BAKER Technology Limited

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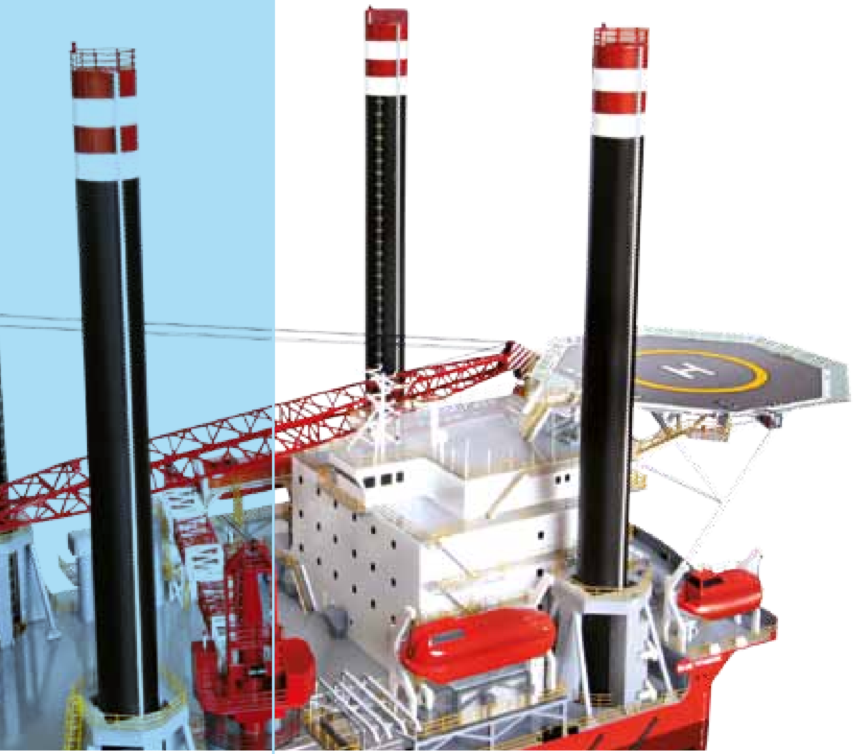
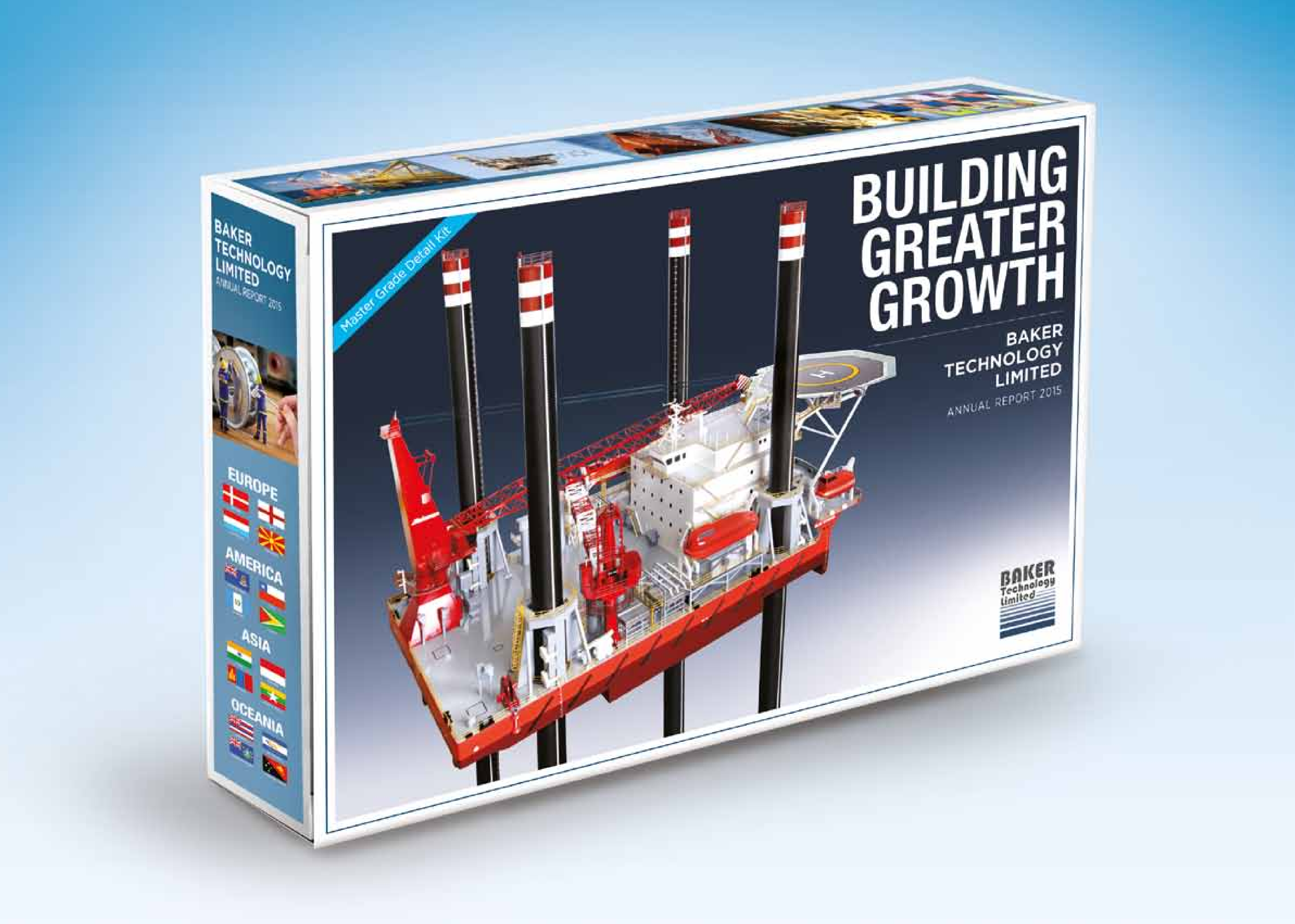
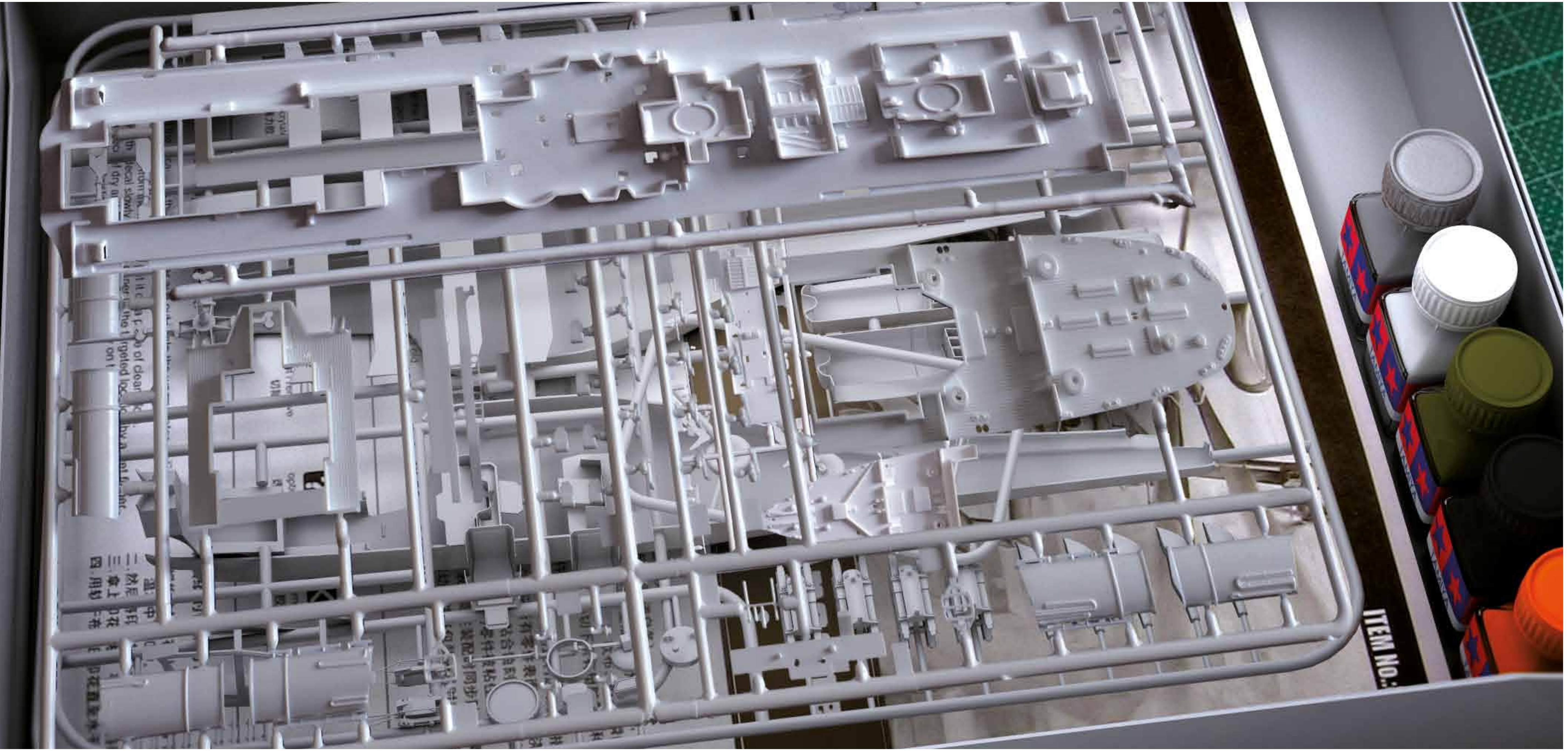


BAKER TECHNOLOGY LIMITED ANNUAL REPORT 2015





Awards and Accolades

WINNER OF
BEST ANNUAL REPORT – BRONZE AWARD

For Companies with Market Capitalisation of Less than $300 million at the Singapore Corporate Awards 2015

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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 (for companies with market capitalisation of less than $300 million) 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 (for companies with market capitalisation of less than $300 million) 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

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

July
Received Best Managed Board (Gold) and Best Annual Report (Silver) awards (for companies with market capitalisation of less than $300 million) 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 (for companies with market capitalisation of less than $300 million) 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 (for companies with market capitalisation of less than S$300 million) 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.

2014

July
Winner of Best Managed Board (Gold) award and Best Annual Report (Silver) award (for companies with market capitalisation of less than $300 million) at the Singapore Corporate Awards.

2015

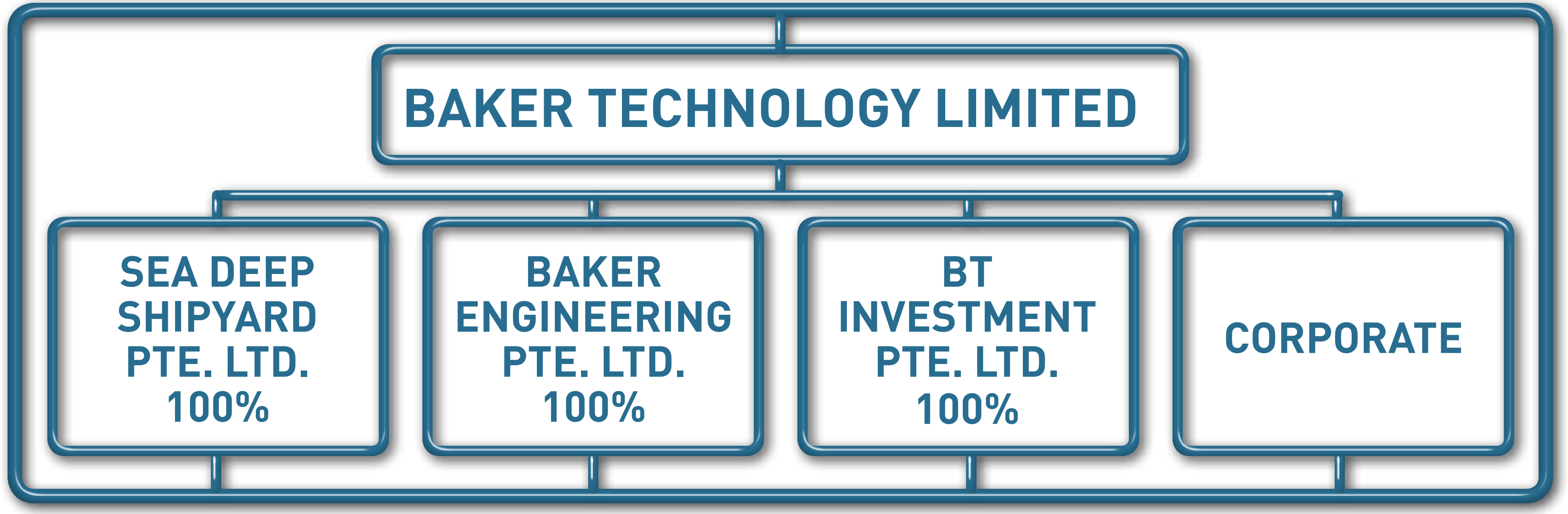
July
Winner of Best Annual Report (Bronze) award (for companies with market capitalisation of less than $300 million) at the Singapore Corporate Awards.

CORPORATE STRUCTURE

Baker Technology Limited ("Baker Tech") is an investment holding company and the provider of specialised marine offshore equipment and services, focused mainly on the offshore oil and gas industry. It has three 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 will continue 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.



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
One Raffles Quay
North Tower, Level 18
Singapore 048583

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

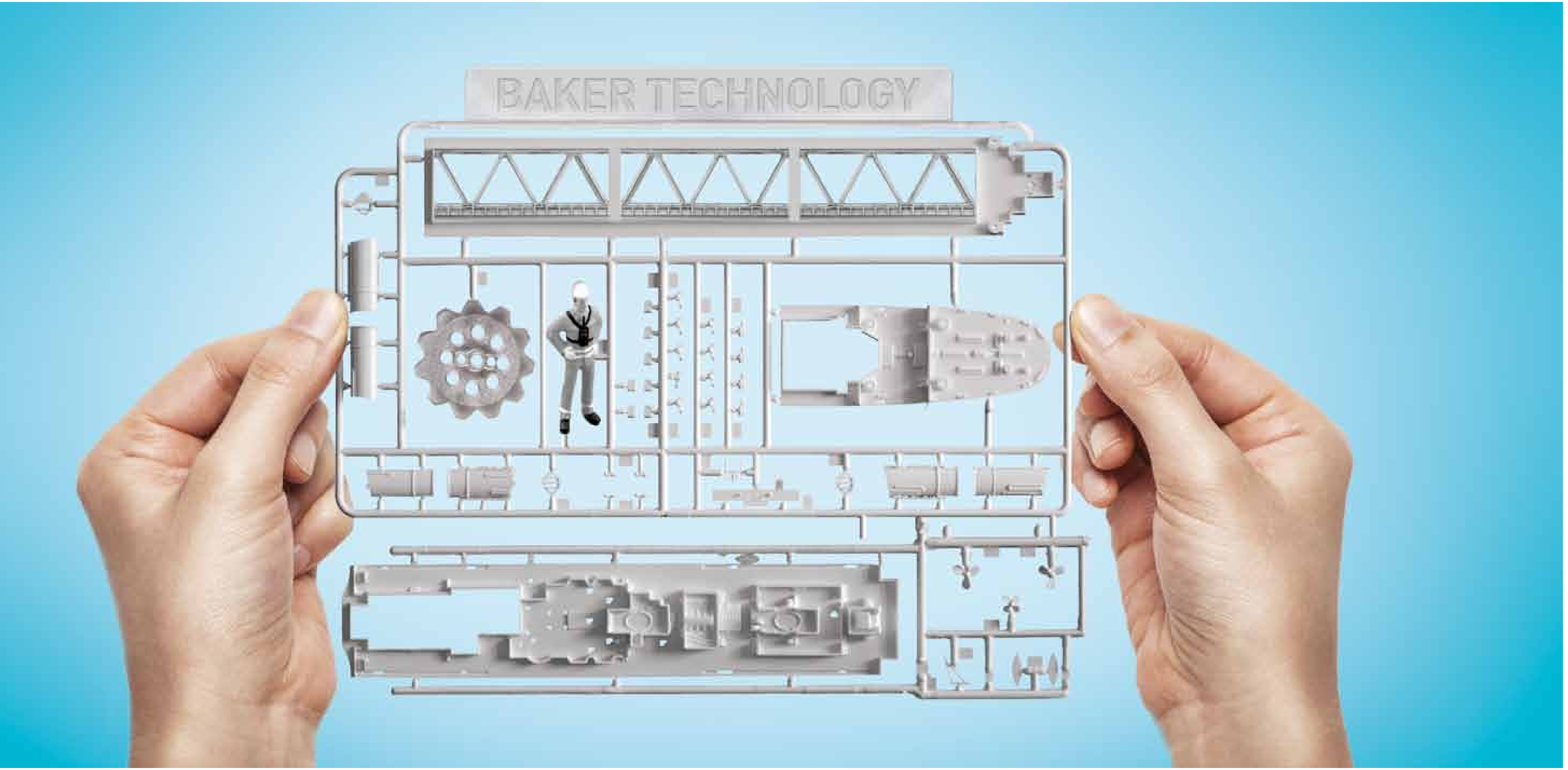
Australia and New Zealand Banking Group Limited

Standard Chartered Bank

DBS Bank Ltd

BNP Paribas, Singapore Branch

Citibank N.A., Singapore Branch



A PROMISING OUTLOOK

Seeking Growth Through Future Investments

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you our Annual Report for the financial year ended 31 December 2015 ("FY2015").

FY2015 has been a year of uncertainty. We have seen continued volatility in oil and gas prices during this period, and the industry has been rife with delays in rig and vessel deliveries, cancellation of contracts and significant pressure on contract rates. These continuing economic uncertainties have brought about a period of prolonged challenges.

The weaker oil price environment has seen oil majors recalibrating their investment budgets and plans as they adjust to the present market dynamics. These changes in the oil and gas industry would inevitably have a knock-on effect in the oilfield services supply chain including price pressures and potential delays in the award of projects and the lack of interest in acquiring new rigs and equipment.

THE YEAR IN REVIEW

The Group's FY2015 revenue was down 37% year on year to $54.1 million, as the impact of low oil prices rippled across the oil industry. Net profit eased to $9.2 million in 2015 from $13.5 million in 2014, pressured by lower revenue recorded during the year. This includes a foreign exchange gain of $5.3 million (2014: $3.6 million) from the strengthening of the U.S. dollar against the Singapore dollar.

The Group continues to have a strong balance sheet with shareholders' funds as at 31 December 2015 at $228.9 million, up from $216.9 million at the previous year end. This was due to an increase in share capital contributed by the conversion of warrants (contributing $13.2 million), which was offset by the payment of dividend of $10.1 million to shareholders.

The Group reported net operating cash outflows of $22.5 million for FY2015, to fund working capital requirements. Cash and short-term deposits were at $140.1 million, with no borrowings as at 31 December 2015.

The Board is recommending a first and final tax exempt (one-tier) dividend of 0.5 cent per share for the financial year ended 31 December 2015.

PROPOSED SHARE CONSOLIDATION

With effect from 2 March 2015, the Singapore Securities Trading Limited, or SGX-ST, implemented a minimum trading price requirement of $0.20 per share for shares of issuers listed on the Mainboard of the SGX-ST as a continuing listing requirement.

In accordance to the requirement, the Board announced the Proposed Share Consolidation of every five (5) existing issued ordinary shares in the capital of the Company into one (1) ordinary share.

LOOKING AHEAD

Every company in the oil and gas world is adjusting to a major shift in economics. Few people would have predicted such a dramatic and sudden fall in oil prices.

The Company's immediate priorities are to de-risk execution, secure sales and seize opportunities while leveraging on the extensive experience of our management team and employees.

With a veteran management team who has been through major oil and gas cycles, we believe we are able to steer the Group safely through this period of market uncertainty.

IN APPRECIATION

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

I would also like to acknowledge the hard work and loyalty of the management and staff who pressed on in the face of a tough operating environment.

Finally, my deep appreciation goes to my fellow Board members for their invaluable guidance and professionalism in executing their corporate responsibilities.

Lim Ho Seng
Chairman

BOARD OF DIRECTORS

Left to right:
Lim Ho Seng,
Dr Benety Chang,
Jeanette Chang,
Tan Yang Guan

Lim Ho Seng
Chairman

Mr Lim Ho Seng was appointed Chairman of the Board of Baker Technology Limited on 1 November 2002 and Independent Non-Executive Director on 1 October 1999. He was re-designated as Non-Executive Director on 1 January 2014 and was last re-appointed as a Director on 23 April 2015 pursuant to the then Section 153(6) of the Companies Act. He is also a member of the Remuneration Committee.

Mr Lim also sits on the board of KS Energy Limited. Mr Lim is the former Chief Executive Officer of NTUC FairPrice Co-Operative Ltd. He was previously an Independent Director of Kian Ann Engineering 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, the Institute of Chartered Secretaries & Administrators and the Singapore Institute of Directors.

Dr Benety Chang
Chief Executive Officer

Dr Benety Chang, Chief Executive Officer of the Group, was appointed to the Board on 5 May 2000. He was last re-elected a Director on 23 April 2015. Dr Chang, who is an Executive Director, is also 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 Deputy Chairman of PPL Shipyard Pte Ltd until his resignation in July 2012.

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

Jeanette Chang
Executive Director

Ms Jeanette Chang was appointed as the Executive Director of the Group on 1 September 2013 and was last re-elected on 25 April 2014. 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 Group, 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 Masters in Engineering First Class (Civil Engineering) degree from Imperial College London and a Masters of Business Administration with Distinction from London Business School.

Tan Yang Guan
Non-Executive Director

Mr Tan Yang Guan was appointed to the Board on 5 May 2000 and was last re-elected as a Non-Executive 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

Left to right:
Wong Meng Yeng
Ang Miah Khiang
Han Sah Heok Vicky

Wong Meng Yeng

Lead Independent Director

Mr Wong Meng Yeng was appointed to the Board on 3 June 2010 and was last re-elected on 25 April 2014. An Independent Director, he chairs the Nominating Committee and is a member of the Audit Committee. He was also 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 corporation he co-founded in 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

Independent Director

Mr Ang Miah Khiang was appointed to the Board on 1 November 2013 as an Independent Director and was last re-elected on 25 April 2014. He chairs the Audit Committee and is 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 currently also serves as an Independent Director of Soo Kee Group Ltd, Uni-Asia Holdings Limited and PS Group Holdings Ltd. He was previously an Independent Director of 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

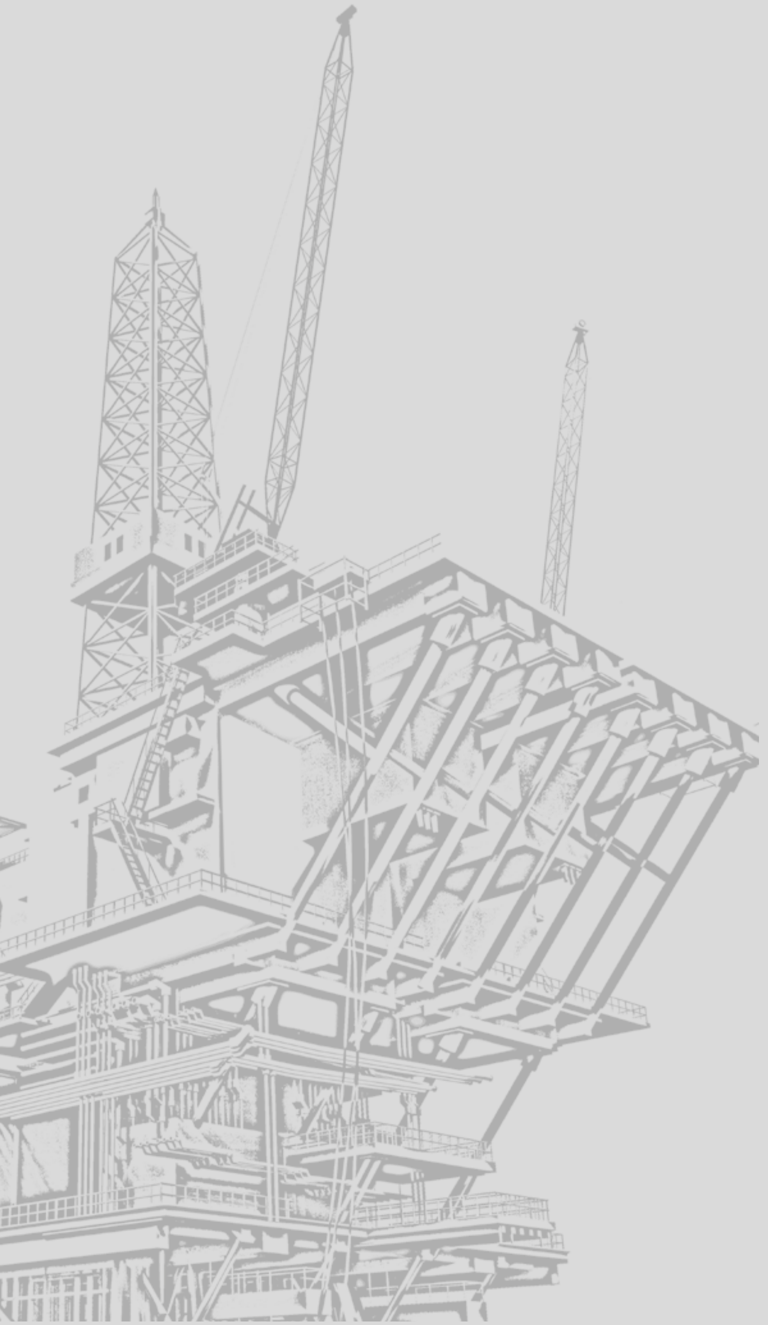
Independent Director

Ms Han Sah Heok Vicky was appointed to the Board on 1 December 2013 as an Independent Director and was last re-elected on 25 April 2014. She chairs the Remuneration Committee and is a member of the Audit and Nominating Committees.

Currently, Ms Han is a director of BA Contracts Pte Ltd, a company that is principally engaged as a wholesaler, importer and exporter of various building materials including jacking pipes and paver blocks and as a subcontractor in the building and construction industry. Prior to July 2013, Ms Han was the head of Corporate Finance Department of NRA Capital Pte Ltd, specialising in providing corporate advisory and fund raising transaction services to companies.

Ms Han holds a Bachelor of Accountancy degree from the National University of Singapore. Since her graduation in 1982, she has worked with various banking and financial institutions in Singapore, specialising in providing corporate finance services. She has extensive experience in merchant banking with a particular emphasis on corporate finance related transactions including public listings, equity offerings and acquisitions and divestments.

KEY EXECUTIVES



Tan Kiang Kherng

Chief Financial Officer

Mr Tan Kiang Kherng joined the Group in June 2002 as Financial Controller and was appointed Chief Financial Officer on 1 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 graduated from Nanyang Technological University, Singapore, with a Bachelor of Accountancy (Honours) degree and is a member of the Institute of Singapore Chartered Accountants.

Tan Keng Tiong Alvin

Senior Vice President – Business Development

Mr Tan Keng Tiong Alvin joined the Group in July 2001. He is responsible for the 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

Managing Director
Sea Deep Shipyard Pte. Ltd.

Mr Ong Thian Whee Albert 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 40 years' experience of working in the oil and gas industry and has accumulated extensive industry experience and built numerous valuable business relationships within the industry.

Tan Wee Lee

Managing Director
Baker Engineering Pte. Ltd.

Mr Tan Wee Lee was appointed as the Managing Director of Baker Engineering Pte. Ltd. ("Baker Engineering") on 1 October 2013, responsible for overall management and operations of Baker Engineering group. Mr Tan started 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 jackup 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.

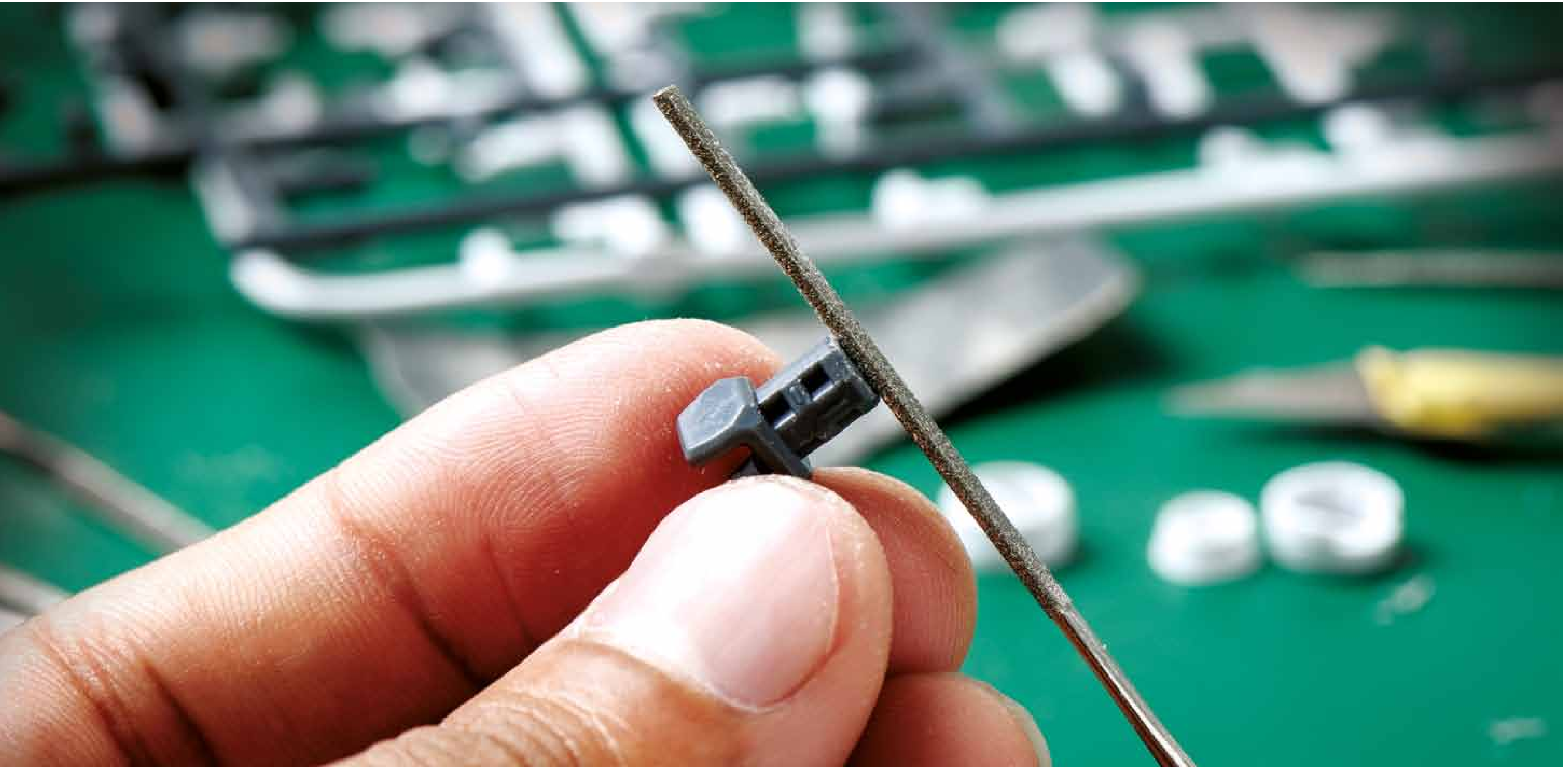
Mr Tan holds a Bachelor of Engineering degree (Electrical Engineering) from Nanyang Technological University Singapore.

Heath McIntyre

Managing Director
BT Investment Pte. Ltd.

Mr Heath McIntyre was appointed as the Managing Director of BT Investment Pte. Ltd. ("BT Investment") on 16 December 2013, 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 ("SCG"), an independent private equity firm focused on middle-market Buyout investments in South East Asia. Prior to SCG, 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.



FOCUSED ON THE FUTURE

Developing New And Innovative Products

OUR BUSINESS

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 has proven itself to be a leader in the manufacture and production of high quality steel products and components for specialised equipment, new builds, repairs, conversions and upgrades of jackup rigs and liftboats. Supported by its in-house team of skilled engineers, Sea Deep is able to provide product customisation services to meet its customers' specific requirements for specialised engineering products.

Sea Deep offers its own proprietary kingpost pedestal Sea Hercules Cranes, specifically designed for both fixed and floating platforms. Sea Hercules cranes have a proven track record and a strong presence in Asia Pacific and the Middle East. The cranes offer reliability, cost effective maintenance and user-friendliness.

The components produced by Sea Deep include racks, chords and bracing pipes which are then assembled by Sea Deep into leg sections. As an ISO9001 certified company, Sea Deep ensures every aspect of the production procedures is subjected to stringent quality control whilst ensuring high 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

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

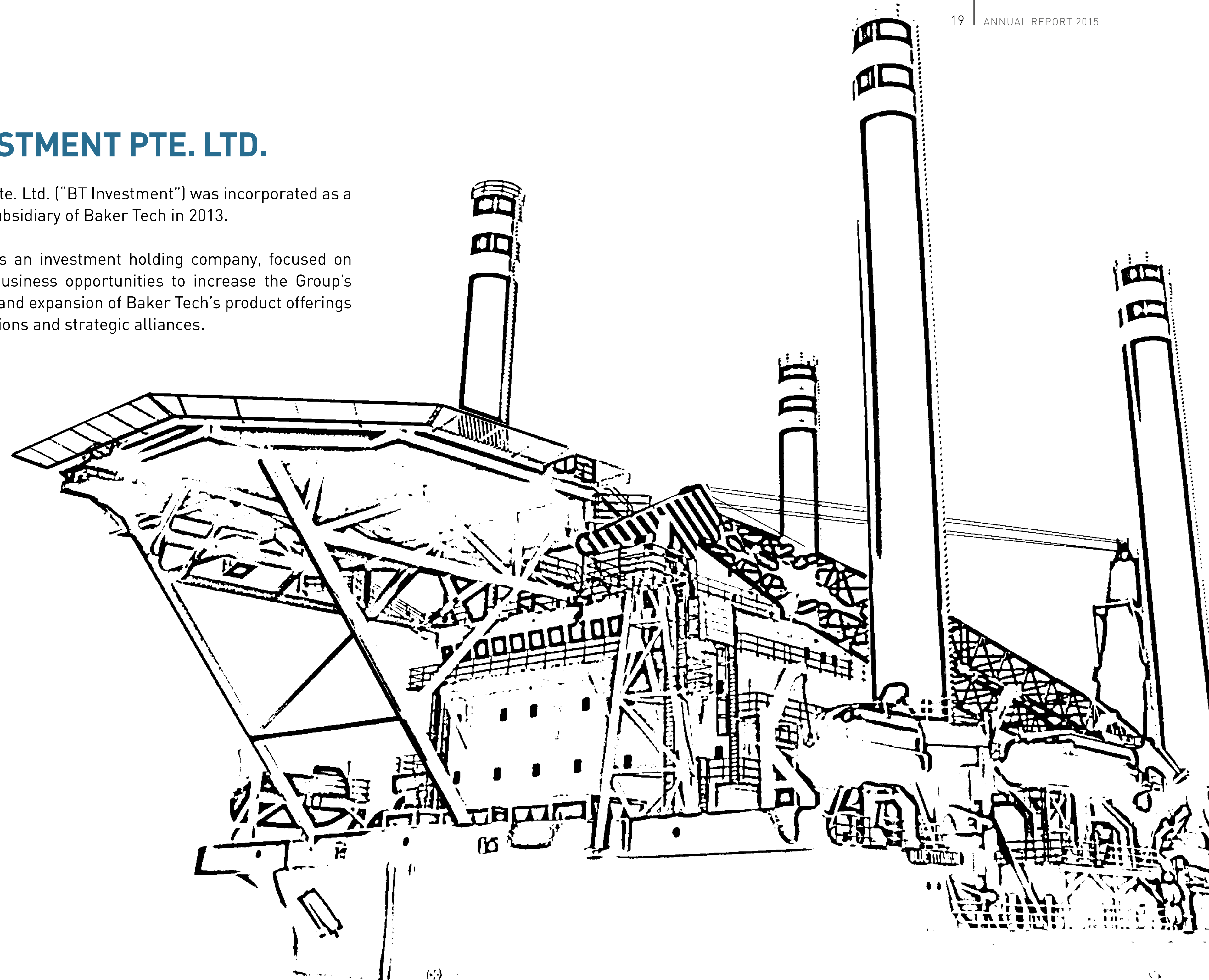
Striving towards innovation and efficiency, Sea Deep partakes in project management and turnkey conversions with proprietary designs. Sea Deep is located in Singapore on a waterfront facility and has fully equipped workshops and in-house testing and training facilities.

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 continue to build upon their capabilities by improving and complementing the comprehensive suite of products and services offered.

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.



OUR BUSINESS

BAKER ENGINEERING PTE. LTD.

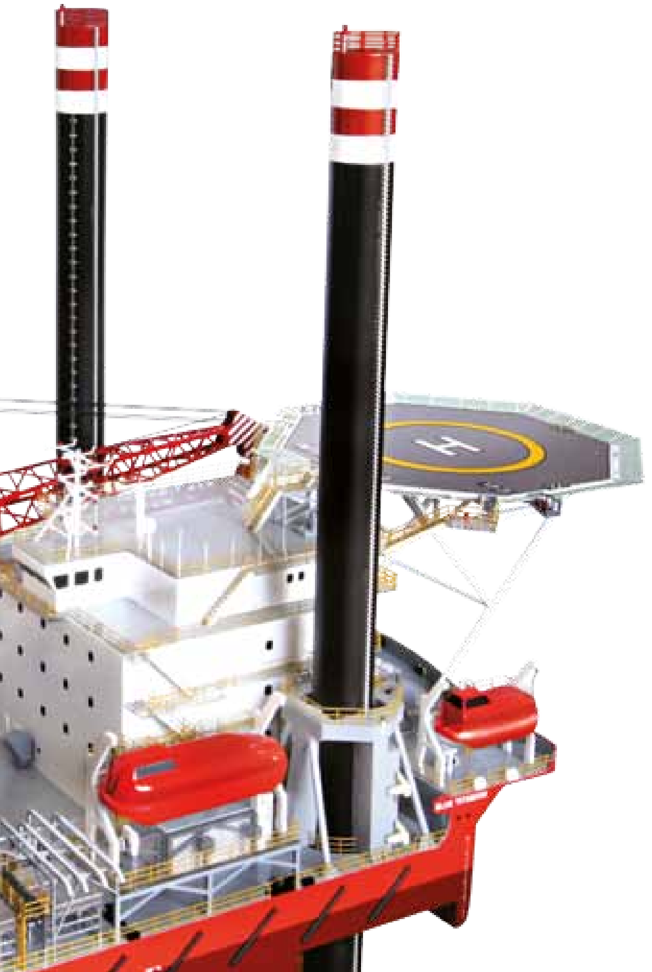
Baker Engineering Pte. Ltd. ("Baker Engineering") was incorporated in May 2013 as a wholly-owned subsidiary of Baker Tech.

Baker Engineering complements and enhances Baker Tech's core business segment by designing and constructing mobile offshore units and critical equipment and components for the offshore marine industry.

Baker Engineering's wholly-owned subsidiary – BEL Design Pte. Ltd. ("BEL Design") has designed and completed its first Liftboat design, the BEL320-4R200S Liftboat. The state of the art Liftboat is classed and its basic design has been fully approved by the American Bureau of Shipping for Unrestricted Service and can work in water depths of up to 67 metres. The BEL320-4R200S Liftboat has four legs which supports a large hull which 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 Liftboat designs to expand its product offering to cater to the needs of the offshore oil & 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.

For the offshore windfarms, BEL Design has developed a Liftboat design specifically to address their requirements – the BEL352-4T80W Wind Turbine Installation Vessel ("WTIV"). This WTIV has four trussed/lattice legs and has a variable deck load of 3,500MT. It can be equipped with a 600~1000MT around the leg crane, provides accommodation for 80 personnel and is capable of working in water depths up to 65 metres in the offshore wind farms.

Baker Engineering operates from two shipyards in Jurong in Singapore which includes office buildings and workshop facilities. In the year of review, Baker Engineering acquired an additional waterfront premises which is in line with the Group's plan for further expansion.



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 x 6.2m Leg Length 320ft
Design Loads:	1000 sq.m 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 Azimuth Thrusters; 6 Knots Transit Speed
Lifting Equipment:	300MT Huisman Crane
Accommodation:	200 Personnel in Single, Double and 4-Man Rooms

REFINING OUR CAPABILITIES

Nurturing Talent And Harnessing Potential

WORKPLACE SAFETY AND HEALTH

Due to the nature of our business, the Group has implemented various safety precautions and policies to effectively remind all our employees to practice workplace safety at all times. All employees have to attend safety induction programmes which are specially designed to raise staff awareness on workplace safety and health. In addition, employees are regularly sent on external risk management and safety courses which includes emergency response team training to ensure that our employees keep abreast of and adopt the best workplace safety and health practices.

Serving as a constant reminder for safety precautions and practices, advisory messages and signboards are placed strategically around the workplace. Tool box meetings are held every morning to not only identify high risk working areas but also to raise and discuss any safety related incidents. The Group also schedules periodic fire drills to prepare all employees for any emergency situations.

The Group also ensures that all operating subsidiaries have obtained relevant certifications. Both Sea Deep and Interseas have attained OHSAS 18001 certification and BizSAFE Level 3 while Baker Engineering has attained OHSAS 18001 certification and is a BizSAFE STAR Enterprise.

As a prospective employer of choice, Baker Tech also ensures the well-being of its foreign workers. The Company ensures that the foreign workers are housed in clean and well-maintained dormitories which are equipped with a variety of recreational facilities and amenities. Regular site visits to the dormitories are carried out to ensure that the foreign workers have good and safe living conditions. Two-way transportation is also provided to ferry the workers.

EMPLOYEES ARE AN ASSET

At Baker Tech, we recognise that our employees are the Group's key asset. Therefore, we place high importance on employee welfare and invest in a comprehensive healthcare support system where employees can enjoy healthcare insurance and both medical and dental benefits.

During the year, the Group implemented strict haze management guidelines in line with the Tripartite Advisory on haze related workplace measures. Employees were instructed on the protocol under various 24-hour PSI scenarios and protective equipment including N95 respirators were issued to all outdoor employees and made available to all other employees.

NURTURING AND TALENT MANAGEMENT

With increasing competition for talent, the Group is committed to nurturing its employees to develop their maximum potential. The Group invests in its employees by providing training and development programs which will equip them with the skills and know-how to take on bigger challenges within the Group and in turn help the Group grow and advance in the marketplace.

Baker Tech and its subsidiaries welcome employees from diverse backgrounds and cultures thus allowing the Group to draw on a wider range of experience and knowledge, potentially gaining a competitive advantage amongst its competitors.

EMPLOYEE DEMOGRAPHICS

Age	Total
20 - 30	96
31 - 50	172
51 - 64	16
Above 65	13

We appreciate the value that more experienced older employees can bring and so have a number of pioneer generation employees across the Group in various roles.

Baker Tech looks beyond training and career development to ensure the welfare of all its employees are being taken care of. The Company aims to provide a vibrant and conducive work environment for its employees to promote a healthy work-life balance and remain fully committed to their jobs. Baker Tech recognises the need to protect not only our human capital but also to retain their value to ensure a more productive workforce.

UPHOLDING WORTHY CAUSES

Increasing Support For Special Interest Groups

CORPORATE SOCIAL RESPONSIBILITY

Baker Tech adopts various community and charity projects and offers its support through cash donations and staff volunteerism.

ENGAGING OUR EMPLOYEES

Staff gatherings and staff engagement programmes are held regularly to facilitate two-way communication. Suggestions and feedback are welcomed by management and employees are able to air their concerns in confidence. This inspires employees to cultivate and develop a positive mindset and culture at the workplace which emphasises on our impact onto others.

SGX BULL RUN AND CHILDREN'S CHARITIES ASSOCIATION OF SINGAPORE CHRISTMAS WALKATHON

Baker Tech is proud to be an institutional sponsor for the Singapore Exchange ("SGX") Bull Charge 2015 Charity Race. Held in the last quarter of 2015, Management and staff from Baker Tech and its subsidiaries took part in a 5km race around SGX Center in the Central Business District. The race helped raise funds for four different charities in Singapore. In addition, the run serves as an excellent staff engagement tool for all of the Group's employees at Baker Tech to bond and interact within the different subsidiaries and departments.

In the year of review, Baker Tech paired with Children's Charities Association and was the proud sponsor of its annual Sporty Christmas Walkathon. Together with participating members and volunteers from six different children's charities, Baker Tech and its subsidiaries joined a hundred children along a 1.5km route down Orchard road. By participating in this meaningful walkathon, the Group hopes to instill the spirit of volunteerism in all its employees. In addition, this meaningful event helped raise sufficient funds for six member charities.

SINGAPORE CORPORATE GOVERNANCE WEEK

Baker Tech also participated and contributed towards the Singapore Corporate Governance week as the Company strives to remain transparent in its financial reporting and adopt the best practices in corporate governance and maintain its high code of conduct standard.

INVESTOR RELATIONS

FOCUS ON SUSTAINING LONG TERM VALUE

Spearheading the Investor Relations ("IR") team, is the 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. Using various communication platforms, the IR team is able to actively reach out to analysts, fund managers and potential investors. In addition, the Group is able to engage the media and the investment community through timely news releases and the announcement of the Group's financial results as well as providing regular updates.

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 the investment community, the IR team addresses all concerns and enquiries raised through meetings, conference calls or emails on a regular basis.

At the Group's Annual General Meeting, shareholders were able to raise their enquiries and concerns with the Chairman, CEO, Board of Directors as well as key executives who were present during the meeting.

To better provide both the investment community and the public with latest developments within the Group, the IR team regularly post updates on its various online platforms such as on Baker Tech's corporate website (www.bakertech.com.sg) or through its subsidiaries' online platforms. These online platforms also provide the investment community with a communication channel to the IR team.

RECOGNITION AND AWARDS

Baker Tech continues to uphold its transparency and accountability and coupled with its proactive IR approaches and commitment, Baker Tech was once again recognised for its disclosures and presentations in its annual report and financials with an award for Best Annual Report (Bronze) in the under $300 million market capitalisation category at the Singapore Corporate Awards 2015.

RISK MANAGEMENT AND MITIGATION

The Group maintains an enterprise risk management framework which identifies critical and major risks of its operating units and effectively mitigates significant exposures to potential perils.

Strategic risks and opportunities are routinely reviewed to ensure that the Group remain resilient amidst adversity, while safeguarding stakeholders' interests and the Group's assets to deliver sustainable value to shareholders.

INDUSTRY-RELATED RISKS

In 2015, oil prices continued to trend lower as the huge overhang in production and stored supplies resulted in a 20-month rout that has seen prices fall by 70% since mid-2014. Anaemic global economy growth and protracted downturn in the sector has forced many companies to make extensive capital expenditure and cost reductions, especially in oil exploration.

In a period fraught with uncertainties, the Group's capital structure provides sufficient liquidity for the Group to meet the challenges of 2016. The Liftboat market remains under-penetrated in Southeast Asia, with more platforms requiring upgrading, maintenance and replacement, hence providing more opportunities for the Group to explore.

RISK MANAGEMENT AND MITIGATION

FINANCIAL RISKS

Like any global operations, the Group's activities are susceptible to currency fluctuations, primarily in U.S. Dollar and Euro. Such risks are either hedged naturally by a sale or purchase of an asset or liability of the same currency and amount or, where possible, the Group undertakes spot conversion of excess foreign currencies to Singapore Dollar and vice versa.

Most of the Group's operations are project-based executed over a prolonged period of time. With payments made progressively, the Group can potentially run into credit risks and defaults. To ensure financial discipline, the Group adopts a policy to impose credit verifications and predominantly deals with counterparties with high credit ratings. In most instances, the Group also collects up-front non-refundable deposits and closely reviews outstanding debts and debtors.

The Group manages liquidity risks by maintaining a sufficient cash balance and availability of funding through adequate credit facilities at all times.

OPERATIONAL RISKS

Operational risks are particularly inherent in the manufacture of heavy and oversized offshore engineering equipment. Accordingly, the Group has put in place measures that allow for pre-emptive identification of areas of potential exposure which can be addressed to minimise adverse impact to the Group.

The Group recognises the need to maintain operational resilience in the face of any unforeseen disruptions. In this regard, the Group has in place business continuity response measures for any disruption of business operations. The Group also has alternative sites for operations to minimise downtime.

Risk assessment is also carried out before starting any production activities and daily toolbox meetings are conducted by supervisors to reinforce the importance of workplace safety and health to all workers.

All operational employees of the Group are required to undergo internal safety briefings, external competency training, orientation programmes and fire evacuation drills to ensure preparedness and cooperation during emergencies. Insurance policies are also put in place to address and mitigate some of the risks faced by the Group.

By observing internal and external controls, the Group is determined to maximise operational efficiency through any downtime and ensure continuity to fulfil customer obligations.

RISING ABOVE AND BEYOND

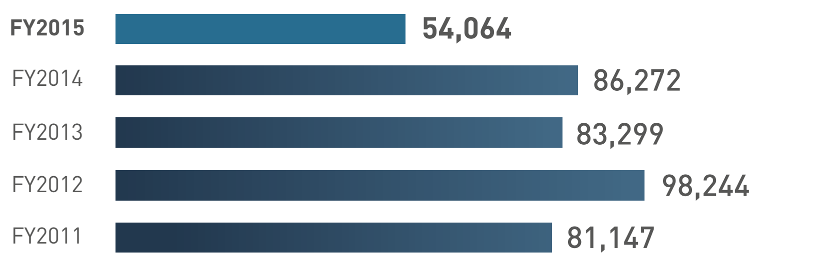
Supported By Strong Fundamentals And
Solid Track Record

FIVE-YEAR FINANCIAL HIGHLIGHTS

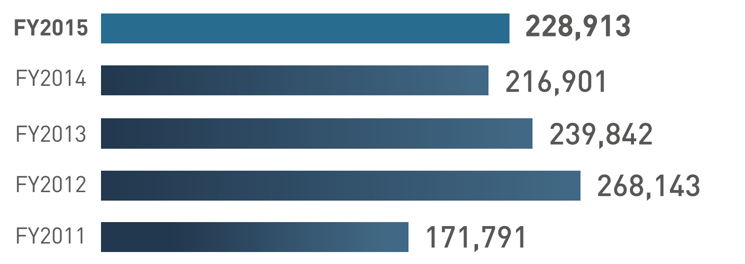
	2015	2014	2013	2012	2011
FINANCIAL PERFORMANCE ($'000)					
Revenue	**54,064**	86,272	83,299	98,244	81,147
Gross profit	**15,219**	22,707	23,768	25,084	23,510
Share of results from joint venture / associates	**–**	–	(495)	587	(247)
Recognition of deferred gain on disposal of subsidiary	**–**	–		58,237	–
Gain on disposal of associates	**–**	–	8,757	10,894	–
Pre-tax profit	**11,124**	16,326	26,080	84,799	10,630
Pre-tax profit*	**11,124**	16,326	17,818	15,081	10,877
Profit after tax	**9,164**	13,517	22,373	81,591	7,631
FINANCIAL POSITION ($'000)					
Total assets	**246,066**	236,049	256,169	292,485	267,375
Cash and short-term deposits	**140,070**	168,685	205,871	173,902	169,277
Loans and borrowings	**–**	–	–	3,678	–
Deferred gain on disposal of subsidiary	**–**	–	–	–	58,237
Net current assets	**192,481**	188,526	222,902	225,358	129,922
Shareholders' equity	**228,913**	216,901	239,843	268,143	171,791
PER SHARE DATA (CENTS)					
Earnings per share	**0.9**	1.5	2.7	11.5	1.1
Diluted Earnings per share	**0.9**	1.4	2.4	8.3	0.8
Ordinary Dividend per share	**0.5**	1.0	1.0	1.5	1.0
Special Dividend per share	**–**	–	4.0	8.5	–
Cash per share	**13.8**	18.3	23.6	23.6	24.2
Net asset per share	**22.6**	23.5	27.5	36.4	24.5
OTHER INFORMATION					
Return on shareholders' equity	**4%**	6%	9%	30%	4%
Return on assets	**5%**	7%	10%	29%	4%
Dividend cover	**1.8**	1.5	0.5	1.2	1.1
Average number of employees	**272**	171	130	145	116
Revenue per employee	**199**	505	641	678	700
STOCK INFORMATION					
Number of shares on issue ('000)	**1,014,390**	923,070	872,141	736,807	700,169
Highest/Lowest share price (cents)	**26.5/18.1**	33.5/24.0	45.0/25.5	34.5/25.0	44.5/23.5
Year-end share price (cents)	**18.9**	25.0	27.0	32.5	24.5
Year-end market capitalisation ($'m)	**191.7**	230.8	235.5	239.5	171.5

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

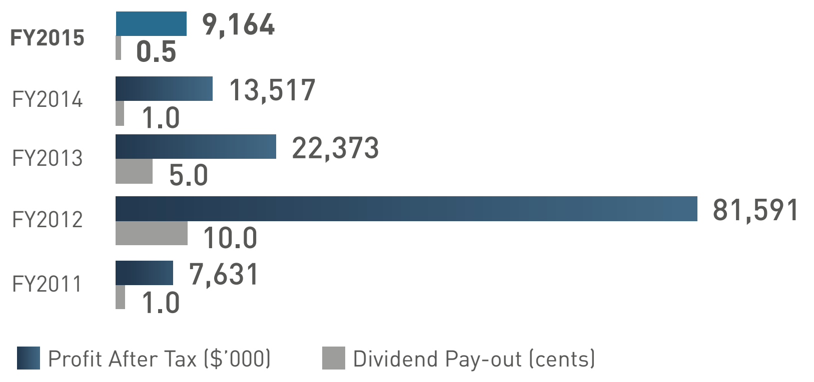
5-YEAR REVENUE ($'000)



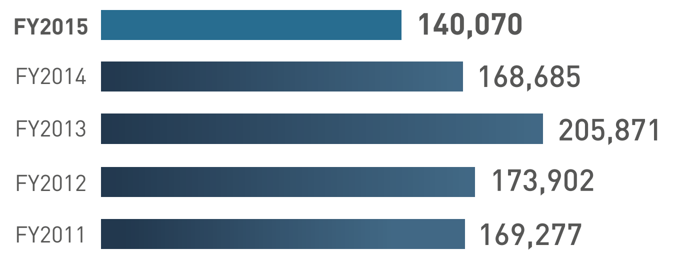
5-YEAR SHAREHOLDERS' EQUITY ($'000)



5-YEAR PROFIT AFTER TAX AND DIVIDEND PAY-OUT



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



5-YEAR SHARE PRICE PERFORMANCE ($)

OPERATING REVIEW

OVERVIEW

Baker Tech recorded a higher net margin of 17.0% for FY2015 despite a lower revenue of $54.1 million and a net profit of $9.2 million as compared to a net margin of 15.7% and a revenue of $86.3 million with profit of $13.5 million for FY2014. The lower revenue and net profit earned is attributed to persistently low prices for oil and the slowdown of the oil and gas industry.

In 2014, the Group, through its wholly-owned subsidiary, Baker Engineering, forayed into the less volatile oil production maintenance segment, where liftboats have been gaining popularity.

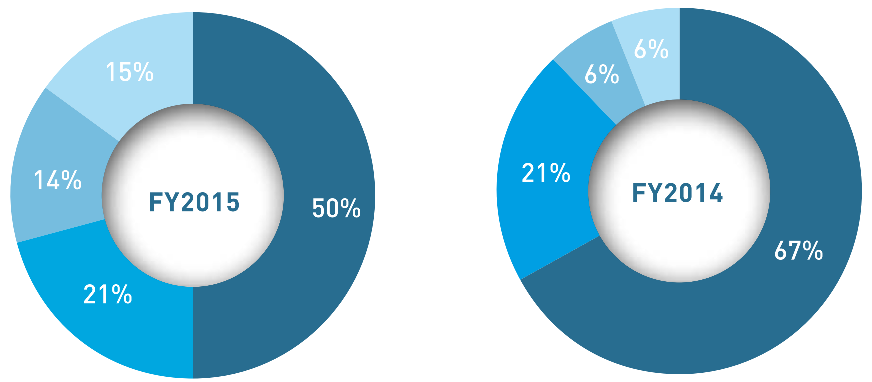
Baker Engineering has made significant progress with the construction of its state-of-the-art self-propelled multi-purpose jackup liftboat which is expected to be completed by the second half of 2016.

MARINE OFFSHORE

	2015 $'000	2014 $'000	% Change
Revenue	**54,064**	86,272	-37%
Net Profit	**9,164**	13,517	-32%

With the reduction in exploration and production spending and significant reduction in new builds, the Group witnessed a decline in revenue during FY2015.

REVENUE BY GEOGRAPHICAL AREA



China and Singapore are the two most important markets for the Group's marine offshore business, although contribution from China has shown a drop from 67% in FY2014 to 50% in FY2015.

The Group continues to diversify into other countries beyond China and Singapore and is pleased to report that it has recorded higher revenue in Asia Pacific and Middle East in FY2015, contributing almost 30% of revenue compared to 12% in the previous year.

FINANCIAL REVIEW

Income Statement	**2015 $'000**	2014 $'000	Changes %
Revenue	**54,064**	86,272	-37%
Cost of goods sold	**(38,845)**	(63,565)	-39%
Gross profits	**15,219**	22,707	-33%
Other operating income	**1,123**	995	+13%
Foreign exchange gain	**5,322**	3,647	+46%
Administrative expenses	**(10,540)**	(11,023)	-4%
Profit before tax	**11,124**	16,326	-32%
Income tax expenses	**(1,960)**	(2,809)	-30%
Profit after tax	**9,164**	13,517	-32%
Gross Profit Margin	**28%**	26%	

The operating conditions of the oil and gas industry remains challenging as demand has taken a significant hit with declining oil prices since the second half of FY2014.

Due to the long project lengths, there was a lag time before the impact of weaker demand was felt by the Group. Revenue for H1 2015 outperformed H1 2014 while revenue for H2 2015 significantly underperformed H2 2014 with FY2015 revenue falling 37% to $54.1 million.

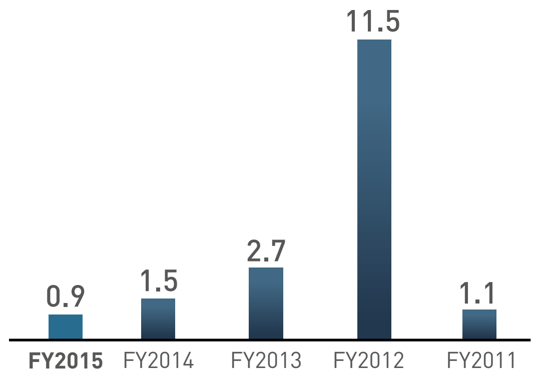
Baker Tech recorded a foreign exchange gain of $5.3 million in FY2015 as compared to $3.6 million in FY2014 which was due to the strengthening of the US dollar against the Singapore dollar. The US dollar appreciated approximately 7.0% and 4.8% against the Singapore dollar in FY2015 and FY2014, respectively.

With the decrease in revenue, pre-tax profit saw a reduction of 32% to $11.1 million in FY2015 with gross margin increasing slightly. Basic earnings per share were 0.9 cent for FY2015 as compared to 1.5 cents for FY2014.

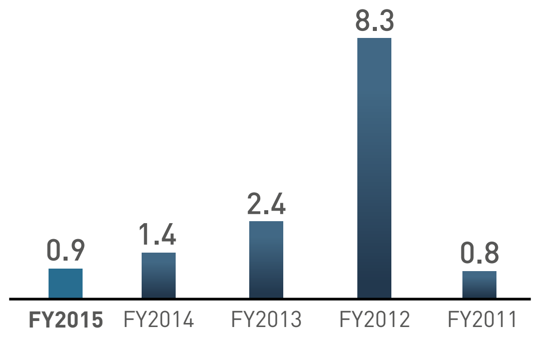
The Directors have recommended a first and final tax-exempt (one-tier) dividend of 0.5 cent per share to be paid for the year ended 31 December 2015. This is subjected to shareholders' approval at the forthcoming Annual General Meeting of the Company.

FINANCIAL REVIEW

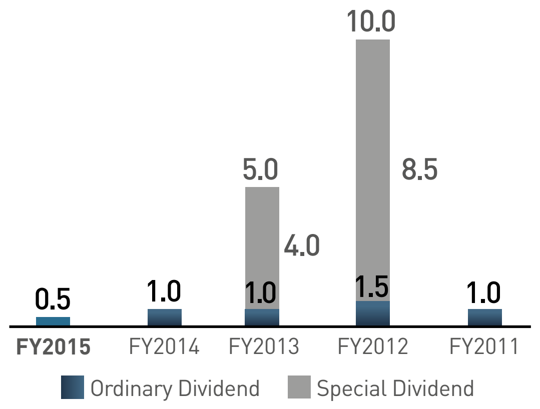
BASIC EARNINGS PER SHARE (CENTS)



DILUTED EARNINGS PER SHARE (CENTS)



DIVIDEND PER SHARE (CENTS)



Balance Sheets	2015 $'000	2014 $'000	Changes %
Non-current assets			
Property, plant and equipment	**18,076**	9,305	+94%
Intangible assets	**9,747**	9,764	–
Investment securities	**8,399**	8,288	+1%
Deferred tax assets	**360**	1,018	-65%
	36,582	28,375	+29%
Current assets	**209,484**	207,674	+1%
Current liabilities	**(17,003)**	(19,148)	-11%
Net current assets	**192,481**	188,526	+2%
Non-current liabilities – deferred tax liabilities	**150**	–	NM
Net assets	**228,913**	216,901	+6%
Share capital	**108,788**	95,547	+14%
Reserves	**120,125**	121,354	-1%
Shareholders' equity	**228,913**	216,901	+6%

*NM denotes Not Meaningful.

The Group's non-current assets increased mainly due to the acquisition of new leasehold property and plant and machinery by its subsidiaries to boost their production capabilities for the construction of the self-propelled multi-purpose jackup liftboat.

Net current assets saw a slight increase of 2%. Approximately 90% of the Group's current assets comprised of cash, short-term deposits and investment securities ($141.4 million), and work-in-progress for the self-propelled multi-purpose jackup liftboat ($47.1 million). The Group has no borrowings as at 31 December 2015 and 31 December 2014.

Share capital increased by 14% due to the $13.2 million of proceeds from the conversion of warrants. As a result of the increase in capital base, the Group's net asset value per share reduced from 23.5 cents at the end of 2014 to 22.6 cents by end 2015.

FINANCIAL REVIEW

Cash Flows	2015 $'000	2014 $'000	Changes %
Cash (used in) / from operating activities	**(22,489)**	9,030	NM
Cash used in investing activities	**(12,964)**	(8,125)	+60%
Cash from / (used in) financing activities	**3,166**	(36,550)	NM
Net decrease in cash & cash equivalent	**(32,287)**	(35,645)	-9%
Effect of exchange rate changes on cash and cash equivalents	**3,672**	2,459	+49%
Cash & cash equivalent at beginning of year	**168,685**	201,871	-16%
Cash & cash equivalent at end of year	**140,070**	168,685	-17%

*NM denotes Not Meaningful.

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

The Group also incurred higher capital expenditure in FY2015 as it purchased additional leasehold property and additional plant and machineries to boost its production capabilities.

During the year, the Group collected proceeds of $13.2 million from the conversion of warrants. However, despite paying a dividend to shareholders (1 cent per share for FY2014 or $10.1 million), there was positive cash flow from financing activities. For FY2014, the Group reported a negative cash flow of $36.6 million from financing activities as it paid out dividends of $45.2 million (5 cents per share for FY2013, comprising 1 cent ordinary dividend and 4 cents special dividend) to the shareholders to reflect higher investment gains in FY2013.

The Group's cash position remains strong at $140 million (13.8 cents per share) as at the end of 2015.

Group Quarterly Results	Q1 $'000	Q2 $'000	Q3 $'000	Q4 $'000	Full Year $'000
Revenue					
2015	27,935	12,682	5,556	7,891	54,064
2014	18,510	17,791	21,113	28,858	86,272
Gross Profit					
2015	7,856	3,795	2,054	1,514	15,219
2014	4,935	4,157	6,179	7,436	22,707
Net profit					
2015	6,401	45	2,663	55	9,164
2014	1,760	955	4,327	6,475	13,517
Net profit / (loss)*					
2015	3,818	1,219	(905)	(290)	3,842
2014	1,703	1,656	2,820	3,691	9,870
Gross profit margin					
2015	28%	30%	37%	19%	28%
2014	27%	23%	29%	26%	26%

*Excluding foreign exchange gain / losses.

Quarterly revenue were significantly lower for 3Q2015 and 4Q2015 as the impact from weaker demand arising from prolonged low oil prices was felt. As a result, the Group reported net losses (excluding foreign exchange gains) for both quarters.

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

For the past 2 years, although the US dollar has appreciated approximately 4.8% and 7.0% against the Singapore dollars for FY2014 and FY2015 respectively, the foreign exchange movements have been very volatile quarter-to-quarter. As a result, quarterly net profit fluctuates significantly especially during 3Q2014 to 3Q2015.

5-YEAR PERFORMANCE REVIEW

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Revenue	**54,064**	86,272	83,299	98,244	81,147
Gross profit	**15,219**	22,707	23,768	25,084	23,510
Pre-tax profit	**11,124**	16,326	26,080	84,799	10,630
Pre-tax profit*	**11,124**	16,326	17,818	15,081	10,877
Net profit	**9,164**	13,517	22,373	81,591	7,631
Shareholders' equity	**228,913**	216,901	239,843	268,143	171,791
Deferred gain on disposal of subsidiary	**–**	–	–	–	58,237
Loans and borrowings	**–**	–	–	3,678	–
Cash and short-term deposits	**140,070**	168,685	205,871	173,902	169,277
Earnings per share (Cents)	**0.9**	1.5	2.7	11.5	1.1
Diluted earnings per share (Cents)	**0.9**	1.4	2.4	8.3	0.8

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

2011

2011 showed positive signs of recovery as demand started to pick up. Consequently, revenue increased steadily by 68%, from $48.4 million in 2010 to $81.1 million in 2011. However, with competitive pricing and lower margins earned from some projects, coupled with less opportunity for value-added services, this resulted in gross profit easing by 6% to $23.5 million.

Combined with the absence of contribution from PPL Shipyard Pte Ltd and higher professional fees incurred for the legal dispute with Sembcorp Marine Ltd ("SCM"), the Group's pre-tax profit declined from $30.4 million to $10.6 million. The Group's cash position remained strong at $169.3 million.

2012

The Group peaked its record revenue in 2012, growing 27% 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 SCM, 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.

The Group's cash position remained healthy at $173.9 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 23.6 cents per share. This was attributable to proceeds from the conversion of warrants and positive cash inflows from operations.

2014

In 2014, the Group witness its revenue increasing 4% year-on-year. The Group's pre-tax profit of $16.3 million for FY2014 was a slight decline 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.

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 shareholders' value.

Baker Tech was awarded a Bronze award for Best Annual Report for companies under $300 million in market capitalisation at the 2015 Singapore Corporate Awards, making it the fifth consecutive year that the Group has won an award in this category. The award recognises excellence in the presentation of financial reporting, high level of corporate disclosures and transparency. The Company received Gold awards in the "Best Managed Board" category at the 2014 and 2011 Singapore Corporate Awards and Silver in 2010. The Singapore Corporate Awards, organised by The Business Times and supported by The Singapore Exchange, aim to showcase and honour excellence in shareholder communications and corporate governance amongst SGX-listed companies.

This report sets out the Company's corporate governance practices for the financial year ended 31 December 2015 ("FY2015"), 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, where applicable, and has identified and explained areas of non-compliance in this report.

BOARD MATTERS

Principle 1: The 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 are to approve the broad policies, strategies and financial objectives of the Group and monitor the performance of Management, consider the sustainability issues as part of its strategic formulation, oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance and assume 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 judgement 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 also 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 the Board Committees established to assist the Board in discharging its responsibilities and enhance the Group's corporate governance framework. They are the Audit Committee, the Remuneration Committee and the Nominating Committee. Each of these committees has 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. Telephonic attendance and conference via audio-visual communication at Board and Board Committee meetings are allowed under the Company's Constitution. In 2015, the Board met five times.

The number of the Board and Board Committees meetings held in 2015, and the attendance of each member of the Board and Board Committees at the meetings are as follows:

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	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	5	5	5*	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. These include setting of strategic directions, policies or financial objectives which are significant in terms of future profitability or performance of the Group, material transactions such as major investment or acquisition, divestments and funding proposals, approval of annual budgets, financial statements and declaration of dividends. Management was also given clear directions on matters (including setting thresholds for operating and capital expenditure relating to subsidiaries) that require the approval of the Board.

CORPORATE GOVERNANCE REPORT

Board Orientation and Training

The Company has an orientation programme for newly appointed Directors to familiarise themselves with the Group's senior Management, business operations, governance and best practices. Newly appointed Directors will receive an induction pack comprising the Company's latest annual report, information and documents relating to role and responsibilities of a director, information on internal policies and procedures and regulatory guidelines relevant to the Group, and board meeting calendar for the year. 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 2015.

The Directors are provided with updates regarding new legislation and/or regulations which are relevant to the Group. In addition, the Directors are also encouraged to attend relevant training programmes, seminars and workshops to enhance their skills and knowledge, at the expense of the Company. 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. At Audit Committee meetings, the external auditors provide regular updates on new or revised financial reporting standards which are relevant and applicable to the Group.

The Nominating Committee reviews and makes recommendations on the training and professional development programs to the Board. The Board was apprised of the training programmes attended by the Directors in 2015.

Principle 2: Board Composition and Guidance

Board Independence

The present Board comprises seven (7) Directors. There are three (3) Independent Directors, two (2) Non-Executive Directors and two (2) 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. The Company is aware of 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 and adherence to this recommendation should be completed no later than the date of the Company's Annual General Meeting ("AGM") to be convened in April 2017. The Board will take the necessary steps to comply with the recommendation under the Code.

The Nominating Committee 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 Nominating Committee and the Board. The Nominating Committee 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.

The Nominating Committee had noted that Mr Lim Ho Seng was re-designated from an Independent Director to a Non-Executive Director with effect from 1 January 2014 as he has served for more than nine years on the Board although the Nominating Committee and the Board is of the view that Mr Lim continues to exercise independent judgment in the best interest of the Company.

Composition and Size of the Board

The Nominating Committee, 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 Nominating Committee would 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 currently has two (2) female directors, namely, Ms Jeanette Chang and Ms Han Sah Heok Vicky, in recognition of the importance and value of gender diversity. The profiles of the Directors are set out on pages 10 to13 of this 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 also 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.

CORPORATE GOVERNANCE REPORT

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 was an Independent Director until his re-designation to Non-Executive Director on 1 January 2014. 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.

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") has failed to resolve or for which such contact is inappropriate. The Independent Directors have met without the presence of other Directors in FY2015, and the Lead Independent Director has provided feedback to the Chairman after the meeting.

Principle 4: Board Membership

NC Composition

The Nominating Committee ("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, an 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 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 FY2015, 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 and re-appointed have to be assessed and recommended by the NC before submission to the Board for approval. In recommending a Director for re-election and re-appointment 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 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/re-appointment, has recommended to the Board that Ms Jeanette Chang and Mr Wong Meng Yeng be nominated for re-election at the forthcoming AGM under Regulation 104 of the Company's Constitution. Ms Chang and Mr Wong have offered themselves for re-election and the Board has accepted the recommendations of the NC.

Mr Lim Ho Seng, who is over the age of 70 years, was re-appointed to hold office until the forthcoming AGM pursuant to the then Section 153(6) of the Companies Act, Cap. 50. The re-appointment of Mr Lim is proposed although he will not be subject to subsequent annual re-appointments with the repeal of Section 153 with effect from 3 January 2016. Mr Lim has expressed his consent to seek re-appointment as a Director of the Company at the forthcoming AGM. The NC has recommended to the Board that Mr Lim be nominated for re-appointment at the forthcoming AGM and the Board has accepted the recommendation of the NC.

CORPORATE GOVERNANCE REPORT

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 for assessing the contribution by each Director as well as of the Chairman to the effectiveness of the Board. No external facilitator has been used.

Reviews of Board and Board Committees incorporate 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 evaluated the performance of each Director, taking into account the individual Director's self-assessment. This evaluation process also 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.

Areas of strength and improvement (if any) 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.

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 Board and Board Committees meeting, 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. During the regular Board and Board Committee meetings, 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 direct 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 Remuneration Committee ("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.

CORPORATE GOVERNANCE REPORT

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 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.

The Company does not have any contractual provisions to allow the Company 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.

Currently, the Company does not have any long-term incentive schemes.

The Company's Board fee framework during the year (which remains unchanged from that in the preceding financial year i.e. ended 31 December 2014) 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 22 April 2016, for the payment of Directors' fees proposed for the financial year ending 2016 amounting to $262,763 (FY2015: $262,763).

Principle 9: Disclosure on Remuneration

Disclosure of Remuneration

The Directors' remuneration for FY2015 is set out below:

Directors	Fees ($)	Salary, CPF & Allowance ($)	Bonus ($)	Other Benefits* ($)	Total ($)
Lim Ho Seng	72,187	–	–	–	72,187
Dr Benety Chang	–	487,575	249,900	–	737,475
Jeanette Chang[1]	–	285,650	61,200	–	346,850
Tan Yang Guan	–	–	–	138,995	138,995
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.

CORPORATE GOVERNANCE REPORT

The table below shows the remuneration of the top five key management personnel (who are not Directors or the CEO) ("KMP") for FY2015:

Top five KMP	Designation	Salary, CPF & Allowance (%)	Bonus (%)
$1,100,000 to $1,200,000			
Ong Thian Whee Albert	Managing Director (Sea Deep Shipyard Pte. Ltd.)	21	79
$300,000 to $400,000			
Tan Kiang Kherng	Chief Financial Officer (Baker Technology Limited)	82	18
Tan Keng Tiong Alvin	Senior Vice President -Business Development (Baker Technology Limited)	83	17
Tan Wee Lee	Managing Director (Baker Engineering Pte. Ltd.)	78	22
Heath McIntyre	Managing Director (BT Investment Pte. Ltd.)	90	10

The total remuneration paid to the top five KMPs for FY2015 amounted to $2,573,584.

The Company believes that it may not be in the Group's interest to disclose the remuneration of the KMP 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 are immediate family members of any of the directors or the CEO and whose remuneration exceeded $50,000 during FY2015. "Immediate family member" means spouse, child, adopted child, step-child, brother, sister and parent.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board, through its announcements of quarterly and full-year results as well as price sensitive issues, aims to provide shareholders with a balanced and understandable assessment of the Group's financial performance, position and prospects.

The Company recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis in order that it may effectively discharge its duties. On a regular basis, Board members are provided with business and financial reports comparing actual performance with budget, highlights on key business indicators and other major issues.

For the 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.

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 Audit Committee ("AC") assists the Board in providing risk management oversight 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 senior executives of the Group.

The AC, with the assistance of the internal auditors, reviews the adequacy and effectiveness of the Company's internal control systems, including financial, operational, compliance and information technology controls and risks management policies and systems established by the Management on an annual basis. In addition, the external auditors will highlight any material control weaknesses within the Group discovered in the course of the statutory audit. 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. Under the enterprise-wide risk management framework ("ERM Framework") established by the Company, Management at all levels are expected to constantly review the business operations and the environment that the Group operates in order to identify areas and ensure mitigating measures are promptly developed to address these risks. As part of the framework, risk registers were established to document the key risks, risk appetite, risk tolerance, risk evaluation and mitigating controls. Management will regularly review the key risks, both existing and emerging new risks; determine the key owners for the risks identified; ensuring treatment measures for mitigating these risks are promptly and properly implemented; and ensuring policies and controls are complied with. Management reports to the AC on a quarterly basis. Mitigating actions and additional countermeasures in managing the key risks, as well as action plans to address the gaps are considered and documented.

For 2015, the Board and the AC had in addition received assurance from the CEO and the CFO that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and on the adequacy and effectiveness of the Group's risk management and internal control systems.

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 in addressing financial, operational, compliance and information technology risks and to meet the current scope of the Group's business operations. The AC and the Board note 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.

CORPORATE GOVERNANCE REPORT

Principle 12: Audit Committee

The Audit Committee ("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 Singapore Exchange Securities Trading Limited ("SGX-ST").

The AC met five times during the year under review. Details of members and their attendance at meetings are provided on page 47. The auditors (if required), the CFO 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, member of Management or any other person to attend its meetings.

Ernst & Young LLP, the external auditors, have been the auditor of the Group since 2000 and the current audit in partner in charge, took over from the previous audit partner for FY2015 onwards.

The aggregate amount of audit and non-audit fees payable to the external auditors for FY2015 were $210,000 and $19,000 respectively. The AC, having reviewed the scope and value of non-audit services provided to the Group by external auditors, is satisfied that the nature and extent of such services would not prejudice and effect their independence and objectivity.

The AC, has also reviewed and is satisfied with the independence and performance of the external auditors having regards to the key audit quality indicators such as quality and performance, adequacy of resources and experience of their engagement partner and auditing team assigned to the Group's audit.

The AC is satisfied that Rules 712(2)(a) and 715 of the SGX-ST Listing Manual are complied with and has recommended to the Board that, Ernst & Young LLP be nominated for re-appointment as external auditors at the forthcoming AGM.

The Guidebook for Audit Committees in Singapore (second Edition) issued on 19 August 2014 has been provided to all AC members. In carrying out their responsibilities, the AC members refer to these guidelines as appropriate.

The Company has a Code of Conduct and Gift Policy 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

During 2015, the Company appointed PricewaterhouseCoopers (PwC) as its internal auditors. Prior to this appointment, the Company's internal auditors were RSM Ethos Pte Ltd who had provided the Group's internal audit services since 2002. The internal auditors report directly to the AC Chairman.

The AC reviews and approves the internal audit plan and reviews the internal audit reports, audit findings and Management responses to those findings, and the effectiveness of the Group's internal audit function. The AC is of the view that the internal auditors have adequate resources to perform its functions and have discharged their duties to the best of their ability and are independent of the activities that they audit.

The AC is satisfied that the internal auditors have met the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

CORPORATE GOVERNANCE REPORT

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 currently does not allow investors who hold shares through nominees such as CPF and custodian banks to appoint more than two proxies to vote at the general meetings. If shareholders are intermediaries, such as (1) a licensed bank of its wholly-owned subsidiary, which provides nominee services and hold shares in that capacity, (2) a capital markets services license holder which provides custodial services, and (3) the Central Provident Fund ("CPF") Board in respect of shares purchased 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 comprise the Executive Directors and KMPs. Management takes an active role in communications with shareholders and the investing community, through one-on-one or group meetings, phone calls and email communications 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. Shareholders can contact the Company via the Company website (under Contact Us).

Further details on the Group's IR activities during the year can be found in the Investor Relations section of the Annual Report on page 30.

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 allow 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 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 regarding approval is proposed as a separate resolution.

For greater transparency and effective participation, the Company has implemented poll voting since its 2014 AGM and all resolutions are put to vote by poll. The results of the poll voting on each resolution tabled at the AGM, including the number of votes cast for and against each resolution, were announced on the same day.

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.

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION

INTERESTED PERSON TRANSACTIONS POLICY

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

For financial year 2015, 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	Tenure of land	Area (sqm)	Open market valuation $'000
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	Expiring on 31 December 2023	31,094	14,500
10 Jalan Samulun Singapore 629124	An existing custom-built premises with single-storey workshop, 3-storey office and water frontage	Expiring on 31 December 2025	10,430	3,000
12A Jalan Samulun Singapore 629131	An existing custom-built premises with single-storey workshop, 3-storey office and water frontage	Expiring on 31 May 2025	5,995	6,300

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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 2015.

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 2015, 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 report 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' 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 1.1.2015	At 31.12.2015	At 1.1.2015	At 31.12.2015
The Company				
Baker Technology Limited				
Ordinary shares				
Lim Ho Seng	1,134,000	1,134,000	–	–
Dr Benety Chang	385,239,348	427,722,887	68,399,183	95,758,856
Tan Yang Guan	20,642,770	20,642,770	–	–
Han Sah Heok Vicky	500,000	500,000	–	–
2012 Warrants				
Dr Benety Chang	42,483,539	–	27,359,673	–

The directors' interests as at 21 January 2016 were the same as those at the end of the financial year.

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 auditors;
- recommending the reappointment of the external auditors to the Board, approving the compensation of the external auditors, 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 auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

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.

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
8 March 2016

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2015

Report on the financial statements

We have audited the accompanying financial statements of Baker Technology Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 70 to 130, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company, the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of 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.

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
8 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000
Revenue	5	**54,064**	86,272
Cost of sales		**(38,845)**	(63,565)
Gross profit		**15,219**	22,707
Other items of income			
Other operating income	6	**6,445**	4,642
Other items of expenses			
Administrative expenses		**(10,540)**	(11,023)
Profit before tax	7	**11,124**	16,326
Income tax expense	8	**(1,960)**	(2,809)
Profit for the year attributable to owners of the Company		**9,164**	13,517
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Net (loss)/gain on fair value changes on available-for-sale financial assets		**(318)**	91
Total comprehensive income for the year attributable to owners of the Company		**8,846**	13,608
Earnings per share attributable to owners of the Company	9		
Basic (in cents)		**0.9**	1.5
Diluted (in cents)		**0.9**	1.4

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

BALANCE SHEETS

As at 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Non-current assets					
Property, plant and equipment	10	**18,076**	9,305	**6**	11
Intangible assets	11	**9,747**	9,764	**–**	–
Investment in subsidiaries	12	**–**	–	**26,000**	26,000
Investment securities	13	**8,399**	8,288	**8,399**	8,288
Deferred tax assets	14	**360**	1,018	**–**	–
		36,582	28,375	**34,405**	34,299
Current assets					
Gross amount due from customers for contract work-in-progress	15	**6,706**	19,710	**–**	–
Inventories and work-in-progress	16	**50,029**	11,578	**–**	–
Trade and other receivables	17	**11,247**	7,591	**117**	111
Prepaid operating expenses		**148**	110	**12**	15
Amounts due from subsidiaries	18	**–**	–	**67,166**	6,011
Investment securities	13	**1,284**	–	**1,284**	–
Cash and short-term deposits	19	**140,070**	168,685	**128,265**	136,570
		209,484	207,674	**196,844**	142,707
Less: Current liabilities					
Gross amount due to customers for contract work-in-progress	15	**1,581**	2,630	**–**	–
Trade and other payables	20	**13,612**	13,147	**604**	625
Amounts due to subsidiaries	18	**–**	–	**38,696**	–
Tax payable		**1,810**	3,371	**170**	80
		17,003	19,148	**39,470**	705
Net current assets		**192,481**	188,526	**157,374**	142,002

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

BALANCE SHEETS

As at 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Non-current liabilities					
Deferred tax liabilities	14	**150**	–	**–**	–
Net assets		**228,913**	216,901	**191,779**	176,301
Equity attributable to owners of the Company					
Share capital	21	**108,788**	95,547	**108,788**	95,547
Reserves		**120,125**	121,354	**82,991**	80,754
Total equity		**228,913**	216,901	**191,779**	176,301

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 2015

Group	Share capital (Note 21) $'000	Capital reserve [1] $'000	Retained earnings $'000	Fair value reserve $'000	Total reserves $'000	Total equity $'000
	Attributable to owners of the Company					
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**
2014						
At 1 January 2014	86,851	2,344	150,648	–	152,992	239,843
Profit for the year	–	–	13,517	–	13,517	13,517
Other comprehensive income						
Net gain on fair value changes of available-for-sale financial assets	–	–	–	91	91	91
Total comprehensive income for the year	–	–	13,517	91	13,608	13,608
Contributions by and distributions to owners						
Issuance of new ordinary shares from conversion of warrants	8,696	–	–	–	–	8,696
Dividends on ordinary shares (Note 28)	–	–	(45,246)	–	(45,246)	(45,246)
Total contributions by and distribution to owners	8,696	–	(45,246)	–	(45,246)	(36,550)
At 31 December 2014	95,547	2,344	118,919	91	121,354	216,901

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 2015

Company	Share capital (Note 21) $'000	Capital reserve [1] $'000	Retained earnings $'000	Fair value reserve $'000	Total reserves $'000	Total equity $'000
	Attributable to owners of the Company					
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**
2014						
At 1 January 2014	86,851	2,344	99,597	–	101,941	188,792
Profit for the year	–	–	23,968	–	23,968	23,968
Other comprehensive income						
Net gain on fair value changes of available-for-sale financial assets	–	–	–	91	91	91
Total comprehensive income for the year	–	–	23,968	91	24,059	24,059
Contributions by and distributions to owners						
Issuance of new ordinary shares from conversion of warrants	8,696	–	–	–	–	8,696
Dividends on ordinary shares (Note 28)	–	–	(45,246)	–	(45,246)	(45,246)
Total contributions by and distribution to owners	8,696	–	(45,246)	–	(45,246)	(36,550)
At 31 December 2014	95,547	2,344	78,319	91	80,754	176,301

[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 2015

	2015 $'000	2014 $'000
Cash flows from operating activities		
Profit before tax	**11,124**	16,326
Adjustments for:		
Depreciation of property, plant and equipment	**1,811**	2,211
Inventories written down	**625**	1,950
Provision for doubtful debt	**35**	–
Interest income	**(1,092)**	(896)
(Write-back)/provision for warranty	**(2,452)**	189
Unrealised foreign exchange gain	**(4,001)**	(2,544)
Operating cash flows before working capital changes	**6,050**	17,236
Increase in inventories and work-in-progress	**(37,860)**	(7,863)
Decrease/(increase) in gross amount due from customers for contract work-in-progress	**13,004**	(5,162)
(Decrease)/increase in gross amount due to customers for contract work-in-progress	**(1,049)**	1,809
(Increase)/decrease in trade and other receivables	**(3,733)**	5,773
Increase in prepaid operating expenses	**(38)**	(65)
Increase/(decrease) in trade and other payables	**2,875**	(137)
Cash flows (used in)/from operations	**(20,751)**	11,591
Interest received	**975**	785
Income tax paid	**(2,713)**	(3,346)
Net cash flows (used in)/from operating activities	**(22,489)**	9,030
Cash flows from investing activities		
Purchase of property, plant and equipment	**(11,554)**	(5,551)
Purchase of intangible asset	**(227)**	(834)
Maturity of short-term deposits	**–**	4,000
Purchase of investment securities	**(1,183)**	(5,740)
Net cash flows used in investing activities	**(12,964)**	(8,125)

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 2015

	2015 $'000	2014 $'000
Cash flows from financing activities		
Net proceeds from conversion of warrants	**13,241**	8,696
Dividends paid on ordinary shares	**(10,075)**	(45,246)
Net cash flows from/(used in) financing activities	**3,166**	(36,550)
Net decrease in cash and cash equivalents	**(32,287)**	(35,645)
Effect of exchange rate changes on cash and cash equivalents	**3,672**	2,459
Cash and cash equivalents at beginning of financial year	**168,685**	201,871
Cash and cash equivalents at end of financial year (Note 19)	**140,070**	168,685

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 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 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (cont'd)

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

Except for FRS 115 and FRS 109, 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 and FRS 109 are described below.

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

FRS 115 establishes a five-step model that will apply to 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 principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

<u>FRS 109 *Financial Instruments*</u>

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.

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.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

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 financial year ended 31 December 2015

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.

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 financial year ended 31 December 2015

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 economics 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (cont'd)

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.

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.

2. Summary of significant accounting policies (cont'd)

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

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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.

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 financial year ended 31 December 2015

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 ***Borrowing costs***

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.14 ***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.

2. Summary of significant accounting policies (cont'd)

2.14 ***Provisions (cont'd)***

Warranty provision

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related cost is revised annually.

2.15 ***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.

2.16 ***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.

2.17 ***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 financial year ended 31 December 2015

2. Summary of significant accounting policies (cont'd)

2.18 *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".

2. Summary of significant accounting policies (cont'd)

2.18 *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 financial year ended 31 December 2015

2. Summary of significant accounting policies (cont'd)

2.19 ***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.

2. Summary of significant accounting policies (cont'd)

2.19 ***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.

2.20 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 4, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.21 ***Share capital and share issue expenses***

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (cont'd)

2.22 ***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***

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Income taxes

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables, deferred tax assets and deferred tax liabilities as at 31 December 2015 was $1,810,000, $360,000 and $150,000 (2014: $3,371,000, $1,018,000 and $Nil), respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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***

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

Impairment of goodwill

As disclosed in Note 11 to the financial statements, the recoverable amount of the cash generating unit is determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis are disclosed and further explained in Note 11 to the financial statements.

The carrying amount of goodwill as at 31 December 2015 is $7,551,000 (2014: $7,551,000).

(b) ***Contract revenue***

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers. For project in progress, allowance for foreseeable losses is made when the contract revenue has fallen below contract cost. The carrying amounts of assets and liabilities arising from construction contracts at the balance sheet date are disclosed in Note 15 to the financial statements.

If the estimated total contract cost of the major ongoing projects had been 5% higher than management's estimates, the carrying amounts of the assets and liabilities arising from construction contracts would have been $119,000 (2014: $3,078,000) lower and $278,000 (2014: $614,000) higher, respectively.

3. Significant accounting judgements and estimates (cont'd)

3.2 ***Key sources of estimation uncertainty (cont'd)***

(c) ***Provisions***

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation after project completion. The warranty expense incurred could be higher or lower than the provision made. The provision for warranty amounts are detailed in Note 20.

(d) ***Estimation of net realisable value for work-in-progress***

Work-in-progress is stated at the lower of cost and net realisable value (NRV).

NRV in respect of the work-in-progress is assessed with reference to market prices at the reporting date for similar completed Liftboats less estimated costs to complete construction and less an estimate of the time value of money to the date of completion. The carrying amount of the work-in-progress stated at cost as at 31 December 2015 was $47,114,000 (2014: $9,066,000).

(e) ***Useful life of vessel design***

The vessel design is amortised on a straight-line basis over its estimated useful life. Management estimates the useful life of the vessel design to be 10 years. The carrying amount of the vessel design is set out in Note 11. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual value of the asset; therefore future amortisation charges could be revised. If the estimated useful life of the vessel design increase by 5 years, the carrying amount of the vessel design would increase by $244,000 (2014: $Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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.

4. Segment information (cont'd)

	Marine offshore		Investments		Corporate		Adjustments and elimination		Per consolidated financial statements	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue – external customers	**54,064**	86,272	**–**	–	**–**	–	**–**	–	**54,064**	86,272
Results:										
EBITDA *	**10,916**	21,951	**115**	(615)	**565**	(752)	**(1,580)**	(804)	**10,016**	19,780
Depreciation and amortisation	**(1,805)**	(2,204)	**(1)**	(1)	**(5)**	(6)	**–**	–	**(1,811)**	(2,211)
Interest income	**35**	74	**393**	350	**664**	472	**–**	–	**1,092**	896
Inventories written down	**(625)**	(1,950)	**–**	–	**–**	–	**–**	–	**(625)**	(1,950)
Write-back/(provision) for warranty	**2,452**	(189)	**–**	–	**–**	–	**–**	–	**2,452**	(189)
Segment profit/(loss)	**10,973**	17,682	**507**	(266)	**1,224**	(286)	**(1,580)**	(804)	**11,124**	16,326
Segment assets	**108,769**	90,569	**9,720**	8,797	**128,401**	136,707	**(824)**	(24)	**246,066**	236,049
Segment liabilities	**16,312**	18,323	**67**	120	**774**	705	**–**	–	**17,153**	19,148
Other segment information:										
Purchase of investment securities	**–**	–	**1,183**	5,740	**–**	–	**–**	–	**1,183**	5,740
Additions to non-current assets	**11,554**	4,743	**–**	3	**–**	805	**–**	–	**11,554**	5,551

* Earnings before interest, taxation, depreciation and amortisation

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

4. Segment information (cont'd)

Geographical information

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

	Revenue	
	2015	2014
	$'000	$'000
China	**26,853**	57,687
Singapore	**11,205**	17,699
Middle East	**8,312**	5,036
Asia Pacific (excluding China and Singapore)	**7,461**	5,643
Others	**233**	207
	54,064	86,272

Except for the Group's available-for-sale investment of $962,000 (2014: $589,000) at 31 December 2015 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 $15,517,000 (2014: $36,402,000), arising from the provision of specialised marine offshore equipment and services.

5. Revenue

	Revenue	
	2015	2014
	$'000	$'000
Project revenue	**48,015**	77,275
Spare parts and engineering series	**6,049**	8,997
	54,064	86,272

6. Other operating income

	Group	
	2015	2014
	$'000	$'000
Interest income from short term deposits	**1,092**	896
Foreign exchange gain	**5,322**	3,647
Other sundry income	**31**	99
	6,445	4,642

7. Profit before tax

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

	Group	
	2015	2014
	$'000	$'000
Depreciation of property, plant and equipment	**1,811**	2,211
Consultancy service fee paid / payable to directors	**140**	160
Operating lease expenses	**1,368**	1,448
Inventories written down	**625**	1,950
Employee benefits expense (including executive directors):		
– Contributions to defined contribution plans	**905**	796
– Salaries, wages, bonuses and other costs	**8,812**	9,473
Audit fees paid to auditors of the Company	**210**	174
Non-audit fees paid to:		
– Auditors of the Company	**19**	18
– Other auditors	**21**	88
Legal and other professional fees	**306**	329
Provision for doubtful debts	**35**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. Income tax expense

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

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

	Group	
	2015	2014
	$'000	$'000
Statement of comprehensive income:		
Current income tax:		
– Current income taxation	**1,641**	2,935
– (Over)/underprovision in respect of prior years	**(489)**	16
	1,152	2,951
Deferred income tax:		
– Origination and reversal of temporary difference (Note 14)	**453**	(142)
– Underprovision in respect of prior years	**355**	–
	808	(142)
Income tax expense recognised in the statement of comprehensive income	**1,960**	2,809

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	
	2015	2014
	$'000	$'000
Accounting profit before tax	**11,124**	16,326
Income tax expense at the applicable tax rate of 17% (2014: 17%)	**1,891**	2,775
Adjustments for tax effect of:		
Movement of deferred income tax not recognised	**(14)**	33
Income not subject to taxation	**(216)**	(143)
Tax incentive	**(216)**	(115)
Non-deductible expenses	**742**	381
(Over)/underprovision in respect of prior years	**(134)**	16
Tax exemption	**(86)**	(78)
Others, net	**(7)**	(60)
Income tax expense recognised in profit or loss	**1,960**	2,809

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 financial year ended 31 December 2015

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:

	2015 $'000	2014 $'000
Profit for the financial year attributable to owners of the Company used in the computation of basic and diluted earnings per ordinary share	**9,164**	13,517

	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	**982,901**	898,760
Dilutive effect of warrants	**–**	56,895
Weighted average number of ordinary shares for diluted earnings per share computation	**982,901**	955,655

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 2014	7,166	3,138	4,313	33	375	116	5,145	20,286
Additions	–	32	1,291	85	306	196	3,641	5,551
Reclassification	3,091	1,712	(5,107)	230	74	–	–	–
At 31 December 2014 and 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	**16,740**	**6,641**	**217**	**371**	**1,171**	**421**	**11,830**	**37,391**
Accumulated depreciation:								
At 1 January 2014	6,651	2,441	–	27	311	78	4,721	14,229
Depreciation charge for the year	573	808	–	52	89	38	743	2,303
At 31 December 2014 and 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	**7,749**	**3,904**	**–**	**145**	**664**	**185**	**6,668**	**19,315**
Net carrying amount:								
At 31 December 2014	3,033	1,633	497	269	355	196	3,322	9,305
At 31 December 2015	**8,991**	**2,737**	**217**	**226**	**507**	**236**	**5,162**	**18,076**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 $1,811,000 (2014: $2,211,000) and $972,000 (2014: $92,000) have been included in the Group's Statement of Comprehensive Income and work-in-progress, respectively.

Company	Assets under construction $'000	Office equipment $'000	Total $'000
Cost:			
At 1 January 2014	4,313	44	4,357
Additions	794	11	805
Transfer to a subsidiary	(5,107)	–	(5,107)
At 31 December 2014, 1 January 2015 and 31 December 2015	**–**	**55**	**55**
Accumulated depreciation:			
At 1 January 2014	–	38	38
Depreciation charge for the year	–	6	6
At 31 December 2014 and 1 January 2015	–	44	44
Depreciation charge for the year	–	5	5
At 31 December 2015	**–**	**49**	**49**
Net carrying amount:			
At 31 December 2014	–	11	11
At 31 December 2015	**–**	**6**	**6**

11. Intangible assets

Group	Goodwill $'000	Vessel design $'000	Total $'000
Cost:			
At 1 January 2014	7,551	–	7,551
Addition during the year	–	2,213	2,213
At 31 December 2014 and 1 January 2015	7,551	2,213	9,764
Addition during the year	–	227	227
At 31 December 2015	**7,551**	**2,440**	**9,991**
Accumulated amortisation:			
At 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–
Charge for the year	–	244	244
At 31 December 2015	**–**	**244**	**244**
Net carrying amount:			
31 December 2014	7,551	2,213	9,764
31 December 2015	**7,551**	**2,196**	**9,747**

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For the financial year ended 31 December 2015

11. Intangible assets (cont'd)

Impairment testing of goodwill

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

	Group	
	2015	2014
	$'000	$'000
Sea Deep Shipyard Pte. Ltd.	**7,551**	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% (2014: 10%) per annum, which is commonly adopted within the industry, was applied to the cash flow projections. Due to the general slowdown of the oil and gas industry, management has forecasted a decline of revenue in 2016 and 4% growth rate per annum from 2017 to 2020 (2014: 3% per annum from 2015 to 2019).

Sensitivity to changes in assumptions

No sensitivity analysis is performed on the assumptions used in the value in use calculation. The bulk of the Group's profit relates to the operations of the Sea Deep Group. As at 31 December 2015, the net tangible asset of the CGU was $58,510,000 (2014: $56,689,000). Given this information, the recoverable amount is not sensitive to other assumptions.

No impairment loss was required for the carrying amount of goodwill assessed as at 31 December 2015 and 2014 as the recoverable amount of the CGU was in excess of the carrying value.

Vessel Design

Amortisation charge of $244,000 (2014: $Nil) has been included in the Group's work-in-progress.

12. Investment in subsidiaries

	Company	
	2015	2014
	$'000	$'000
Shares, at cost	**26,000**	26,000

The subsidiaries for the financial year ended 31 December are:

Subsidiaries (Country of incorporation)	**Cost of investment**		**Percentage of equity held by the Group**		**Principal activities (Place of business)**
	2015	2014	**2015**	2014	
	$'000	$'000	**%**	%	
[1] Sea Deep Shipyard Pte. Ltd. (Singapore)	**20,000**	20,000	**100**	100	Manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry (Singapore)
[1] Baker Engineering Pte. Ltd. (Singapore)	**6,000**	6,000	**100**	100	Design and fabrication of offshore and marine equipment (Singapore)
[1] BT Investment Pte. Ltd. (Singapore)	*****	*	**100**	100	Investment holding (Singapore)
	26,000	26,000			

* Less than $1,000

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For the financial year ended 31 December 2015

12. Investment in subsidiaries (cont'd)

Subsidiaries (Country of incorporation)	Cost of investment 2015 $'000	Cost of investment 2014 $'000	Percentage of equity held by the Group 2015 %	Percentage of equity held by the Group 2014 %	Principal activities (Place of business)
The subsidiary of Sea Deep Shipyard Pte. Ltd. is:					
[1] Interseas Shipping (Private) Limited (Singapore)	**200**	200	**100**	100	Manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry (Singapore)
The subsidiary of Baker Engineering Pte. Ltd. is:					
[1] BEL Design Pte. Ltd. (Singapore)	*****	–	**100**	100	Design and engineering of offshore and marine vessels and equipment (Singapore)

[1] Audited by Ernst & Young LLP, Singapore
* Less than $1,000

13. Investment securities

	Group and Company 2015 $'000	Group and Company 2014 $'000
Non-current:		
Available-for-sale financial assets		
– Corporate bonds (quoted) at fair value	**7,437**	7,699
– Equity securities (unquoted)	**962**	589
	8,399	8,288
Current:		
Available-for-sale financial assets		
– Corporate bonds (quoted) at fair value	**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% (2014: 2.500% to 4.625%) p.a. and with maturities ranging from January 2016 to October 2021.

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 financial year ended 31 December 2015

14. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group			
	Balance sheet		Statement of comprehensive income	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Deferred tax assets:				
Provisions	**370**	826	**456**	(102)
Differences in depreciation for tax purposes	**(10)**	192	**202**	(37)
	360	1,018		
Deferred tax liability:				
Provisions	**41**	–	**(41)**	–
Differences in depreciation for tax purposes	**(191)**	–	**191**	(3)
	(150)	–		
Deferred tax expense			**808**	(142)

Tax consequence of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company 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	
	2015	2014
	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date *	**19,653**	20,999
Less: Progress billings and advances	**(14,528)**	(3,919)
	5,125	17,080
Presented as:		
Gross amount due from customers for contract work-in-progress	**6,706**	19,710
Gross amount due to customers for contract work-in-progress	**(1,581)**	(2,630)
	5,125	17,080
* Included in cost incurred is an amount of:		
Unused inventories on site	**4,021**	15,250
Advances received included in gross amount due to customers for contract work	**1,566**	388
Retention sums on construction contract included in trade receivables	**–**	672

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For the financial year ended 31 December 2015

16. Inventories and work-in-progress

	Group 2015 $'000	Group 2014 $'000
Balance sheet:		
Materials, components and spares	**2,915**	2,512
Work-in-progress	**47,114**	9,066
	50,029	11,578

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 $625,000 (2014: $1,950,000).

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

17. Trade and other receivables

	Group		Company	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Trade receivables	**8,013**	5,848	**–**	–
Deposits	**231**	365	**–**	–
Downpayment for capital expenditure	**120**	800	**–**	–
GST recoverable	**2,511**	464	**–**	–
Sundry receivables	**255**	3	**–**	–
Interest receivables	**117**	111	**117**	111
Total trade and other receivables	**11,247**	7,591	**117**	111
Trade and other receivables (excluding GST recoverable and downpayment for capital expenditure)	**8,616**	6,327	**117**	111
Amount due from subsidiaries (Note 18)	**–**	–	**67,166**	6,011
Cash and short-term deposits (Note 19)	**140,070**	168,685	**128,265**	136,570
Total loans and receivables	**148,686**	175,012	**195,548**	142,692

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.

17. Trade and other receivables (cont'd)

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

	Group 2015 $'000	Group 2014 $'000
United States Dollar	**8,013**	5,807

At the end of the reporting period, trade receivable amounting to $Nil (2014: $1,673,000) was arranged to be settled via letter of credits issued by a reputable bank in the country where the customer was based.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $1,739,000 (2014: $1,925,000) 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 2015 $'000	Group 2014 $'000
Trade receivables past due but not impaired:		
Lesser than 30 days	**231**	131
30 to 60 days	**949**	363
61 to 90 days	**20**	126
More than 90 days	**539**	1,305
	1,739	1,925

Of the trade receivables of $539,000 (2014: $1,305,000) which was past due for more than 90 days, $Nil (2014: $672,000) relates to retention sums on construction contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

17. Trade and other receivables (cont'd)

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 2015 $'000
Trade receivables – nominal amounts	**35**
Less: Allowance for impairment	**(35)**
	–
Movement in allowance account:	
Charge for the year and at 31 December	**35**

18. Amounts due from/(to) subsidiaries

	Company 2015 $'000	Company 2014 $'000
Amount due from:		
Non-trade receivables	**67,166**	6,011
Amount due to:		
Non-trade payables	**38,696**	–

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

19. Cash and short-term deposits

	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Cash at banks and in hand	**50,517**	118,554	**38,712**	86,439
Short-term deposits	**89,553**	50,131	**89,553**	50,131
	140,070	168,685	**128,265**	136,570

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 0.30% to 0.99% (2014: from 0.22% to 1.00%) per annum.

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

	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
United States Dollar	**45,851**	63,563	**37,076**	40,397
Euro	**451**	1,994	**48**	445

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

20. Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Trade payables	**6,738**	3,300	**–**	–
Other payables	**6,874**	9,847	**604**	625
Total trade and other payables	**13,612**	13,147	**604**	625
Trade and other payables (excluding provision for warranty)	**11,206**	8,289	**604**	625
Amount due to subsidiaries (Note 18)	**–**	–	**38,696**	–
Total financial liabilities carried at amortised cost	**11,206**	8,289	**39,300**	625

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

The Group's other payables includes a provision for warranty of approximately $2,406,000 (2014: $4,858,000). During the financial year, the Group wrote back excess provision of approximately $2,452,000 (2014: charge of $189,000). In line with the Group's policy as discussed in Note 2.14, the write-back or charge of additional provision in 2015 and in 2014 for warranty were resulted from the annual revision.

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

	Group	
	2015	2014
	$'000	$'000
United States Dollar	**1,109**	279
Euro	**33**	826

21. Share capital

	Group and Company			
	2015		2014	
	No. of shares ('000)	**$'000**	No. of shares ('000)	$'000
Issued and fully paid:				
At 1 January	**923,070**	**95,547**	872,140	86,851
Issuance of new ordinary shares from conversion of warrants	**91,320**	**13,241**	50,930	8,696
At 31 December	**1,014,390**	**108,788**	923,070	95,547

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.

As at 31 December, the Company has the following outstanding warrants:

			No. of warrants	
	Expiry date	**Exercise price**	**2015**	2014
			'000	'000
2012 Warrants	5 June 2015	$0.145	–	93,777

In June 2012, the Company completed its renounceable non-underwritten rights issue of 280,117,952 warrants at an issue price of $0.01 for each warrant ("2012 Warrants"). Each warrant carries the rights to subscribe for 1 new ordinary share in the capital of the Company at an exercise price of $0.270 for each new share. The warrants were issued on the basis of 2 warrants for every 5 existing ordinary shares in the capital of the Company held by entitled shareholders as at book closure date.

At the Company's previous Annual General Meetings held on 25 April 2013 and 25 April 2014, the shareholders approved special tax exempt (one-tier) dividends of $0.085 per ordinary share for the year ended 31 December 2012 and $0.040 per ordinary share for the year ended 31 December 2013. As the special dividends were distributed out of reserves which were attributable to profits or gains arising from the disposal of investments by the Company, the exercise price of the 2012 Warrants of $0.270 per share was adjusted to $0.185 per share on 13 May 2013 and to $0.145 on 12 May 2014, so as to reflect the lower intrinsic value of the Company's share after the special dividends.

During the year, 91,319,818 warrants were exercised at $0.145 each to subscribe for a total of 91,319,818 shares in the Company. The remaining unexercised 2,457,404 warrants expired on 5 June 2015.

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For the financial year ended 31 December 2015

22. Commitments

(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 $2,944,000 and $636,000 (2014: $4,130,000 and $1,037,000) 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	
	2015	2014
	$'000	$'000
Not later than one year	**1,188**	927
Later than one year but no later than five years	**4,737**	3,673
Later than five years	**4,611**	4,429
	10,536	9,029

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	
	2015	2014
	$'000	$'000
Short-term employee benefits	**4,060**	4,610
Comprise amounts paid / payable to		
– Directors of the Company	**1,486**	1,710
– Other key management personnel	**2,574**	2,900
	4,060	4,610

24. Directors' and executives' remuneration

Directors' remuneration and fees amounted to $1,223,000 (2014: $1,434,000) and $263,000 (2014: $276,000) 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	
	2015	2014
$500,000 to $999,999	**1**	1
$250,000 to $499,999	**1**	1
Below $250,000	**5**	6
Total	**7**	8

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For the financial year ended 31 December 2015

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 AC 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 2015.

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.

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	2015 One year or less $'000	2014 One year or less $'000
Financial assets:		
Trade and other receivables (excluding GST recoverable and downpayment for capital expenditure)	**8,616**	6,327
Cash and short-term deposits	**140,070**	168,685
Total undiscounted financial assets	**148,686**	175,012
Financial liabilities:		
Trade and other payables (excluding provision for warranty)	**11,206**	8,289
Total undiscounted financial liabilities	**11,206**	8,289
Total net undiscounted financial assets	**137,480**	166,723

Company	2015 One year or less $'000	2014 One year or less $'000
Financial assets:		
Trade and other receivables	**117**	111
Amount due from subsidiaries	**67,166**	6,011
Cash and short-term deposits	**128,265**	136,570
Total undiscounted financial assets	**195,548**	142,692
Financial liabilities:		
Trade and other payables	**604**	625
Amount due to subsidiaries	**38,696**	–
Total undiscounted financial liabilities	**39,300**	625
Total net undiscounted financial assets	**156,248**	142,067

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For the financial year ended 31 December 2015

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 cash equivalents), 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			
	2015		2014	
	$'000	**%**	$'000	%
By country				
Singapore	**6,693**	**83**	2,843	48
China	**399**	**5**	1,673	29
Middle East	**781**	**10**	937	16
Asia Pacific (excluding China and Singapore)	**138**	**2**	352	6
Others	**2**	**–**	43	1
	8,013	**100**	5,848	100

At the end of the reporting period, approximately:

– 94% (2014: 74%) of the Group's trade receivables were due from 3 (2014: 4) major customers who are located in Singapore, Middle East and China.

– A nominal amount of approximately $96,639,000 (2014: $94,812,000) relating to a corporate guarantee provided by the Company to banks for its subsidiaries' banking facilities.

25. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 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 currencies in which these transactions are denominated are mainly US Dollars (USD) and Euro. Approximately 99% (2014: 99%) of the Group's sales are denominated in foreign currencies whilst about 51% (2014: 39%) of costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (mainly in USD and Euro) amount to approximately $46,302,000 (2014: $65,557,000) for the Group.

The Group and the Company's investment in quoted corporate bonds that are denominated in USD amount to approximately $5,454,000 (2014: $4,610,000).

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

25. Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

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 and Euro exchange rates against SGD, with all other variables held constant.

		Group	
		2015	2014
		$'000	$'000
		Net profit	Net profit
USD / SGD	– strengthened 3% (2014: 3%)	**+1,296**	+1,766
	– weakened 3% (2014: 3%)	**–1,296**	–1,766
Euro / SGD	– strengthened 3% (2014: 3%)	**+10**	+29
	– weakened 3% (2014: 3%)	**–10**	–29

26. Fair value of financial instruments

A. Fair value of financial instruments by classes that are not carried 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.

B. Fair value of financial instruments that are carried at fair value

	Group and Company	
	2015	2014
	$'000	$'000
Non-current:		
Available-for-sale financial assets		
– Corporate bonds (quoted) - at fair value (Level 1)	**7,437**	7,699
Current:		
Available-for-sale financial assets		
– Corporate bonds (quoted) - at fair value (Level 1)	**1,284**	–

Fair value hierarchy

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

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

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

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

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

Determination of fair value

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

26. Fair value of financial instruments (cont'd)

C. Fair value of financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Group and Company 2015 $'000	2014 $'000
Non-current:		
Available-for-sale financial assets		
– Equity securities (unquoted)	**962**	589

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 2015 and 31 December 2014.

28. Dividend

	Group and Company 2015 $'000	2014 $'000
Declared and paid during the financial year:		
Dividend on ordinary shares:		
– First and final tax exempt (one-tier) dividend for 2014: 1.0 cent (2013: 1.0 cents) per share	**10,075**	9,049
– Special tax exempt (one-tier) dividend for 2014: Nil (2013: 4.0 cents)	**–**	36,197
	10,075	45,246
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 2015: 0.5 cent (2014: 1.0 cent) per share	**5,072**	9,231

29. Reclassifications and comparative figures

To better reflect the nature of the accounts, certain accounts in the 2014 financial statements have been reclassified as shown below. These classifications have no impact on the balance sheet as at 1 January 2014, 31 December 2014 and on the current year figures.

	As reclassified $'000	As previously classified $'000
Consolidated balance sheet		
Gross amount due from customers for contract work-in-progress	19,710	28,776
Inventories	–	2,512
Inventories and work-in-progress	11,578	–
	31,288	31,288

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30. Event occurring after the reporting period

On 25 February 2016, the Company has announced the proposal to consolidate every five (5) existing issued shares in the capital of the Company into one (1) ordinary share. The proposed share consolidation is subject to shareholders' approval at the Extraordinary General Meeting. Following the completion of the proposed share consolidation, the Company will have an issued and paid-up share capital of $108,788,054 comprising approximately 202,878,052 consolidated shares.

31. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 8 March 2016.

ANALYSIS OF SHAREHOLDINGS

As at 10 March 2016

Number of Shares issued	:	1,014,390,262
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share

There are no treasury shares held in the issued share capital of the Company.

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	292	4.37	2,931	0.00
100 – 1,000	368	5.51	333,440	0.03
1,001 – 10,000	1,857	27.78	14,031,496	1.39
10,001 – 1,000,000	4,125	61.71	270,745,200	26.69
1,000,001 and above	42	0.63	729,277,195	71.89
Total	**6,684**	**100.00**	**1,014,390,262**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Benety Chang	427,722,887	42.17
2.	Heng Chin Ngor Doris	95,758,856	9.44
3.	Citibank Nominees Singapore Pte Ltd	36,942,200	3.64
4.	Tan Yang Guan	20,642,770	2.03
5.	OCBC Securities Private Limited	18,107,540	1.79
6.	DBS Nominees (Private) Limited	17,439,938	1.72
7.	Aurol Anthony Sabastian	15,635,673	1.54
8.	UOB Kay Hian Private Limited	9,470,200	0.93
9.	Chiam Toon Chew	8,233,000	0.81
10.	Raffles Nominees (Pte) Limited	6,304,500	0.62
11.	DBS Vickers Securities (Singapore) Pte Ltd	6,064,000	0.60
12.	United Overseas Bank Nominees (Private) Limited	5,654,800	0.56
13.	OCBC Nominees Singapore Private Limited	4,967,809	0.49
14.	Pua Beng Soon	4,300,000	0.42
15.	Ng Chai Hock	4,087,700	0.40
16.	Lim & Tan Securities Pte Ltd	3,540,700	0.35
17.	Phillip Securities Pte Ltd	3,524,769	0.35
18.	Booi Pang Hin	2,674,000	0.26
19.	Lee Yan Teck	2,543,500	0.25
20.	Sng Boon Chow	2,500,000	0.25
	Total	**696,114,842**	**68.62**

ANALYSIS OF SHAREHOLDINGS

As at 10 March 2016

Percentage of Shareholding in Public Hands

Based on the information available to the Company, as at 10 March 2016, approximately 44.77% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

Substantial Shareholders

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Dr Benety Chang [1]	427,722,887	42.17	95,758,856	9.44
Dr Doris Heng Chin Ngor [2]	95,758,856	9.44	427,722,887	42.17

Notes:

[1] Dr Benety Chang's deemed interests include 95,758,856 shares held by his wife, Dr Doris Heng Chin Ngor.

[2] Dr Doris Heng Chin Ngor's deemed interests include 427,722,887 shares held by her husband, Dr Benety Chang.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Baker Technology Limited (the "Company") will be held at Nautica II, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887 on Friday, 22 April 2016 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 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 0.5 cent per ordinary share (tax exempt one-tier) for the year ended 31 December 2015. **(Resolution 2)**

3. To approve the payment of Directors' fees of S$262,763 for the year ending 31 December 2016 to be paid quarterly in arrears. (2015: S$262,763) **(Resolution 3)**

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

   (i) Ms Jeanette Chang **(Resolution 4)**

   (ii) Mr Wong Meng Yeng **(Resolution 5)**

5. To re-appoint Mr Lim Ho Seng as a Director of the Company. **(Resolution 6)**

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

7. 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:

8. Authority to Issue Shares

   That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), authority be and is hereby given to the Directors of the Company 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 for the time being 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 the earlier. **(Resolution 8)**

By Order of the Board

Nga Ko Nie
Company Secretary

Singapore, 5 April 2016

Explanatory Notes:

i. Ordinary Resolution 4 is to re-elect Ms Jeanette Chang, who will upon re-election, remain as Executive Director and will be considered non-independent.

ii. Ordinary Resolution 5 is to re-elect Mr Wong Meng Yeng, who will upon re-election, remain as Lead Independent Director, Chairman of the Nominating Committee and a member of the Audit Committee. Mr Wong will be considered independent.

iii. Ordinary Resolution 6 is to re-appoint Mr Lim Ho Seng as a Director of the Company. As Mr Lim Ho Seng was re-appointed to hold office until this Annual General Meeting of the Company pursuant to the then Section 153(6) of the Companies Act (Cap.50), the re-appointment of Mr Lim Ho Seng is proposed although he will not be subject to subsequent annual re-appointments with the repeal of Section 153 with effect from 3 January 2016. Mr Lim will upon re-appointment, remain as the Chairman of the Board of Directors and a member of the Remuneration Committee. Mr Lim will be considered non-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 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 4 May 2016 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 3 May 2016 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 3 May 2016 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by shareholders at the Annual General Meeting to be held on 22 April 2016, will be paid on 13 May 2016.

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 Friday, 22 April 2016 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 2015		
2.	Declaration of a First and Final Dividend		
3.	Approval of Directors' fees of S$262,763 for the year ending 31 December 2016		
4.	Re-election of Ms Jeanette Chang as a Director		
5.	Re-election of Mr Wong Meng Yeng as a Director		
6.	Re-appointment of Mr Lim Ho Seng as a Director		
7.	Re-appointment of Messrs Ernst & Young LLP as Auditor		
	SPECIAL BUSINESS		
8.	Authority to issue shares		

Dated this ______________ day of ______________ 2016

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

____
Signature of Member(s)/
Common Seal of Corporate Shareholder

Notes: See overleaf

Notes:

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;

(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 5 April 2016.