We also discussed with our internal industry sector and valuation specialists to obtain understanding of the liftboat business.

We compared the net realisable value to recent selling prices in the market and performed sensitivity analysis by considering the different specifications of the liftboats in the market. We considered the adequacy of the disclosures related to the liftboat and vessel design in Notes 3, 11 and 16 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Other information other than the financial statements and auditor's report thereon

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.

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 FRSs, 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

- 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.

- 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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
10 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	2015 $'000
Revenue	5	**21,520**	54,064
Cost of sales		**(15,849)**	(38,845)
Gross profit		**5,671**	15,219
Other items of income			
Other operating income	6	**3,608**	6,445
Other items of expenses			
Administrative expenses		**(10,950)**	(10,540)
Other expense	11	**(7,551)**	–
(Loss) / profit before tax	7	**(9,222)**	11,124
Income tax write back / (expense)	8	**895**	(1,960)
(Loss) / profit for the year attributable to owners of the Company		**(8,327)**	9,164
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Net gain / (loss) on fair value changes on available-for-sale financial assets		**153**	(318)
Total comprehensive income for the year attributable to owners of the Company		**(8,174)**	8,846
Earnings per share attributable to owners of the Company	9		
Basic (in cents)		**(4.1)**	4.7
Diluted (in cents)		**(4.1)**	4.7

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current assets					
Property, plant and equipment	10	**16,461**	18,076	**2**	6
Intangible assets	11	**2,050**	9,747	**–**	–
Investment in subsidiaries	12	**–**	–	**22,800**	26,000
Investment securities	13	**3,317**	8,399	**3,317**	8,399
Deferred tax assets	14	**248**	360	**–**	–
		22,076	36,582	**26,119**	34,405
Current assets					
Gross amount due from customers for contract work-in-progress	15	**1,039**	6,706	**–**	–
Inventories and work-in-progress	16	**85,431**	50,029	**–**	–
Trade and other receivables	17	**5,683**	11,247	**1,089**	117
Prepaid operating expenses		**187**	148	**12**	12
Amounts due from subsidiaries	18	**–**	–	**93,074**	67,166
Investment securities	13	**3,218**	1,284	**3,218**	1,284
Cash and short-term deposits	19	**106,956**	140,070	**99,157**	128,265
		202,514	209,484	**196,550**	196,844
Less: Current liabilities					
Gross amount due to customers for contract work-in-progress	15	**122**	1,581	**–**	–
Trade and other payables	20	**8,044**	13,612	**1,241**	604
Amounts due to subsidiaries	18	**–**	–	**5,653**	38,696
Income tax payable		**302**	1,810	**26**	170
		8,468	17,003	**6,920**	39,470
Net current assets		**194,046**	192,481	**189,630**	157,374
Non-current liability					
Deferred tax liabilities	14	**455**	150	**–**	–
Net assets		**215,667**	228,913	**215,749**	191,779
Equity attributable to owners of the Company					
Share capital	21	**108,788**	108,788	**108,788**	108,788
Reserves		**106,879**	120,125	**106,961**	82,991
Total equity		**215,667**	228,913	**215,749**	191,779

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 2016

	Attributable to owners of the Company					
Group	**Share capital (Note 21) $'000**	**Capital reserve [1] $'000**	**Retained earnings $'000**	**Fair value reserve $'000**	**Total reserves $'000**	**Total equity $'000**
2016						
At 1 January 2016	**108,788**	**2,344**	**118,008**	**(227)**	**120,125**	**228,913**
Loss for the year	**–**	**–**	**(8,327)**	**–**	**(8,327)**	**(8,327)**
Other comprehensive income						
Net gain on fair value changes of available-for-sale financial assets	**–**	**–**	**–**	**153**	**153**	**153**
Total comprehensive income for the year	**–**	**–**	**(8,327)**	**153**	**(8,174)**	**(8,174)**
Contributions by and distributions to owners						
Dividends on ordinary shares (Note 28)	**–**	**–**	**(5,072)**	**–**	**(5,072)**	**(5,072)**
Total contributions by and distribution to owners	**–**	**–**	**(5,072)**	**–**	**(5,072)**	**(5,072)**
At 31 December 2016	**108,788**	**2,344**	**104,609**	**(74)**	**106,879**	**215,667**
2015						
At 1 January 2015	95,547	2,344	118,919	91	121,354	216,901
Profit for the year	–	–	9,164	–	9,164	9,164
Other comprehensive income						
Net loss on fair value changes of available-for-sale financial assets	–	–	–	(318)	(318)	(318)
Total comprehensive income for the year	–	–	9,164	(318)	8,846	8,846
Contributions by and distributions to owners						
Issuance of new ordinary shares from conversion of warrants	13,241	–	–	–	–	13,241
Dividends on ordinary shares (Note 28)	–	–	(10,075)	–	(10,075)	(10,075)
Total contributions by and distribution to owners	13,241	–	(10,075)	–	(10,075)	3,166
At 31 December 2015	108,788	2,344	118,008	(227)	120,125	228,913

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 2016

Company	Attributable to owners of the Company					
	Share capital (Note 21) $'000	Capital reserve [1] $'000	Retained earnings $'000	Fair value reserve $'000	Total reserves $'000	Total equity $'000
2016						
At 1 January 2016	**108,788**	**2,344**	**80,874**	**(227)**	**82,991**	**191,779**
Profit for the year	**–**	**–**	**28,889**	**–**	**28,889**	**28,889**
Other comprehensive income						
Net gain on fair value changes of available-for-sale financial assets	**–**	**–**	**–**	**153**	**153**	**153**
Total comprehensive income for the year	**–**	**–**	**28,889**	**153**	**29,042**	**29,042**
Contributions by and distributions to owners						
Dividends on ordinary shares (Note 28)	**–**	**–**	**(5,072)**	**–**	**(5,072)**	**(5,072)**
Total contributions by and distribution to owners	**–**	**–**	**(5,072)**	**–**	**(5,072)**	**(5,072)**
At 31 December 2016	**108,788**	**2,344**	**104,691**	**(74)**	**106,961**	**215,749**
2015						
At 1 January 2015	95,547	2,344	78,319	91	80,754	176,301
Profit for the year	–	–	12,630	–	12,630	12,630
Other comprehensive income						
Net loss on fair value changes of available-for-sale financial assets	–	–	–	(318)	(318)	(318)
Total comprehensive income for the year	–	–	12,630	(318)	12,312	12,312
Contributions by and distributions to owners						
Issuance of new ordinary shares from conversion of warrants	13,241	–	–	–	–	13,241
Dividends on ordinary shares (Note 28)	–	–	(10,075)	–	(10,075)	(10,075)
Total contributions by and distribution to owners	13,241	–	(10,075)	–	(10,075)	3,166
At 31 December 2015	108,788	2,344	80,874	(227)	82,991	191,779

[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 2016

	2016 $'000	2015 $'000
Cash flows from operating activities		
(Loss) / profit before tax	**(9,222)**	11,124
Adjustments for:		
Depreciation of property, plant and equipment	**1,911**	1,811
Inventories written down	**1,391**	625
Allowance for doubtful debt	**63**	35
Interest income	**(668)**	(1,092)
Write back for warranty	**(645)**	(2,452)
Unrealised foreign exchange gain	**(1,131)**	(4,001)
Gain on disposal of property, plant and equipment	**(1)**	–
Impairment of goodwill	**7,551**	–
Operating cash flows before working capital changes	**(751)**	6,050
Increase in inventories and work-in-progress	**(34,840)**	(37,860)
Decrease in gross amount due from customers for contract work-in-progress	**5,667**	13,004
Decrease in gross amount due to customers for contract work-in-progress	**(1,459)**	(1,049)
Decrease / (increase) in trade and other receivables	**5,628**	(3,733)
Increase in prepaid operating expenses	**(39)**	(38)
(Decrease) / increase in trade and other payables	**(4,932)**	2,875
Cash flows used in operations	**(30,726)**	(20,751)
Interest received	**699**	975
Income tax paid	**(196)**	(2,713)
Net cash flows used in operating activities	**(30,223)**	(22,489)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,998)**	(11,554)
Proceed from disposal of property, plant and equipment	**1**	–
Purchase of intangible asset	**(105)**	(227)
Maturity of investment securities	**3,713**	–
Purchase of investment securities	**(315)**	(1,183)
Net cash flows from / (used in) investing activities	**1,296**	(12,964)
Cash flows from financing activities		
Net proceeds from conversion of warrants	**–**	13,241
Dividends paid on ordinary shares	**(5,072)**	(10,075)
Net cash flows (used in) / from financing activities	**(5,072)**	3,166
Net decrease in cash and cash equivalents	**(33,999)**	(32,287)
Effect of exchange rate changes on cash and cash equivalents	**885**	3,672
Cash and cash equivalents at beginning of financial year	**140,070**	168,685
Cash and cash equivalents at end of financial year (Note 19)	**106,956**	140,070

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 are disclosed in Notes 12 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

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.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2016. Management is currently assessing the impact of the adoption of these standards on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

2.2 *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**
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

Except for FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

<u>FRS 115 *Revenue from Contracts with Customers*</u>

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group is mainly engaged in the development and construction business for specialised marine offshore equipment and marine vessels. The Group has assessed that for most of its projects, performance obligations for the sale of the vessels and equipment will be satisfied over time. Accordingly, the Group does not expect any significant impact to arise from the adoption of FRS 115.

The Group plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for full retrospective approach under FRS 115 as listed above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Company to make changes to its current systems and processes.

Classification and measurement

The Group currently measures its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

For its available-for-sale debt securities, the Group intends to hold the debt instrument to collect contractual cash flows and sell, and accordingly measured at fair value through other comprehensive income when it applies FRS 109. The Group does not expect any significant impact to arise from these changes.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

2.3 *Basis of consolidation and business combination*

(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 YEAR ENDED 31 DECEMBER 2016

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

2.3 *Basis of consolidation and business combination (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 FRS.

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 YEAR ENDED 31 DECEMBER 2016

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

2.4 ***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.

2.5 ***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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

2.6 *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

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 YEAR ENDED 31 DECEMBER 2016

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

2.7 *Intangible asset*

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.

2.8 *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.

2.9 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

2.9 *Financial instruments (cont'd)*

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

Subsequent measurement

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

(i) ***Loans and receivables***

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

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

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

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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

2.10 *Impairment of financial assets*

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

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

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

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

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

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

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

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in the profit or loss; increase in fair value after their impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.11 *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

2.12 *Inventories*

Inventories, which are made up of mainly materials, 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.

– 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.

2.13 *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

2.14 *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.

2.15 *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.

2.16 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

2.17 *Construction contracts and revenue*

(a) *Construction contracts*

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date to the estimated costs to complete.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

Contracts in progress at the balance sheet date are recorded in the balance sheet at cost plus attributable profit less recognised losses, net of progress billings and allowance for foreseeable losses, and are presented in the balance sheet as "Gross amount due from customers for contract work-in-progress" (as an asset) or as "Gross amount due to customers for contract work-in-progress (as liability) as applicable.

Progress billings not yet paid by the customer are included in the balance sheet under "Trade and other receivables". Amounts received before progress billings are included in the balance sheet, as "Trade and other payables".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

2.17 *Construction contracts and revenue (cont'd)*

(b) ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(i) ***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.

(ii) ***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.

(iii) ***Interest income***

Interest income is recognised using the effective interest method.

(iv) ***Dividend income***

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

2.18 *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

– 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

2.18 *Taxes (cont'd)*

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

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

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

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

(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.

2.19 *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

2.20 *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.

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*

The management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

3.2 *Key sources of estimation uncertainty*

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

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

Impairment of goodwill

During the current financial year, the Group recognised S$7.6 million full impairment of its goodwill related to the Sea Deep Shipyard Pte. Ltd, the cash generating unit (CGU). In accordance with the requirement of FRS 36 *Impairment of Assets*, goodwill acquired from business combination is required to be tested for impairment annually.

The Group determined the recoverable value of the CGU based on the value in use calculations. The Group considered the status of the ongoing projects, the projected order book and the implications of the negative outlook in the oil and gas industry in their cash flow projections. After comparing the carrying amount of the CGU and its recoverable amount, full impairment of goodwill was provided during the current financial year. More details are disclosed in Note 11.

(b) ***Determination of net realisable value for liftboat***

As disclosed in Note 11, in previous years, the Group acquired a vessel design and the Group commenced the construction of a liftboat with the intention to sell to customers in the oil and gas industry. The carrying amount of the vessel design is disclosed in Note 11 and the cost of the construction of the liftboat is included in work in progress in Note 16.

In accordance with FRS 2 *Inventories*, the Group recognised the liftboat at the lower of cost and net realiasable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs for completion and the estimated costs necessary to make the sale. Further, the net realisable value of the liftboat has an impact on management's assessment of the vessel design capitalised as an intangible asset as they are related.

Due to the uncertainty in oil prices, the industry has been affected with delays in rigs and vessel deliveries, resulting in significant pressures on the contract rates, which may have a bearing on the net realisable value. Based on the Group's assessment, the cost of the liftboat is lower than its estimated net realisable value. More details are disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

(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 YEAR ENDED 31 DECEMBER 2016

4. SEGMENT INFORMATION (CONT'D)

	Marine offshore		Investments		Corporate		Adjustments and elimination		Per consolidated financial statements	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenue – external customers	**21,520**	54,064	**–**	–	**–**	–	**–**	–	**21,520**	54,064
Results:										
EBITDA *	**(4,551)**	10,916	**(340)**	115	**(712)**	565	**(1,630)**	(1,580)	**(7,233)**	10,016
Depreciation and amortisation	**(1,906)**	(1,805)	**(1)**	(1)	**(4)**	(5)	**–**	–	**(1,911)**	(1,811)
Interest income	**10**	35	**219**	393	**439**	664	**–**	–	**668**	1,092
Inventories written down	**(1,391)**	(625)	**–**	–	**–**	–	**–**	–	**(1,391)**	(625)
Write back for warranty	**645**	2,452	**–**	–	**–**	–	**–**	–	**645**	2,452
Segment (loss) / profit	**(7,193)**	10,973	**(122)**	507	**(277)**	1,224	**(1,630)**	(1,580)	**(9,222)**	11,124
Segment assets	**117,759**	108,769	**6,571**	9,720	**100,260**	128,401	**–**	(824)	**224,590**	246,066
Segment liabilities	**8,489**	16,312	**24**	67	**410**	774	**–**	–	**8,923**	17,153
Other segment information:										
Purchase of investment securities	**–**	–	**315**	1,183	**–**	–	**–**	–	**315**	1,183
Additions to non-current assets	**1,998**	11,554	**–**	–	**–**	–	**–**	–	**1,998**	11,554

* *Earnings before interest, taxation, depreciation and amortisation*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

4. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Group	
	2016	**2015**
	$'000	**$'000**
China	**5,852**	26,853
Singapore	**2,122**	11,205
Middle East	**9,751**	8,312
Asia Pacific (excluding China and Singapore)	**3,624**	7,461
Others	**171**	233
	21,520	54,064

Except for the Group's available-for-sale investment of $1,024,000 (2015: $962,000) at 31 December 2016 which is located in Europe, all the assets and capital expenditure of the Group are located in Singapore.

Information about a major customer

Revenue from one major customer amounted to approximately $1,995,000 (2015: $15,517,000), arising from the provision of specialised marine offshore equipment and services.

5. REVENUE

	Group	
	2016	**2015**
	$'000	**$'000**
Project revenue	**16,109**	48,015
Sale of spare parts and engineering services	**5,411**	6,049
	21,520	54,064

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

6. OTHER OPERATING INCOME

	Group	
	2016	**2015**
	$'000	**$'000**
Interest income from short term deposits and quoted corporate bonds	**668**	1,092
Foreign exchange gain	**1,183**	5,322
Other sundry income	**54**	31
Compensation income from a supplier	**1,703**	–
	3,608	6,445

7. (LOSS) / PROFIT BEFORE TAX

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

	Group	
	2016	**2015**
	$'000	**$'000**
Depreciation of property, plant and equipment	**1,911**	1,811
Consultancy service fee paid / payable to directors	**144**	140
Operating lease expenses	**1,428**	1,368
Inventories written down	**1,391**	625
Impairment of goodwill	**7,551**	–
Employee benefits expense (including executive directors):		
– Salaries, wages, bonuses and other costs	**7,117**	8,812
– Contributions to defined contribution plans	**835**	905
Audit fees paid to auditors of the Company	**198**	198
Non-audit fees paid to:		
– Auditors of the Company	**11**	11
– Other auditors	**72**	21
Legal and other professional fees	**100**	306
Allowance for doubtful debts	**63**	35

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

8. INCOME TAX WRITE BACK / (EXPENSE)

(a) ***Major components of income tax (write back) / expense***

The major components of income tax expense for the years ended 31 December are:

	Group	
	2016	**2015**
	$'000	**$'000**
Statement of comprehensive income:		
Current income tax:		
– Current income taxation	**–**	1,641
– Over provision in respect of prior years	**(1,312)**	(489)
	(1,312)	1,152
Deferred income tax:		
– Origination and reversal of temporary difference (Note 14)	**417**	453
– Under provision in respect of prior years	**–**	355
	417	808
Income tax (write back) / expense recognised in the statement of comprehensive income	**(895)**	1,960

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

8. INCOME TAX EXPENSE (CONT'D)

(b) *Relationship between tax expense and accounting profit*

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

	Group	
	2016	**2015**
	$'000	**$'000**
Accounting (loss) / profit before tax	**(9,222)**	11,124
Income tax expense at the applicable tax rate of 17% (2015: 17%)	**(1,568)**	1,891
Adjustments for tax effect of:		
Movement of deferred income tax not recognised	**–**	(14)
Income not subject to taxation	**(501)**	(216)
Tax incentive	**(138)**	(216)
Non-deductible expenses	**2,573**	742
(Over) / under provision in respect of prior years	**(1,312)**	(134)
Tax exemption	**–**	(86)
Others, net	**51**	(7)
Income tax expense recognised in profit or loss	**(895)**	1,960

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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:

	2016	**2015**
	$'000	**$'000**
(Loss) / profit for the financial year attributable to owners of the Company used in the computation of basic and diluted earnings per ordinary share	**(8,327)**	9,164

	No. of shares	**No. of shares**
	'000	**'000**
		(Restated)
Weighted average number of ordinary shares for basic earnings per share computation	**202,878**	196,580

On 31 May 2016, the Company completed a share consolidation of every five (5) ordinary shares in the capital of the Company into one (1) consolidated share. The weighted average number of shares at 2015 have been restated to reflect the share consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold lands and buildings $'000	Leasehold improvements $'000	Assets under construction $'000	Furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Cost:								
At 1 January 2015	10,257	4,882	497	348	755	312	8,786	25,837
Additions	6,483	1,224	255	23	416	109	3,044	11,554
Reclassification	–	535	(535)	–	–	–	–	–
At 31 December 2015 and 1 January 2016	16,740	6,641	217	371	1,171	421	11,830	37,391
Additions	–	148	1,556	12	59	–	223	1,998
Disposal / write-off	–	–	–	–	(7)	–	(1)	(8)
Reclassification	–	1,225	(1,226)	–	–	–	1	–
At 31 December 2016	**16,740**	**8,014**	**547**	**383**	**1,223**	**421**	**12,053**	**39,381**
Accumulated depreciation:								
At 1 January 2015	7,224	3,249	–	79	400	116	5,464	16,532
Depreciation charge for the year	525	655	–	66	264	69	1,204	2,783
At 31 December 2015 and 1 January 2016	7,749	3,904	–	145	664	185	6,668	19,315
Depreciation charge for the year	939	746	–	69	287	69	1,502	3,612
Disposal / write-off	–	–	–	–	(7)	–	–	(7)
At 31 December 2016	**8,688**	**4,650**	**–**	**214**	**944**	**254**	**8,170**	**22,920**
Net carrying amount:								
At 31 December 2015	8,991	2,737	217	226	507	236	5,162	18,076
At 31 December 2016	**8,052**	**3,364**	**547**	**169**	**279**	**167**	**3,883**	**16,461**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 $1,911,000 (2015: $1,811,000) and $1,701,000 (2015: $972,000) have been included in the Group's statement of comprehensive income and work-in-progress, respectively.

Company	**Office equipment $'000**
Cost:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	**55**
Accumulated depreciation:	
At 1 January 2015	44
Depreciation charge for the year	5
At 31 December 2015 and 1 January 2016	49
Depreciation charge for the year	4
At 31 December 2016	**53**
Net carrying amount:	
At 31 December 2015	6
At 31 December 2016	**2**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

11. INTANGIBLE ASSETS

Group	Goodwill $'000	Vessel design $'000	Total $'000
Cost:			
At 1 January 2015	7,551	2,213	9,764
Addition during the year	–	227	227
At 31 December 2015 and 1 January 2016	7,551	2,440	9,991
Addition during the year	–	105	105
At 31 December 2016	**7,551**	**2,545**	**10,096**
Accumulated amortisation and impairment:			
At 1 January 2015	–	–	–
Amortisation charge for the year	–	244	244
At 31 December 2015 and 1 January 2016	–	244	244
Amortisation charge for the year	–	251	251
Impairment loss	7,551	–	7,551
At 31 December 2016	**7,551**	**495**	**8,046**
Net carrying amount:			
31 December 2015	7,551	2,196	9,747
31 December 2016	**–**	**2,050**	**2,050**

Impairment testing of goodwill

The goodwill was derived from the acquisition of Sea Deep Shipyard Pte. Ltd., the cash generating unit (CGU).

	Group 2016 $'000	Group 2015 $'000
Sea Deep Shipyard Pte. Ltd.	**–**	7,551

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

A pre-tax discount rate of 11% (2015: 11%) per annum, which is commonly adopted within the industry, was applied to the cash flow projections. Due to the extended oil price downturn and the reduction in Exploration and Production spending of the oil and gas industry, management has forecasted a significant decline of revenue in 2017, and moderate recovery from 2018 to 2021 (2015: decline of revenue in 2016, and 4% per annum from 2017 to 2020).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

11. INTANGIBLE ASSETS (CONT'D)

Impairment loss recognised

Given the current uncertainties and weak sentiment continuing to weigh on the oil and gas industry, the carrying amount of the CGU exceeds its recoverable amount. As a result, a full impairment loss was recognised in the current year to write-down the carrying amount of goodwill. The impairment loss of $7,551,000 (2015: Nil) has been recognised in profit or loss under the line item "other expense".

Vessel design

In 2014, the Group had acquired a vessel design. Subsequently, in the same year, the Group commenced the construction of a liftboat. The liftboat was intended for sale to customers in the oil and gas industry. As at 31 December 2016, the construction of the liftboat was in progress and is targeted to complete by 2017. The vessel design impairment assessment under FRS 36 *Impairment of Assets* is dependent on the net realisable value of the liftboat (Note 11).

Amortisation charge of $251,000 (2015: $244,000) has been included in the Group's work-in-progress.

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	$'000	$'000
Shares, at cost	**30,000**	26,000
Impairment loss	**(7,200)**	–
	22,800	26,000

Impairment testing of investment in subsidiary

During the financial year, management has performed impairment assessment on Sea Deep Shipyard Pte. Ltd. which has experienced a significant decline in profits in view of the current uncertainties on the oil and gas industry. Based on assessment of the subsidiary's historical and current performances, the estimated values and probability of future cash flows, management has made an impairment loss of S$7,200,000 (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

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**	
		2016	**2015**
		%	**%**
[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
[1] Baker Engineering Pte. Ltd. (Singapore)	Design and fabrication of offshore and marine equipment (Singapore)	**100**	100
[1] BT Investment Pte. Ltd. (Singapore)	Investment holding (Singapore)	**100**	100
Held through Sea Deep Shipyard Pte. Ltd.:			
[1] Interseas Shipping (Private) Limited (Singapore)	Manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry (Singapore)	**100**	100
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
Held through BT Investment Pte. Ltd.:			
[2] BT Titanium Pte. Ltd. (Singapore)	Provision of offshore marine logistics support services (Singapore)	**100**	–

[1] *Audited by Ernst & Young LLP, Singapore*
[2] *Not due for audit in the year of incorporation*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

13. INVESTMENT SECURITIES

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Non-current:		
Available-for-sale financial assets		
– Corporate bonds (quoted) at fair value	**2,293**	7,437
– Equity securities (unquoted)	**1,024**	962
	3,317	8,399
Current:		
Available-for-sale financial assets		
– Corporate bonds (quoted) at fair value	**3,218**	1,284

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% (2015: 2.500% to 4.625%) p.a. and with maturities ranging from January 2017 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. Fair value information has not been disclosed because fair value cannot be measured reliably. These equity instruments are not quoted on any market and do not have any comparable industry peer that is listed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

14. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group			
	Balance sheet		**Statement of comprehensive income**	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets:				
Provisions	**252**	370	**118**	456
Differences in depreciation for tax purposes	**(4)**	(10)	**(6)**	202
	248	360		
Deferred tax liabilities:				
Provisions	**75**	41	**(34)**	(41)
Differences in depreciation for tax purposes	**(530)**	(191)	**339**	191
	(455)	(150)		
Deferred tax expense			**417**	808

Tax consequence of proposed dividends

There are no income tax consequences attached to the dividends proposed by the Company to the shareholders but not recognised as a liability in the financial statements (Note 28).

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

	Group	
	2016	**2015**
	$'000	**$'000**
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date *	**3,155**	19,653
Less: Progress billings and advances	**(2,238)**	(14,528)
	917	5,125
Presented as:		
Gross amount due from customers for contract work-in-progress	**1,039**	6,706
Gross amount due to customers for contract work-in-progress	**(122)**	(1,581)
	917	5,125
* Included in cost incurred is an amount of:		
Unused inventories on site	**–**	4,021
Advances received included in gross amount due to customers for contract work	**–**	1,566
Retention sums on construction contract included in trade receivables	**1,391**	–

16. INVENTORIES AND WORK-IN-PROGRESS

	Group	
	2016	**2015**
	$'000	**$'000**
Balance sheet:		
Materials, components and spares	**473**	2,915
Work-in-progress	**84,958**	47,114
	85,431	50,029

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 $1,391,000 (2015: $625,000).

Work-in-progress relates to the cost of direct materials, direct labour and costs incurred in connection with the liftboat.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables – net	**4,132**	8,013	**832**	–
Deposits	**119**	231	**–**	–
Downpayment for capital expenditure	**313**	120	**–**	–
GST recoverable	**382**	2,511	**77**	–
Sundry receivables	**651**	255	**94**	–
Interest receivables	**86**	117	**86**	117
Total trade and other receivables	**5,683**	11,247	**1,089**	117
Trade and other receivables (excluding GST recoverable and downpayment for capital expenditure)	**4,988**	8,616	**755**	117
Amount due from subsidiaries (Note 18)	**–**	–	**93,074**	67,166
Cash and short-term deposits (Note 19)	**106,956**	140,070	**99,157**	128,265
Total loans and receivables	**111,944**	148,686	**192,986**	195,548

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**4,132**	8,013	**832**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

17. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $2,952,000 (2015: $1,739,000) 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	
	2016	**2015**
	$'000	**$'000**
Trade receivables past due but not impaired:		
Lesser than 30 days	**643**	231
30 to 60 days	**1,238**	949
61 to 90 days	**1,003**	20
More than 90 days	**68**	539
	2,952	1,739

Receivables that are impaired

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	
	2016	**2015**
	$'000	**$'000**
Trade receivables – nominal amounts	**63**	35
Less: Allowance for impairment	**(63)**	(35)
	–	–
Movement in allowance account:		
At 1 January	**35**	–
Charge for the year	**63**	35
Written off	**(35)**	–
At 31 December	**63**	35

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

18. AMOUNTS DUE FROM / (TO) SUBSIDIARIES

	Company	
	2016	**2015**
	$'000	**$'000**
Amount due from:		
Non-trade receivables – nominal amounts	**107,074**	67,166
Less: Allowance for impairment	**(14,000)**	–
	93,074	67,166
Movement in allowance account:		
Charge for the year and at 31 December	**14,000**	–
Amount due to:		
Non-trade payables	**5,653**	38,696

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 $14,000,000 (2015: $Nil) was recognised in the Company's profit or loss subsequent to an assessment of the carrying amount of the amounts due from subsidiaries.

19. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Cash at banks and on hand	**38,205**	50,517	**30,406**	38,712
Short-term deposits	**68,751**	89,553	**68,751**	89,553
	106,956	140,070	**99,157**	128,265

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 0.25% to 1.10% (2015: 0.30% to 0.99%) per annum.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**39,758**	45,851	**35,448**	37,076
Euro	**480**	451	**20**	48

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	**4,827**	6,738	**856**	–
Other payables	**3,217**	6,874	**385**	604
Total trade and other payables	**8,044**	13,612	**1,241**	604
Trade and other payables (excluding provision for warranty)	**6,370**	11,206	**1,241**	604
Amount due to subsidiaries (Note 18)	**–**	–	**5,653**	38,696
Total financial liabilities carried at amortised cost	**6,370**	11,206	**6,894**	39,300

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

The Company's trade payable as at 31 December 2016 included an amount of $856,000 (2015: Nil) due to a subsidiary.

The Group's other payables includes a provision for warranty of approximately $1,674,000 (2015: $2,406,000). During the financial year, the Group wrote back excess provision of approximately $645,000 (2015: $2,452,000). In line with the Group's policy as discussed in Note 2.13, the write back of additional provision in 2016 and in 2015 for warranty were resulted from the annual revision.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**1,320**	1,109	**856**	–
Euro	**344**	33	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

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21. SHARE CAPITAL

	Group and Company			
	2016		**2015**	
	No. of shares	**$'000**	**No. of shares**	**$'000**
Issued and fully paid:				
At 1 January	**1,014,390,262**	**108,788**	923,070,444	95,547
Issuance of new ordinary shares from conversion of warrants	**–**	**–**	91,319,818	13,241
Before share consolidation	**1,014,390,262**	**108,788**	1,014,390,262	108,788
Share consolidation [1]	**(811,512,314)**	**–**	–	–
At 31 December	**202,877,948**	**108,788**	1,014,390,262	108,788

[1] *At the Extraordinary General Meeting of the Company held on 22 April 2016, shareholders approved the consolidation of every five (5) existing issued ordinary shares in the share capital of the Company into one (1) consolidated ordinary share ("Share Consolidation"). Following the completion of the Share Consolidation, which became effective on 31 May 2016, the number of ordinary shares of the Company as at 31 December 2016 was reduced to 202,877,948 ordinary shares, after disregarding fractional entitlements.*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

22. 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 $799,000 and $566,000 (2015: $2,944,000 and $636,000) 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	
	2016	**2015**
	$'000	**$'000**
Not later than one year	**1,226**	1,188
Later than one year but no later than five years	**4,880**	4,737
Later than five years	**3,510**	4,611
	9,616	10,536

(c) ***Contingent liabilties***

The Company has provided financial support to certain subsidiaries having current liabilities in excess of current assets of $15,186,000 (2015: $17,407,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

23. 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	
	2016	**2015**
	$'000	**$'000**
Short-term employee benefits	**3,067**	4,060
Comprise amounts paid / payable to		
– Directors of the Company	**1,240**	1,486
– Other key management personnel	**1,827**	2,574
	3,067	4,060

24. DIRECTORS' AND EXECUTIVES' REMUNERATION

Directors' remuneration and fees amounted to $833,000 (2015: $1,223,000) and $263,000 (2015: $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	
	2016	**2015**
$500,000 to $999,999	**1**	1
$250,000 to $499,999	**1**	1
Below $250,000	**5**	5
Total	**7**	7

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

25. 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 2016.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to movements in market interest rates relates primarily to its short term deposits.

The Group's policy is to place excess funds with short-term tenure in order to maintain a high level of liquidity. The Group has minimal interest rate risk hence no sensitivity analysis is prepared.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain sufficient level of cash and short-term deposits to meet its working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Liquidity risk (cont'd)

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	2016 One year or less $'000	2015 One year or less $'000
Financial assets:		
Trade and other receivables (excluding GST recoverable and downpayment for capital expenditure)	**4,988**	8,616
Cash and short-term deposits	**106,956**	140,070
Total undiscounted financial assets	**111,944**	148,686
Financial liabilities:		
Trade and other payables (excluding provision for warranty)	**6,370**	11,206
Total undiscounted financial liabilities	**6,370**	11,206
Total net undiscounted financial assets	**105,574**	137,480

Company	2016 One year or less $'000	2015 One year or less $'000
Financial assets:		
Trade and other receivables	**755**	117
Amount due from subsidiaries	**93,074**	67,166
Cash and short-term deposits	**99,157**	128,265
Total undiscounted financial assets	**192,986**	195,548
Financial liabilities:		
Trade and other payables	**1,241**	604
Amount due to subsidiaries	**5,653**	38,696
Total undiscounted financial liabilities	**6,894**	39,300
Total net undiscounted financial assets	**186,092**	156,248

NOTES TO THE FINANCIAL STATEMENTS

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

Credit risk

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

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

Credit risk concentration profile

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

	Group			
	2016		**2015**	
	$'000	**%**	**$'000**	**%**
By country				
Singapore	**2,323**	**56**	6,693	83
China	**1,031**	**25**	399	5
Middle East	**748**	**18**	781	10
Asia Pacific (excluding China and Singapore)	**30**	**1**	138	2
Others	**–**	**–**	2	–
	4,132	**100**	8,013	100

At the end of the reporting period, approximately:

- 94% (2015: 94%) of the Group's trade receivables were due from 4 (2015: 3) major customers who are located in Singapore, Middle East and China.

- A nominal amount of approximately $88,083,000 (2015: $96,639,000) relating to a corporate guarantee provided by the Company to banks for its subsidiaries' banking facilities.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Credit risk (cont'd)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade and other receivables).

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than SGD. The foreign currency in which these transactions are denominated are mainly US Dollars (USD). Approximately 96% (2015: 99%) of the Group's sales are denominated in foreign currencies whilst about 51% (2015: 51%) of costs are denominated in foreign currency. 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 17 and 20 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 19.

The Group and the Company's investment in quoted corporate bonds that are denominated in USD amount to approximately $5,260,000 (2015: $5,454,000).

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

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

Sensitivity analysis for foreign currency risk

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

		Group	
		2016	**2015**
		$'000	**$'000**
		Net profit	**Net profit**
USD / SGD	– strengthened 3% (2015: 3%)	**+1,461**	+1,296
	– weakened 3% (2015: 3%)	**–1,461**	–1,296

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

26. 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 pries (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;

– Level 2 – Inputs other than quoted pries 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 categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Non-current:		
Available-for-sale financial assets		
– Corporate bonds (quoted) – at fair value (Level 1)	**2,293**	7,437
Current:		
Available-for-sale financial assets		
– Corporate bonds (quoted) – at fair value (Level 1)	**3,218**	1,284

Determination of fair value

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Non-current:		
Available-for-sale financial assets		
– Equity securities (unquoted)	**1,024**	962

These equity instruments are not quoted on any market and do not have any comparable industry peer that is listed.

27. CAPITAL MANAGEMENT

The capital includes cash which is disclosed in Note 19.

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 2016 and 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

28. DIVIDEND

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Declared and paid during the financial year:		
Dividend on ordinary shares:		
– First and final tax exempt (one-tier) dividend for 2015: 0.5 cent * (2014: 1.0 cent *) per share	**5,072**	10,075
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 2016: 1.25 cents # (2015: 0.5 cent *) per share	**2,536**	5,072

* *Before share consolidation*
\# *After share consolidation*

29. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 10 March 2017.

ANALYSIS OF SHAREHOLDINGS

AS AT 10 MARCH 2017

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	216	3.71	1,765	0.00
100 – 1,000	933	16.04	506,916	0.25
1,001 – 10,000	3,521	60.53	16,402,448	8.09
10,001 – 1,000,000	1,133	19.48	46,216,489	22.78
1,000,001 and above	14	0.24	139,750,330	68.88
Total	**5,817**	**100.00**	**202,877,948**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Dr Benety Chang	85,544,577	42.17
2.	Dr Heng Chin Ngor Doris	19,151,771	9.44
3.	Citibank Nominees Singapore Pte Ltd	9,534,540	4.70
4.	DBS Nominees (Private) Limited	5,144,867	2.54
5.	Tan Yang Guan	4,128,554	2.03
6.	Aurol Anthony Sabastian	3,115,134	1.54
7.	OCBC Securities Private Limited	2,292,368	1.13
8.	Lim & Tan Securities Pte Ltd	2,216,860	1.09
9.	UOB Kay Hian Private Limited	2,020,240	1.00
10.	Chiam Toon Chew	1,775,020	0.87
11.	Raffles Nominees (Pte) Limited	1,587,280	0.78
12.	United Overseas Bank Nominees (Private) Limited	1,183,860	0.58
13.	OCBC Nominees Singapore Private Limited	1,054,701	0.52
14.	Phillip Securities Pte Ltd	1,000,558	0.49
15.	Pua Beng Soon	790,000	0.39
16.	Diana Sng Siew Khim	761,720	0.38
17.	DBS Vickers Securities (Singapore) Pte Ltd	680,600	0.34
18.	CIMB Securities (Singapore) Pte. Ltd.	630,564	0.31
19.	Booi Pang Hin	534,800	0.26
20.	Lee Yan Teck	508,700	0.25
	Total	**143,656,714**	**70.81**

ANALYSIS OF SHAREHOLDINGS

AS AT 10 MARCH 2017

PUBLIC FLOAT

As at 10 March 2017, 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 10 March 2017)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Dr Benety Chang [1]	85,544,577	42.17	19,151,771	9.44
Dr Heng Chin Ngor Doris [2]	19,151,771	9.44	85,544,577	42.17

Notes:

[1] *Dr Benety Chang's deemed interests include 19,151,771 shares held by his wife, Dr Heng Chin Ngor Doris.*
[2] *Dr Heng Chin Ngor Doris' deemed interests include 85,544,577 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 Tuesday, 25 April 2017 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 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 1.25 cents per ordinary share (tax exempt one-tier) for the year ended 31 December 2016. **(Resolution 2)**

3. To approve the payment of Directors' fees of S$262,763 for the year ending 31 December 2017 to be paid quarterly in arrears. (2016: S$262,763) **(Resolution 3)**

4. To re-elect the following Directors, who are retiring by rotation pursuant to Article 104 of the Constitution of the Company:

   (a) Mr Tan Yang Guan **(Resolution 4)**
   (b) Mr Ang Miah Khiang **(Resolution 5)**
   (c) Ms Han Sah Heok Vicky **(Resolution 6)**

5. To re-appoint Messrs 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,

NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

b. (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 8)**

By Order of the Board

Nga Ko Nie
Company Secretary

Singapore, 7 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

i. Ordinary Resolution 4 is to re-elect Mr Tan Yang Guan, who will upon re-election, remain as Non-Executive Director and will be considered non-independent.

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.

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.

iv. Ordinary Resolution 8 is to empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares, and to issue shares pursuant to such instruments, up to a number not exceeding in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

   For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

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 48 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 ANNUAL GENERAL MEETING

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 5 May 2017 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 4 May 2017 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 4 May 2017 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by shareholders at the Annual General Meeting to be held on 25 April 2017, will be paid on 17 May 2017.

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.

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, ______________________________ NRIC/Passport No./Company 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 Tuesday, 25 April 2017 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. The authority herein includes the right to demand or to join in demanding a poll and to vote on a 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 2016		
2.	Declaration of a First and Final Dividend		
3.	Approval of Directors' fees of S$262,763 for the year ending 31 December 2017		
4.	Re-election of Mr Tan Yang Guan 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 Messrs Ernst & Young LLP as Auditor		
	SPECIAL BUSINESS		
8.	Authority to issue shares		

Dated this ____________ day of ______________ 2017

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____

Signature of Member(s)
or, Common Seal of Corporate Shareholder
Notes: See overleaf

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 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 48 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; or

(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 7 April 2017.

BAKER
TECHNOLOGY
LIMITED

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