FOCUSED
ON THE FUTURE

Baker Technology Limited
Annual Report 2019

Vision
To strive towards sustainable growth through innovation, diversification and organisational excellence, while staying committed to safeguarding stakeholders' interests and the Group's assets in order to deliver long-term value and growth to our shareholders

Mission
To be a leading provider of specialised equipment and services to the oil and gas sector, offering advanced and innovative products and value-added business solutions for the diverse and specific needs of our global customers

PEOPLE

SUSTAINABILITY

BUSINESS

INNOVATION

RETURNS

GROWTH

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

Baker Technology Limited (“Baker Tech”), together with its subsidiaries (the “Group”), is a leading manufacturer and provider of specialised marine offshore equipment and services, focused on the offshore oil and gas industry.

The Group’s core business is in the design, construction, operation and chartering of mobile offshore units and offshore supply vessels, along with the design and construction of a wide range of critical equipment and components for the offshore marine industry. These include offshore pedestal cranes, anchor winches, skidding systems, jacking systems and raw water tower structures. The Group also provides engineering services, and other services such as project management, quality assurance and construction supervision.

KEY MILESTONES

2000

MAY

Saberon Investments Pte Ltd acquired a controlling stake in the Company

JULY

Name changed to Baker Technology Limited

2004

SEPTEMBER

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

2005

OCTOBER

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

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

Winner of Best Managed Board (Merit)* 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

Winner of Best Managed Board (Silver)* in the Singapore Corporate Awards

SEPTEMBER

Listed on Forbes Asia's Best Under a Billion and was one of only eight companies in Singapore on the list

OCTOBER

Disposed of entire issued and paid up share capital of PPL Holdings Pte Ltd to QD Asia Pacific Ltd for a cash consideration of US$116.25 million

2011

MAY

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

JULY

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

AUGUST

Increased investment in Discovery Offshore S.A. to 20%

*** For companies with market capitalisation of less than $300 million**

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)* 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

FEBRUARY
Incorporation of indirect wholly owned subsidiary - BEL Design Pte. Ltd.

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

2015

JULY
Winner of Best Annual Report (Bronze)* at the Singapore Corporate Awards

2016

JULY
Winner of Merit (Most Improved Category) Award at SIAS Investors' Choice Award

OCTOBER
Incorporation of wholly-owned subsidiary - BT Titanium Pte. Ltd.

2017

JUNE
Incorporation of wholly-owned subsidiary - BT Offshore (Malaysia) Pte Ltd

JULY
Winner of Best Annual Report (Bronze)* at the Singapore Corporate Awards

Transparency (Small & Mid Cap) Award winner at the SIAS Investors' Choice Award

2018

APRIL
Naming ceremony of Baker Engineering's Blue Titanium liftboat

MAY
Incorporation of wholly-owned subsidiary - BT Offshore (B) Sdn Bhd

JULY
Winner of Best Annual Report (Silver)* award at the Singapore Corporate Awards

Acquired 52.72% stake in CH Offshore Ltd. (54.98% as of 13 September 2018)

AUGUST
Incorporation of wholly-owned subsidiary - BT OSV 1 Pte. Ltd.

SEPTEMBER
Incorporation of wholly-owned subsidiary - BT Offshore Management Pte. Ltd.

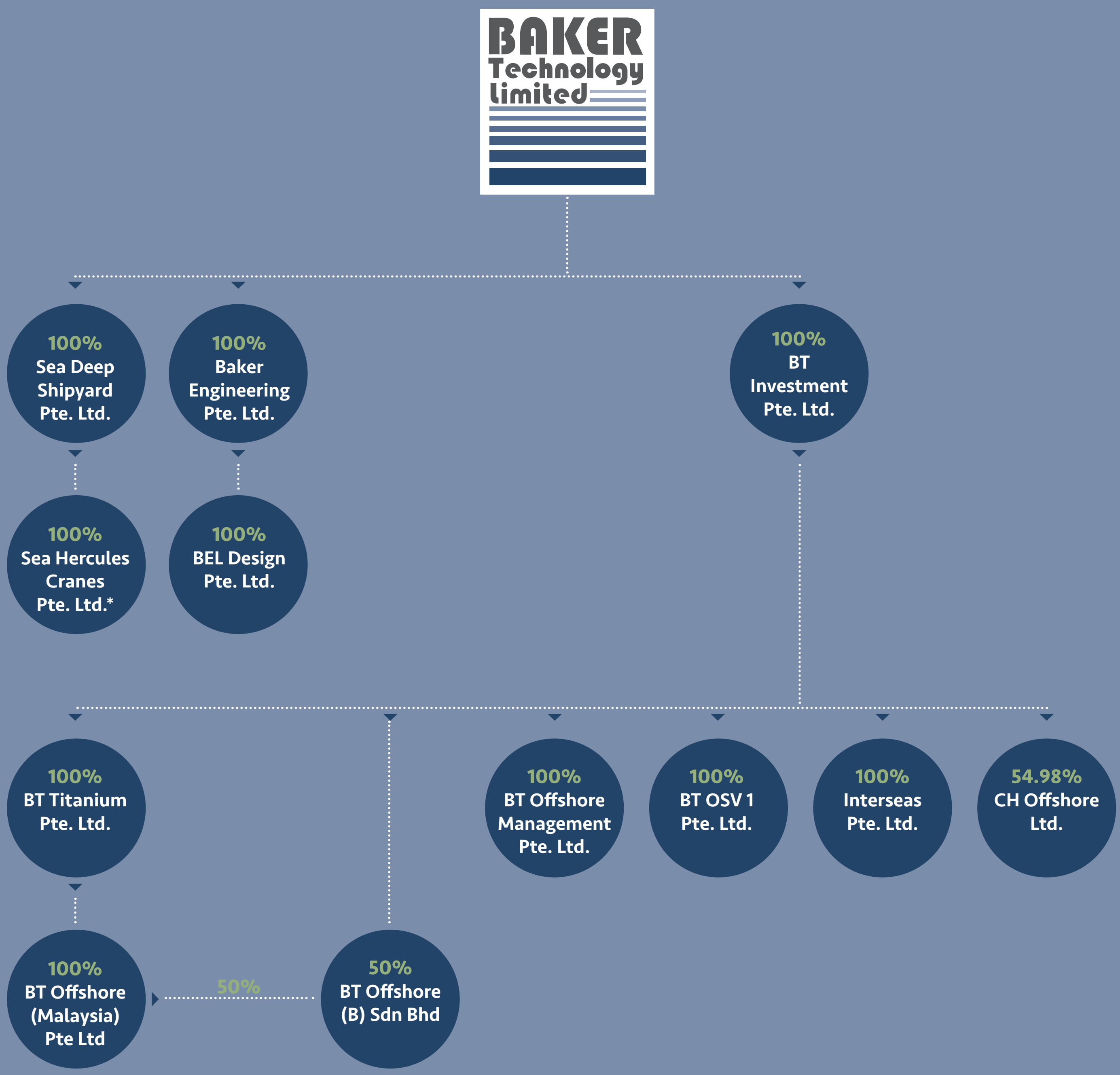
OCTOBER
Incorporation of wholly-owned subsidiary - Interseas Pte. Ltd.

Wholly-owned subsidiary - Interseas Shipping (Private) Limited underwent a name change and is now known as Sea Hercules Cranes Pte. Ltd.

2019

SEPTEMBER
Winner of Transparency (Small & Mid Cap) Award at the SIAS Investors' Choice Award

CORPORATE STRUCTURE



** formerly known as Interseas Shipping (Private) Limited.*

CORPORATE INFORMATION

Board Of Directors

Chairman
Wong Meng Yeng (Independent)

Executive
Jeanette Chang (Chief Executive Officer)
Dr Benety Chang

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
Jeanette Chang

Remuneration Committee

Han Sah Heok Vicky (Chairman)
Ang Miah Khiang
Wong Meng Yeng

Company Secretary

Lim Mee Fun

Registered Office

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

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

Auditor

Ernst & Young LLP
Public Accountants & Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Audit Partner-in-charge:

Yee Woon Yim
(appointed since financial year ended 31 December 2019)

Principal Bankers

Oversea Chinese Banking Corporation Limited
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

Delivering stable returns to stakeholders

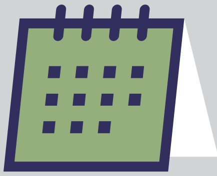
Supported by strong fundamentals and solid track records

Working together to deliver long-term value

FOCUSED ON SYNERGY

OUR
BUSINESS

BAKER ENGINEERING PTE. LTD.



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

Focused on **the design and construction of mobile offshore units, critical equipment and components for the offshore marine industry.**

Operates out of three waterfront shipyards in Singapore, each equipped with open production facilities, office buildings, workshops and warehouses. The waterfront provides our customers with an option to transport completed projects by sea.

Onsite warehouses are fully equipped with a live Enterprise Resource Planning System, fully integrated with a procurement module for inventory enhanced traceability.

As an **ISO 9001 certified company**, BEPL ensures that every aspect of its operations and production procedures conforms to the highest standards of quality control to produce exceptional results for each and every customer and project.

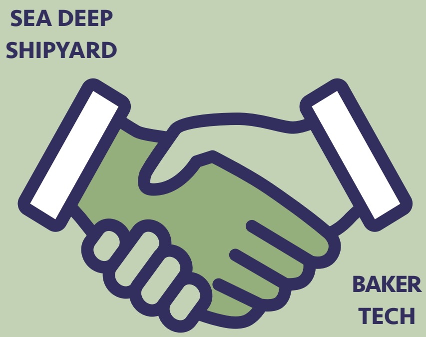
Attained the International Ship and Port Facility Security (ISPS) code for all of its shipyards.

The **State-of-the-Art DP2 Liftboat, Blue Titanium**, was constructed by BEPL and owned by BT Titanium Pte. Ltd., a wholly-owned subsidiary of Baker Tech. In the year of review, the Blue Titanium was on a time charter supporting rejuvenation works for a national oil company. The Blue Titanium provides offshore workers with top-tier accommodation services, walk-to-work gangway and an on-board pedestal crane with lifting capacity of up to 300MT.

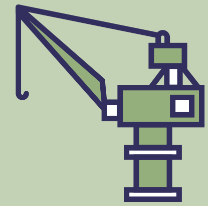
Accredited numerous world-class certifications including **ISO 45001** and **ISO 3834** and is also a **BizSAFE STAR company**.

OUR BUSINESS

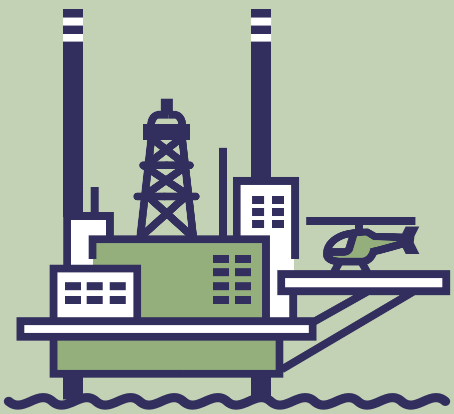
SEA DEEP SHIPYARD PTE. LTD.



September 1996: Sea Deep Shipyard Pte. Ltd. ("Sea Deep") was incorporated in 1996 and acquired by Baker Tech in 2008. Sea Deep is an established 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. To meet customer specific requirements for specialised engineering products, Sea Deep also provides product customisation services and refurbishment and replacement support.



October 2018: Sea Deep's wholly-owned subsidiary, Interseas Shipping (Private) Limited changed its name to Sea Hercules Cranes Pte. Ltd. ("SHC or Sea Hercules Cranes") to better align with the subsidiary's business activities.



Operates out of a **waterfront yard** in Singapore, equipped with production facilities, office buildings and workshops.

Produces **high quality steel products** and **components for new builds, repairs and upgrades for jackup rigs and liftboats including racks and chords.**

Designs and manufactures its own **proprietary Sea Hercules Cranes** for fixed and floating platforms. These cranes offer reliability and cost-effective maintenance thus earning them a proven track record and a strong presence in Asia Pacific and Middle East.

As an **ISO9001 and ISO 45001 certified and BizSAFE Star company**, Sea Deep ensures every aspect of the production procedures is subjected to stringent quality control whilst observing the highest standard 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

Project Management and turnkey conversions with its proprietary designs

Maintenance and **Repair Services** for existing offshore equipment including cranes

OUR BUSINESS

BT INVESTMENT PTE. LTD.

September 2013 - BT Investment Pte. Ltd. ("BT Investment") was incorporated as a wholly-owned subsidiary of Baker Tech. As an investment holding company, BT Investment focuses on exploring new business opportunities to increase the Group's revenue stream and expand of Baker Tech's product offerings through acquisitions and strategic alliances.

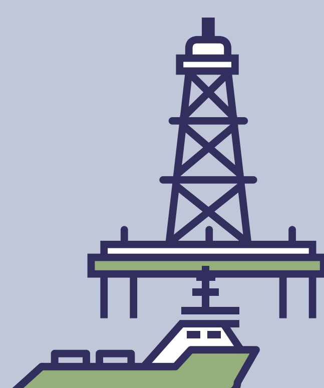
October 2016 - A wholly-owned subsidiary BT Titanium Pte. Ltd. ("BT Titanium") was incorporated to provide offshore marine logistics support services.

May 2018 - BT Investment and BT Titanium incorporated a wholly-owned subsidiary in Brunei Darussalam, BT Offshore (B) Sdn Bhd, which specialises in offshore marine logistics support and services.

June 2017 -Incorporated an indirect wholly-owned subsidiary, BT Offshore (Malaysia) Pte Ltd, which provides offshore marine logistic support and services.

August 2018 - Incorporated a wholly-owned subsidiary BT OSV 1 Pte. Ltd. for ship owning and provision of offshore marine logistics support services.

July 2018 - BT investment acquired a 52.72% stake in CH Offshore Ltd. ("CHO"). Baker Tech's stake in CHO increased to 54.98% in September 2018.



September 2018 - Incorporation of BT Offshore Management Pte. Ltd. whose primary activities include vessel chartering and ship management services.

October 2018 - Incorporated a direct wholly-owned subsidiary named Interseas Pte. Ltd., a manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry.

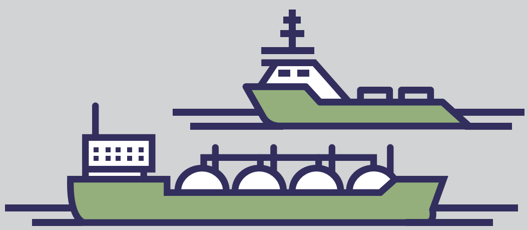
OUR BUSINESS

CH OFFSHORE LTD.

March 1976 - incorporated as Mico Line Pte Ltd

February 2003 - listed on the Singapore Exchange Securities Trading Limited under its new name CH Offshore Ltd.. ("CHO")

September 2018 - BT Investment Pte. Ltd. acquired 54.98% stake in CHO



CHO is focused on ship management, ship-owning and chartering. CHO operates eleven anchor handling tug supply ("AHTS") vessels, ten of which are wholly-owned. Seven of the newer AHTS are 12,240 bhp vessels, each equipped with state-of-the-art facilities for heavy offshore work in deeper waters.

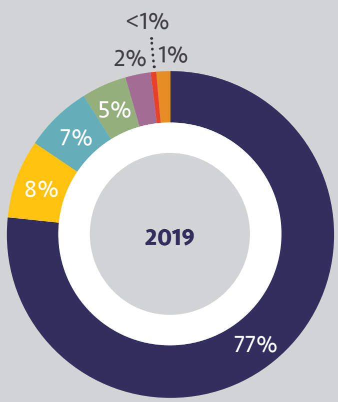
CHO'S VESSELS ARE DEPLOYED GLOBALLY.

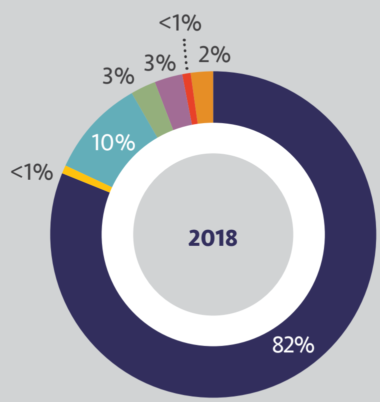
Vessel presence

OUR BUSINESS

The Group continues to focus on the **marine offshore segment of the oil and gas industry.**

The Group derived its revenue solely from the marine offshore segment. About **77% of the revenue** was from the Asia Pacific (excluding China and Singapore) region as its liftboat, Blue Titanium, as well as the CHO vessels were mainly deployed in Southeast Asia.





Revenue By Geographical Area

	2019 $'000	2018 $'000
Asia Pacific (excluding China and Singapore)	49,699	26,953
Africa	5,108	47
Middle East	4,259	3,205
Americas	2,960	839
Singapore	1,622	969
China	66	41
Others	768	648
	64,482	**32,702**

FINANCIAL REVIEW

Income Statement

	2019 $'000	2018 $'000	Changes %	Explanatory Notes
Revenue	64,482	32,702	+97%	Increase due to a full year contribution from CHO following the acquisition and consolidation from August 2018
Cost of sales	(47,222)	(23,326)	+102%	
Gross profit	17,260	9,376	+84%	
Gross profit margin	27%	29%	-7%	Relates to the acquisition of CHO in 2018
Other income / (expenses), net	320	619	-48%	
Bargain purchase gain	–	24,709	NM	Loss in 2019 due to the weakening of USD against SGD during the year
Foreign exchange (loss) / gain	(567)	320	NM	
Administrative expenses	(28,051)	(17,264)	+62%	Increase mainly due to a full year contribution from CHO following its acquisition in 2018, coupled with a provision for brokers' commission following the results of the arbitriation proceedings brought by three shipbrokers against CHO and a higher provision for doubtful debts
Finance cost	(929)	(206)	NM	
Share of results of associated companies	(4,953)	(3,101)	+60%	Higher loss contributed by loss on disposal of vessels by CHO's Indonesian associated company
(Loss) / profit before tax	(16,920)	14,453	NM	
Income tax expenses	(1,021)	(138)	NM	Mainly due to under provision of current taxation for prior years
(Loss) / profit after tax	(17,941)	14,315	NM	
Attributable to:				
Owners of the Company	(9,392)	17,624	NM	
Non-controlling interests	(8,549)	(3,309)	+158%	Relates to the losses attributed to the 45.02% minority shareholders of CHO
(Loss) / profit after tax	(17,941)	14,315	NM	

Cash Flows

	2019 $'000	2018 $'000	Changes %	Explanatory Notes
Cash from / (used in) operating activities	15,289	(9,330)	NM	Improvement due to the increase in revenue recorded
Cash from / (used in) investing activities	3,968	(49,244)	NM	Attributed to the proceeds following the disposal of 2 CHO vessels during the year and repayment from CHO's associated company. The amount for 2018 was mainly for the investment in CHO
Cash used in financing activities	(2,518)	–	NM	Relates to the payment of dividends to shareholders and the repayment of bank borrowings by CHO
Net increase / (decrease) in cash & cash equivalents	16,739	(58,574)	NM	
Effect of exchange rate changes on cash & cash equivalents	(437)	852	NM	
Cash & cash equivalents at beginning of year	28,920	86,642	-67%	
Cash & cash equivalents at end of year	45,222	28,920	+56%	

** NM denotes Not Meaningful*

FINANCIAL REVIEW

Balance Sheets

	2019 $'000	2018 $'000	Changes %	Explanatory Notes
Non-current assets				
Property, plant and equipment	209,759	230,341	-9%	Reduction due to the depreciation charge for the year and the disposal of 2 CHO vessels
Right-of-use assets	5,465	–	NM	Capitalisation of JTC leases as right-of-use assets following the adoption of SFRS (I) 16
Intangible assets	1,293	1,551	-17%	
Investment in associated companies	–	4,979	NM	
Loan to associated company	–	3,406	NM	Decrease due to reclassification to current liabilities and repayment during the year
Investment securities	2,173	2,491	-13%	
	218,690	242,768	-10%	
Current assets	78,015	61,811	+26%	
Current liabilities	(27,613)	(18,858)	+46%	
Net current assets	50,402	42,953	+17%	Increase generally due to increase in cash balances as a result of better operating cash flows, partially offset by higher provision for broker's commission and lease liabilities as a result of the adoption of SFRS (I) 16
Non-current liabilities				
Deferred tax liabilities	(5,519)	(5,545)	–	
Loans and borrowings	(6,553)	(4,067)	+61%	Increase due to the adoption of SFRS (I) 16
Provision	(1,550)	–	NM	
	(13,622)	(9,612)	+42%	
Net assets	255,470	276,109	-7%	
Share capital	108,788	108,788	–	
Reserves	100,542	112,041	-10%	Reduction due to net losses recorded for the year including foreign currency translation losses due to the weakening of USD against SGD
Shareholders' equity	209,330	220,829	-5%	
Non-controlling interests	46,140	55,280	-17%	Relates to the 45.02% minority shareholders of CHO
Total equity	255,470	276,109	-7%	

** NM denotes Not Meaningful*

FINANCIAL REVIEW

Group Quarterly Results

	Q1 $'000	Q2 $'000	Q3 $'000	Q4 $'000	Full Year $'000
Revenue					
2019	15,925	21,295	15,382	11,880	64,482
2018	683	3,516	9,973	18,530	32,702
Net profit / (loss) after tax					
2019	1	(2,235)	(7,456)	(8,251)	(17,941)
2018	(4,847)	(983)	25,677	(5,532)	14,315
Net profit / (loss)* after tax					
2019	215	(2,041)	(8,086)	(7,462)	(17,374)
2018	(4,123)	(2,779)	25,686	(4,789)	13,995

** Excluding foreign exchange gain/losses*

Quarterly revenue for Q1 to Q3 of FY2019 were higher than the corresponding quarters in 2018 mainly due to higher charter income following the acquisition and consolidation of CHO from August 2018. Lower revenue was reported in Q4 of 2019 as certain vessels were off-hired for regular maintenance.

Despite the general improvement of revenue in FY2019, the Group reported losses from Q2 to Q4. This was mainly attributed to higher share of losses from CHO's Indonesian associated company in Q2 from losses on disposal of vessels, provision for brokers' commission following the results of the arbitration proceedings brought by three ship brokers against CHO in Q3, and lower charter income for Q4.

For Q3 of FY2018, the Group reported net profit of $25.7 million as a result of a one-off bargain purchase gain of approximately $24.7 million resulting from the acquisition of CHO.

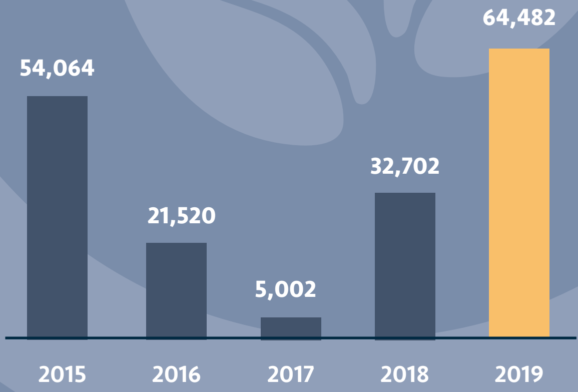
Given that the US dollar depreciated against the Singapore dollar by approximately 1.2% for FY2019 and appreciated against the Singapore dollar by approximately 2.4% for FY2018, the quarter-on-quarter foreign exchange movements were volatile. As a result, quarterly foreign exchange gain/losses fluctuated significantly.

FIVE-YEAR FINANCIAL HIGHLIGHTS

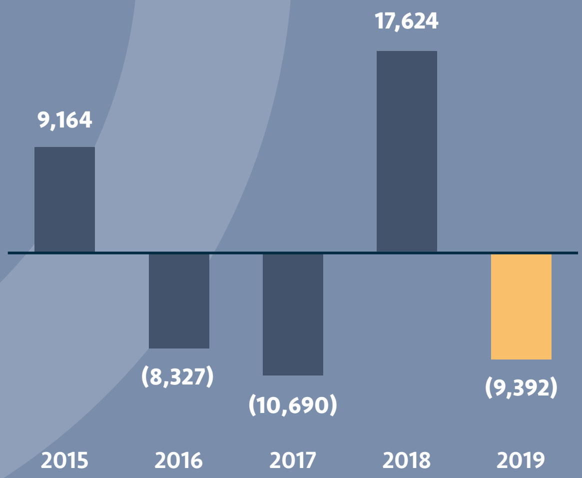
	2015	2016	2017	2018	2019
Financial Performance ($'000)					
Revenue	54,064	21,520	5,002	32,702	64,482
Gross profit	15,219	5,671	2,619	9,376	17,260
Share of results of associated companies	–	–	–	(3,101)	(4,953)
Bargain purchase gain	–	–	–	24,709	-
Pre-tax profit / (loss)	11,124	(9,222)	(11,283)	14,453	(16,920)
Profit / (loss) after tax	9,164	(8,327)	(10,690)	14,315	(17,941)
Profit / (loss) for the year attributable to Owners of the Company	9,164	(8,327)	(10,690)	17,624	(9,392)
Financial Position ($'000)					
Total assets	246,066	224,590	208,873	304,579	296,705
Cash and short-term deposits	140,070	106,956	86,642	28,920	45,222
Net current assets	192,481	194,046	84,933	42,953	50,402
Loans and borrowings	–	–	–	12,514	16,065
Shareholders' equity	228,913	215,667	202,514	220,829	209,330
Non-controlling interests	–	–	–	55,280	46,140
Per Share Data (cents)*					
Earnings per share	4.7	(4.1)	(5.3)	8.7	(4.6)
Diluted earnings per share	4.7	(4.1)	(5.3)	8.7	(4.6)
Ordinary dividend per share	2.50	1.25	–	0.50	0.50
Cash per share	69.0	52.7	42.7	14.3	22.3
Net asset per share	112.8	106.3	99.8	108.8	103.2
Other Information					
Return on shareholders' equity	4%	-4%	-5%	5%	-7%
Return on assets	5%	-4%	-5%	5%	-6%
Dividend cover	1.9	-3.3%	N/A	17.4	-9.3%
Stock Information*					
Number of shares on issue ('000)	202,878	202,878	202,878	202,878	202,878
Highest / lowest share price (cents)	132.5 / 90.5	99.5 / 54.5	76.0 / 56.0	64.0 / 42.5	53.5 / 36.0
Year-end share price (cents)	94.5	61.5	63.0	43.0	38.0
Year-end market capitalisation ($'m)	191.7	124.7	127.8	87.2	77.1

** Numbers are adjusted based on revised number of shares as a result of share consolidation in May 2016*

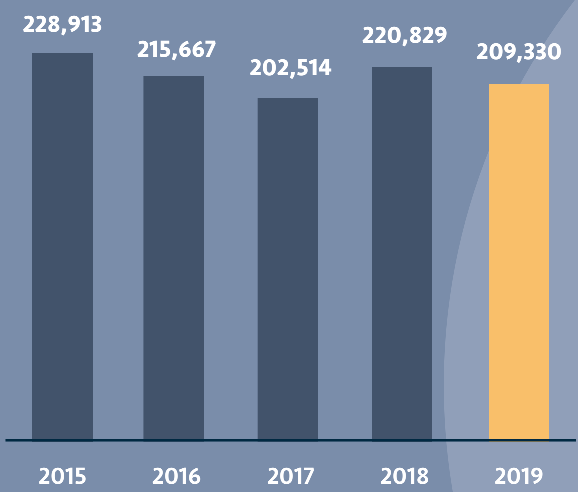
5-YEAR REVENUE
($'000)



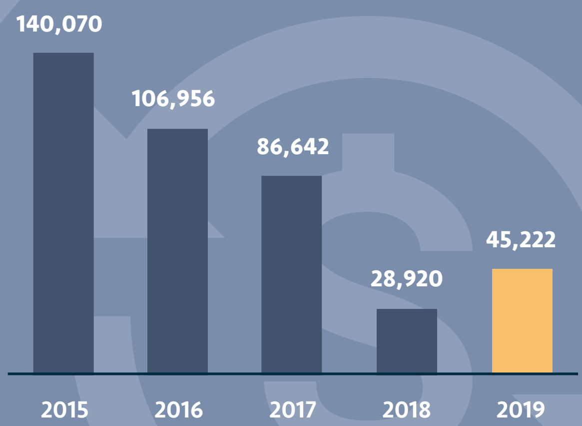
5-YEAR PROFIT / (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY
($'000)



5-YEAR SHAREHOLDERS' EQUITY
($'000)



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



FIVE-YEAR PERFORMANCE REVIEW

	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000
Revenue	54,064	21,520	5,002	32,702	64,482
Gross profit	15,219	5,671	2,619	9,376	17,260
Pre-tax profit / (loss)	11,124	(9,222)	(11,283)	14,453	(16,920)
Net profit / (loss)	9,164	(8,327)	(10,690)	14,315	(17,941)
Profit / (loss) for the year attributable to Owners of the Company	9,164	(8,327)	(10,690)	17,624	(9,392)
Shareholders' equity	228,913	215,667	202,514	220,829	209,330
Cash and short-term deposits	140,070	106,956	86,642	28,920	45,222
Earnings per share (cents)*	4.7	(4.1)	(5.3)	8.7	(4.6)
Diluted earnings per share (cents)*	4.7	(4.1)	(5.3)	8.7	(4.6)
Cash per share (cents)*	69.0	52.7	42.7	14.3	22.3

** Numbers are adjusted based on the revised numbers of shares as a result of share consolidation in May 2016*

2019

Group revenue increased 97% from $32.7 million in 2018 to $64.5 million in 2019 mainly due to a full-year impact from CHO. However, as charter rates remained soft during the year, the Group reported net loss after non-controlling interests of $9.4 million for FY2019. The higher share of losses from CHO's Indonesian associated company from losses on vessel disposal and provision for brokers' commission following the results of the arbitration proceedings brought by three ship brokers against CHO during the year, contributed to the net loss.

However, the Group's cash position remains healthy and stands at $45.2 million as at 31 December 2019, up 56% from $28.9 million a year ago.

2018

Group revenue improved from $5.0 million in 2017 to $32.7 million in 2018 mainly due to the deployment of the liftboat in the second quarter of 2018 and the impact from the acquisition and consolidation of 54.98% equity interest in CHO (for $47.1 million). The acquisition was settled fully in cash, with the Group recording a bargain purchase gain of $24.7 million, which resulted in the Group turning round to a net profit of $14.3 million for the year.

The Group's cash position now stands at $28.9 million as at 31 December 2018, or 14.3 cents per share.

2017

Revenue decreased by 77% to $5.0 million, due to the continued weakness in the oil and gas industry. Coupled with a foreign exchange loss of $4.0 million arising from the weakening of the US dollar against the Singapore dollar, the Group's net loss for 2017 widened to $10.7 million. The construction of the liftboat was completed and the Group secured a time charter for the liftboat, which was deployed during the second quarter of 2018 in Southeast Asia to support rejuvenation works for oil and gas platforms for a national oil company.

2016

Uncertainties and weak sentiment weighed on the oil and gas industry in 2016. Revenue decreased 60% to $21.5 million. With the persistent weakness in the industry, the Group recorded an impairment loss of $7.6 million on the goodwill in a subsidiary. As a result, the Group reported a net loss of $8.3 million for the year.

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

2015

With oil prices declining since the second half of 2014, demand took 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 2015.

Building a brand synonymous
with quality and trust

Developing innovative
growth strategies

Harnessing our
experience and expertise

FOCUSED ON CAPABILITIES

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report of Baker Technology Limited ("Baker Tech") and its subsidiaries (the "Group") for the financial year ended 31 December 2019 ("FY2019").

2019 was the first full year of consolidation of CH Offshore Ltd. ("CHO") since the acquisition of CHO in August 2018. During the course of the year, the two companies have taken advantage of synergies and opportunities to extend our collective reach into new markets to enhance returns for shareholders. As a group, our revenues therefore reflect all charter income from CHO-owned vessels alongside that of our state-of-the-art DP2 Liftboat, Blue Titanium and our shipyard fabrication operations.

On a global front, we saw weaker and more volatile oil prices capped by uncertainty in the health of global economies and sufficient reserve capacity and supplies. Brent Crude Oil traded range-bound between US$54.91/bbl to US$74.57/bbl, ending the year at US$66.00/bbl. Despite limitations in supply stemming from US sanctions on Iran, increased production cuts from OPEC (especially Saudi Arabia) and Russia and drone attacks on Saudi Aramco, high inventory levels have ameliorated the shocks on the supply side thus muting oil price escalations. On the demand side, flagging global economic growth and expansion partly due to the trade wars between the US and several countries (most notably China) have weighed on investors' confidence and reduced global energy demand. Other global developments in 2019 including the prolonged protests in Hong Kong and President Trump's impeachment have added to the geopolitical and economic uncertainties.

Resilient Performance

Over the past year, the Group has continued to prioritise its efforts towards building on our strengths while managing our costs conservatively and effectively. Notwithstanding the uncertainties mentioned above, we ended FY2019 with a significant increase in revenue to $64.5 million as compared to $32.7 million for FY2018 following the acquisition and consolidation of CHO in August 2018. Despite the increase in revenue for FY2019, the Group reported a net loss of $9.4 million attributable to the shareholders of the Company mainly due to a higher share of losses from associated companies, primarily contributed by a loss on disposal of vessels by CHO's Indonesian associated company, higher administrative expenses resulting from the full year consolidation of CHO and a provision for brokers' commission following results of the arbitration proceedings in 3Q 2019.

Group shareholders' funds also saw a decrease from $220.8 million as at 31 December 2018 to $209.3 million as at 31 December 2019 due to a net loss attributable to shareholders of the Company of $9.4 million and the payment of dividends to shareholders of $1.0 million.

With positive operating cash flows of $15.3 million for FY2019 supported in part by the Blue Titanium time charter, the Group's cash and short- term deposits remained healthy at $45.2 million as at 31 December 2019. The Board is recommending a first and final dividend of 0.5 cent per share for the financial year ended 31 December 2019.

Outlook

For 2020, we anticipate slowing economic growth stemming from macro-economic issues, pressure on oil prices as production is expected to increase from more stable countries like Canada and Norway as compared to current key oil producers like Venezuela, Iran and Iraq with continued muted appetite for large greenfield projects. Oil majors are more likely to focus on optimising currently active assets to ensure optimal production. A major unexpected development at the end of 2019 impacting global economies and supply chains is the emergence and spread of the COVID-19 virus which in early 2020 has been declared a global public health emergency by the World Health Organisation. Countries globally have made downward revisions to their economic forecasts which in turn portend a dampened demand.

However despite these challenges, we are optimistic about the rejuvenation and asset enhancement opportunities for our vessels, though potentially with muted charter rates, as well as fabrication projects for our shipyard subsidiaries. Fabrication activity has improved in recent months, hinting at increasing new build opportunities.

To better position the Group to manage the uncertainties ahead, we will continue to take the necessary precautions and remain steadfast and prudent in managing our operating expenditure to better mitigate business risks.

Sustainability

As a Group, we regularly assess the economic, environmental, corporate governance and social risks of our operations taking into consideration key focus areas for the sector for example; greenhouse gas emissions, business ethics and human rights, retaining talent and experience within the sector. We are committed to deliver sustainable value to all our stakeholders in an environmentally responsible manner. As a business that strives towards growth and development, we remain vigilant for emerging trends that may present viable business opportunities. We have an obligation to always act with the least impact to the environment and climate while building a resilient business to ensure long-term growth. Our commitment to sustainability extends also to the communities where we operate.

> **"We are optimistic about the rejuvenation and asset enhancement opportunities for our vessels, though potentially with muted charter rates, as well as fabrication projects for our shipyard subsidiaries."**

Board Movement

On behalf of the Board, I would like to express my deepest appreciation to Mr Lim Ho Seng, who retired from the Board in September 2019 after 20 years of dedication and visionary leadership. Prior to his retirement, Mr Lim was Chairman of the Board and is also a member of the Remuneration Committee.

In Appreciation

Together with my fellow Board members, we would like to extend our sincere appreciation to our shareholders, valued customers, suppliers, investors and business associates for their unwavering support through the years. To the management and staff, we want to thank you for your continued hard work and commitment towards excellence as we strengthen and grow our business. Last, but certainly not least, I would like to extend my deepest gratitude to my fellow Board members for their wise counsel and guidance. We look forward to your continued support as we navigate through the challenging operating environment ahead.

Mr Wong Meng Yeng
Chairman
Baker Technology Limited

BOARD OF DIRECTORS

Left to Right:
1 / Wong Meng Yeng 2 / Jeanette Chang 3 / Dr Benety Chang

1 | Wong Meng Yeng / Age 61
Board Chairman, Independent Director

Appointed to the Board on 3 June 2010 and currently the Chairman Baker Tech, Mr Wong was last re-elected as Director on 27 April 2018. As an Independent Director, Mr Wong chairs the Nominating Committee and is also a member of Audit and Remuneration Committees. He relinquished his role as Lead Independent Director following his appointment as Chairman of the Board on 30 September 2019.

Mr Wong has been an advocate and solicitor in Singapore since 1984 and practices corporate commercial law. He is currently a director of Alliance LLC, a law firm in Singapore, since 2001. He is also an independent director of Multi-Chem Limited. Mr Wong was previously an independent director of 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.

2 | Jeanette Chang / Age 43
Executive Director and Chief Executive Officer

Appointed to the Board as Executive Director on 1 September 2013, Ms Chang was redesignated to the position of Chief Executive Officer ("CEO") of Baker Tech on 1 January 2019 and appointed as a member of the Nominating Committee on 14 February 2019. Ms Chang was last re-elected as Director on 26 April 2019. Ms Chang is responsible for the overall management of the Group.

Ms Chang is also a Non-Executive Director of CHO. She has an engineering and finance background having previously worked with Mott MacDonald Group in London on UK and Singapore engineering projects. Prior to joining the Company, Ms Chang was a Director in the Equity Capital Markets team at Barclays Bank PLC where she worked for nine years. She has significant experience in corporate finance especially in relation to fund raising in the capital markets.

Ms Chang holds a Master in Engineering First Class (Civil Engineering) degree from Imperial College London and a Master of Business Administration with Distinction from London Business School.

3 | Dr Benety Chang / Age 72
Executive Director

Appointed as Director and CEO of Baker Tech since 5 May 2000, Dr Chang stepped down as CEO on 31 December 2018. Dr Chang remains an Executive Director of the Company and ceased to be a member of the Nominating Committee on 14 February 2019. Dr Chang is the major shareholder of the Company and was last re-elected as Director on 27 April 2018. Dr Chang is due to retire by rotation at the 2020 Annual General Meeting ("AGM") and will be seeking re-election as Director at the 2020 AGM.

Dr Chang is an Executive Director and CEO of CHO, a subsidiary of Baker Tech. He has extensive experience in the offshore oil and gas industry and was the major founding shareholder and CEO of PPL Shipyard Pte Ltd until his resignation in July 2012.

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

BOARD OF DIRECTORS

Left to Right:
4 / Tan Yang Guan   5 / Ang Miah Khiang   6 / Han Sah Heok Vicky

4 | Tan Yang Guan / Age 66
Non-Executive Non-Independent Director

Appointed a Non-Executive Non-Independent Director of Baker Tech since 5 May 2000, Mr Tan was last re-elected as Director on 25 April 2017. Mr Tan is due to retire by rotation at the 2020 AGM and will be seeking re-election as Director at the 2020 AGM.

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.

5 | Ang Miah Khiang / Age 66
Independent Director

Appointed to the Board on 1 November 2013, Mr Ang was last re-elected as Director on 26 April 2019. Mr Ang chairs the Audit Committee and is also a member of the Remuneration Committee.

Mr Ang spent the greater part of his career in the small-medium enterprise financing business, having held the position of Managing Director of GE Commercial Financing (S) Ltd (formerly known as Heller Financial (S) Ltd). He was also concurrently regional director for GE related businesses in the Asia Pacific. He is also an independent director of SK Jewellery Group Limited. He was previously an independent director of PS Group Holdings Ltd, Uni-Asia Holdings Limited and Katrina Group Ltd.

Mr Ang is a fellow of the Institute of Singapore Chartered Accountants and holds a Bachelor of Accountancy degree from the University of Singapore.

6 | Han Sah Heok Vicky / Age 59
Independent Director

Appointed to the Board on 1 December 2013, Ms Han was last re-elected as Director on 26 April 2019. Ms Han is an Independent Director and the Chairman of Remuneration Committee, and is also a member of the Audit and Nominating Committees.

Ms Han is currently a director of BA Contracts Pte Ltd, a company that is principally engaged as a wholesaler, importer and exporter of various building materials and as a subcontractor in the building and construction industry.

Ms Han holds a Bachelor of Accountancy degree from the National University of Singapore and she has worked with various banking and financial institutions in Singapore, specialising in providing corporate finance services.

KEY EXECUTIVES

Tan Kiang Kherng / Age 50
Chief Financial Officer

Mr Tan joined the Group in June 2002 as Financial Controller and is currently the Chief Financial Officer. He is also a Non-Executive Director of CHO. He is responsible for all financial matters of the Group, including financial reporting, strategic financial planning, treasury and internal controls. Prior to this, Mr Tan was a Senior Audit Manager with Ernst and Young, Singapore.

Mr Tan holds a Bachelor of Accountancy (Honours) degree from Nanyang Technological University, Singapore and is a member of the Institute of Singapore Chartered Accountants.

Tan Wee Lee / Age 50
Managing Director
Baker Engineering Pte. Ltd.
Sea Deep Shipyard Pte. Ltd.
Sea Hercules Cranes Pte. Ltd.

Mr Tan joined the Group in October 2013 as the Managing Director of Baker Engineering Pte. Ltd. ("Baker Engineering") and in October 2018, Mr Tan was further appointed Managing Director of Sea Deep Shipyard Pte. Ltd. and its wholly owned subsidiary, Sea Hercules Cranes Pte. Ltd.. Mr Tan is responsible for Baker Engineering's and Sea Deep Group's overall management and operations.

Mr Tan began his career in Keppel FELS in 1995 and joined PPL Shipyard Pte. Ltd. in 1998, leaving in 2008 as a Project Manager. Prior to joining the Group, he was the General Manager of a private Chinese shipyard and the Managing Director of the Singapore subsidiary.

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

Heath McIntyre / Age 50
Managing Director
BT Investment Pte. Ltd.

Mr McIntyre joined the Group in December 2013 as the Managing Director of BT Investment Pte. Ltd. ("BT Investment"). He is also an Executive Director of CHO. Mr McIntyre is responsible for overall management and operations of BT Investment. Prior to joining the Group and since 2006, Mr McIntyre was Executive Director at Southern Capital Group, an independent private equity firm focused on middle-market buyout investments in South East Asia. Prior to Southern Capital, he was at Affinity Equity Partners (formerly UBS Capital Asia Private Equity) then a large-cap private equity firm principally involved in buyout investments in the broader Asia Pacific region.

Mr McIntyre holds a Bachelor of Commerce degree from University of Toronto and a MBA from University of Chicago, Graduate School of Business.

Victor Pinto / Age 46
Managing Director
CHO Ship Management Pte. Ltd.

Capt. Pinto joined CHO Ship Management Pte. Ltd. ("CHOSM"), a wholly-owned subsidiary of CHO, in October 2018 as Managing Director. He is responsible for overall management and operations of CHOSM and subsidiaries of CHO.

Capt. Pinto has over 20 years of experience in the marine industry. Most recently Capt Pinto served as General Manager Operations at Emas Offshore Limited ("Emas Offshore") from 2013 through 2018. Prior to his time with Emas Offshore, Capt. Pinto spent 7 years with Gulf Marine Far East Pte Ltd (a subsidiary of GulfMark Inc.) as Operations Manager.

Capt. Pinto is a Master Mariner and holds an MBA from University of South Australia.

Upholding
worthy causes

Delivering on our
commitments

Innovating for
a brighter future

FOCUSED ON SUSTAINABILITY

Our Year in Summary

S$64 million

Group Revenue

Invested
360 training hours
across our operational employees

Board Diversity:
33% female
representation on our board

S$45 million

Cash and Short Term Deposits

S$209 million

Shareholders' Equity

Caring for the mental and physical health of our employees by investing over 10 hours (per employee) on health and social events

ZERO work-related fatalities in all our operations

Successful adoption of the Singapore Tripartite Standards and is a signatory of the TAFEP Employers' Pledge of Fair Employment Practices.

Respect for our employees, community and the environment

Securities Investors Association Singapore:
3 awards won since 2010
Singapore Corporate Awards:
11 Awards won since 2009

ZERO confirmed cases of corruption and non-compliance to applicable laws and regulations

INTRODUCTION

For Baker Tech's fourth Sustainability Report, we would like to present our environmental, social and governance ("ESG") approaches and performance for the financial year ended 31 December 2019. We have chosen to report annually in line with our financial reporting year. Our Sustainability Report represents and discusses the different aspects of our policies and performances relating to the ESG factors. It also maps the Group's progress on its ongoing sustainability journey.

For this Sustainability Report, we continue to take reference from the SGX Sustainability Reporting Guidelines and the Global Reporting Initiative ("GRI") Core Reporting Option, as issued by the Global Sustainability Standards Board. External assurance has not been sought for this report. The GRI Content Index can be referenced from pages 42-43 of the Annual Report.

As a leading provider of specialised equipment and services to the oil and gas industry, we are constantly mindful of our social and environmental impacts which play a critical role to our business. Our sustainability performance is driven by achievable long-term development and growth which our Board of Directors ("Board") oversees. Together, the Board and Management provide guidance and monitor our sustainability performance and also take into careful consideration key material ESG factors. In addition, they monitor all feedback from key stakeholders, which comprise our employees, shareholders and investors, suppliers and customers, and are thus better informed to formulate the Group's sustainability strategy.

We are also excited to introduce new green initiatives and activities to do our part in building a sustainable workplace for all. As we work towards championing corporate citizenry, our efforts were recognised by being a recipient of the runner up award for the Most Transparent Company at the recent SIAS Investors' Choice Award.

As a part of our ongoing engagement with stakeholders, the Company welcomes constructive feedback and suggestions for continued improvement on our sustainability practices in this report. All feedback and suggestions can be addressed to our sustainability team at sustainability@bakertech.com.sg.

This report forms part of our Annual Report and is available in hard copy printed form as well as in soft copy.

To access the online version of the annual report, please visit our website at www.bakertech.com.sg or scan

In line with our continuing efforts to promote environmental sustainability, we hope you enjoy the soft copy of the annual report which will aid in our reduction of consumption of resources from printing and distribution of additional hard copies.

The following sections highlight Baker Tech's role in promoting sustainability issues through conviction and practical actions.

SUSTAINABILITY

STAKEHOLDER ENGAGEMENT

To build a sustainable business, we facilitate regular engagements with our stakeholders as they provide valuable inputs towards determining our material focus areas. We consider and address key concerns of our stakeholders which allows us to formulate and facilitate sustainable solutions for the Group.

To continue strengthening our bonds with the investing community, all financial results and media releases are released promptly on various platforms such as SGXNet and Baker Tech's website at *http://www.bakertech.com.sg/investorrelations*. The Group's website *www.bakertech.com.sg* also serves as an important communication tool for both shareholders and the investing community. To serve our investing community better, the Group has ensured that each of its operating subsidiaries has a standalone company website describing its unique company profile, activities and operations. The investing community can reach out to the Group via the *Contact Us* pages on each website or via a dedicated investor relations email address found on the Group's media releases.

Stakeholders	Engagement Methods	Key Topics	Our Commitment
Community and Environment	• Community outreach initiatives • Environmentally focused activities	• Stakeholder engagement • Corporate social responsibility	Good corporate citizenship values are practised by continuing our support to enrich various not-for-profit charitable causes and other organisations to better improve the lives of people in the communities around us We are also committed towards environmental sustainability and we ensure that our operations are carried out in a responsible manner
Customers	• Feedback channels such as emails, telecommunication and teleconferences • Meetings	• High quality and cost effective products • Solutions to address customer requirements	We strive to build long-term relationships with our customers by offering reliability, prompt delivery, high quality and customisation to fulfil their requirements and maximise satisfaction
Employees	• Staff memos and emails • Weekly staff meetings • Training sessions • Health and wellness programmes	• Health and safety • Career development • Employee engagement	To provide a safe and healthy holistic workplace with clear policies to serve as a guide for our employees We fully support employees with ample opportunities for capabilities and holistic development
Suppliers	• Perform assessment and continuous monitoring of key suppliers / contractors • Regular meetings, emails and teleconferences	• Business relationships and ethical business practices	To establish mutual trust, integrity and to build strong rapport and long-standing relationships with our suppliers, contractors and sub-contractors
Shareholders/ Investors	• Annual Report • AGM and EGM • SGX announcements • Company websites	• Business performance, corporate governance and strategy	To ensure accurate and transparent disclosure of the Group's business developments to the shareholders and the investing community on a timely basis

MATERIALITY ASSESSMENT

Our management team, overseen by our Board, provides resources to manage the governance of sustainability within the Group. Having last conducted a Materiality Assessment in 2018, this year, we have reviewed our material sustainability topics and have narrowed down to these five material topics and their impact boundaries. We are including our subsidiaries' sustainable practices in this report progressively, so that we can better evaluate the Group in terms of opportunities, risks and performance.

Material Topics	GRI Standards of Disclosure	Impact Boundary
Environmental		
Legal and regulatory compliance	Environmental compliance	Vessel operation and corporate office
Energy and emissions	Energy and emissions	Vessel operation and corporate office
Waste management and disposal	Effluents and waste	Vessel operation and corporate office
Social		
Occupational health and safety	Occupational health and safety	All employees
Governance		
Ethics and anti-bribery and corruption	Anti-bribery and corruption	Corporate office and operations

SUSTAINABILITY

ENVIRONMENT

Being constantly mindful of our impact on the environment, we practise strict adherence to all relevant environmental regulations. We have not noted any major breaches of voluntary codes nor non-compliance with environmental laws or regulars in this year of review.

The Group's subsidiary, Baker Engineering, is an ISO 14001 certified company with prevailing environmental standards which it adheres to and applies throughout our Group operations where relevant.

In our commitment to reducing waste per employee, we have expanded our recycling initiatives for 2019. Our recycling initiatives include and are not limited to:

Advocating the use of non-disposable utensils, biodegradable wooden and paper cutleries instead of single-use plastic, plastic cutleries, straws and cups

Regularly serviced air-conditioning units are set to an optimum temperature to reduce electricity usage and programmed to automatically switch off after working hours. LED lightings and energy saving appliances are used to improve energy efficiency

Paperless internal communication to reduce paper consumption

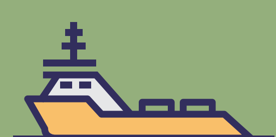
Bringing own reusable containers to distribute excess food during staff gatherings to minimise food wastage

Annual Beach Clean Up Activity where staff volunteers helped clean up the East Coast Beach shoreline by picking up litter and foreign objects

Supporting the "Clean Up" South West Eco Day recycling programme (organised by South West Community and Development Council); whereby employees of the Group donated their old clothing and paper products such as books and newspapers for recycling

Industrial waste such as reusable scrap material generated in the form of scrap steel and wooden pallets are stored in a proper manner to be recycled for future use. Risk assessments and procedures are implemented for the identification, handling and disposal of both hazardous and non-hazardous material

Increase conservancy awareness among staff through eye catching posters, notices and internal memos



Our vessels are equipped with waste management and disposal system that ensures waste generated are disposed accordingly to strict protocols

Waste bins in the mess hall are separated into food waste (perishable items) and general waste. Waste bins on deck are divided into General waste bin, Scrap material bin and Special bin (Battery bin and Razor blade bin). Waste disposal is conducted onshore to avoid polluting the oceans

SOCIAL AND GOVERNANCE

Our People

Recognising our employees as our most valuable resource, we are committed to ensuring continuous development of an inclusive and diverse work environment where our employees can freely express their ideas and are given an equal opportunity to succeed. The Group provides training and development opportunities and programmes to develop its employees holistically. The objectives of the training are several-fold: to enable our employees to perform their roles from a regulatory perspective, to enhance their performance and capabilities, to develop additional skills for career advancement and to increase technical and sector know-how to become more knowledgeable and effective.

As our Company matures with time, we conscientiously recruit a highly competent and diverse group to establish long standing working relations building on trust and integrity. Our business prides itself on supporting employees with a strong sense of self-driven work ethics fostered in a harmonious work environment designed to enhance growth, creativity and efficient outcomes.

To facilitate and encourage effective employee engagement, we have various open lines of communication aimed at strengthening the bonds within our organisation. Our organisational structure is flat and we operate an open door policy, providing full access for all employees to Directors and Management.

HR Policies

The human resource initiatives and policies identified in this report highlight the Group's efforts and ambitions towards becoming a responsible corporate citizen. Our daily operating procedures serve as a guide to govern us in our daily operations and to develop and encourage a safe and healthy conducive working environment.

As an advocate for fair employment practices, the Group has adopted the Singapore Tripartite Standards and is a signatory of the TAFEP Employers' Pledge of Fair Employment Practices. Our recruitment process is guided by our non-discriminatory hiring policy, which assesses solely based on merit focused on candidates' qualifications, skills, aptitude, attitude and suitability for specific roles as well as ability to contribute to the Company. Our HR policy prohibits any discrimination on the basis of nationality, age, race, religion, language, gender or marital status.

The Group has a Human Rights Statement as we are committed to upholding the international human rights principles set out in the Universal Declaration of Human Rights and International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. The Group does not tolerate unethical labour practices including slavery, forced labour, child labour and human trafficking in any of our operations and business practices and all of our employees, subcontractors, suppliers and vendors are expected to operate in line with our principles.

SUSTAINABILITY

Encouraging a healthy work-life balance lifestyle for our employees, the Group adopts a five-day working week. We prioritise the mental and overall well-being of our employees by investing in an extensive healthcare support system where our employees are entitled to healthcare insurance and both medical and dental benefits.

Our sector is highly reliant on foreign workers whom we are committed to protect and ensure that their welfare and safety are not compromised. Our foreign workers are all housed in clean and well-maintained dormitories which are equipped with a variety of recreational facilities and amenities. For their safety and convenience, we also provide transportation to ferry the workers to and from work. Our Human Resource team together with our Health and Safety team also conduct regular site visits to the dormitories to ensure clean and comfortable safe living conditions are being maintained in the dormitories.

Our commitment towards supporting and nurturing our employees also forms a part of our sustainability strategy. We recognise the need to continually upskill our workforce in order to remain competitive in the market. Employees are encouraged to attend both internal and external training programmes which empowers them to undertake different challenges, providing them with opportunities to advance through the ranks.

Code of Conduct

The Code of Conduct is in place to assist the Board, employees and company representatives in understanding their responsibilities better and to provide guidelines for daily business operations so as to be in accordance with applicable laws and regulations.

By setting out working principles, the Code of Conduct also includes workplace health and safety, ethical business conducts and regulatory compliance.

Anti-Bribery and Corruption Policy

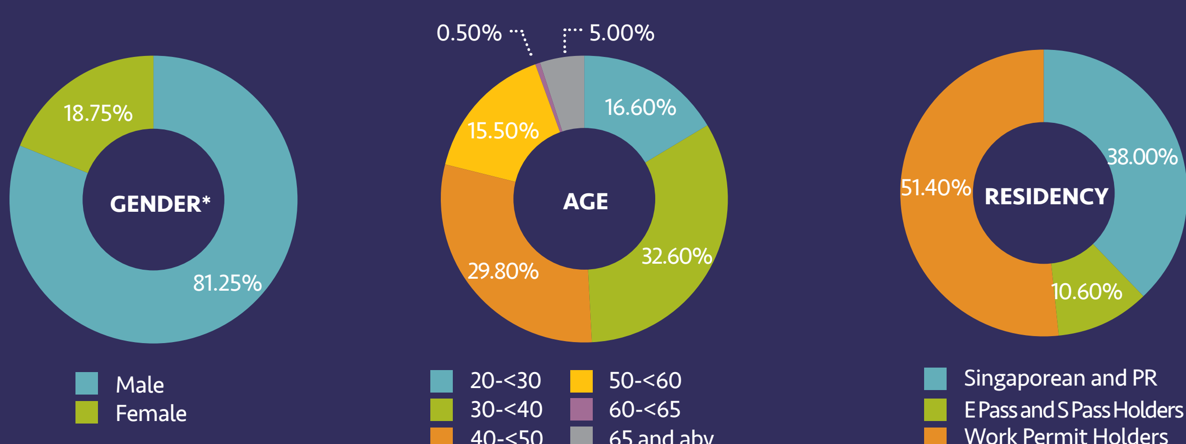
As a Group, we adopt a zero tolerance stance towards any form of bribery and corruption. As a reflection of our governance, integrity and responsible business practices, we are committed to acting transparently, fairly and with integrity in all our business activities and relationships. This policy works hand in hand with our Gift and Hospitality Policy. During the year, we have a clean record of zero reported cases of corruption.

Whistle Blowing Policy

With the implementation of the Whistle Blowing Policy, employees and stakeholders are able to raise their concerns in confidence regarding financial and non-financial matters without fear of retaliatory actions. During the year, there were no concerns raised nor brought to the attention to the Audit Committee.

All employees have to read and understand the Code of Conduct, Anti-Bribery and Corruption Policy and Whistle Blowing Policy, among others, upon employment and on a yearly basis declare adherence to the policies.

GROUP DEMOGRAPHICS



The above demogrpahics are as of 31 December 2019 and excludes CH Offshore Ltd..

* *Excluding non-traditional source workers*

Employee Demographics and Health and Safety

The safety and health of our employees continues to be a top priority for the Group. Maintaining high standards of workplace health and safety captures the trust and confidence of our employees and other stakeholders.

Our main operating subsidiaries (Sea Deep, Sea Hercules Cranes and Baker Engineering) have attained ISO 45001 certification and have undergone annual audits as part of the certification requirements. All three subsidiaries are also BizSAFE Star Enterprises. Baker Engineering also earned the prestigious BizSAFE Enterprise Exemplary Award for 2020 and 2018 at the BizSAFE convention organised by Workplace Safety and Health Council.

Reinforcing the importance of safety, new employees have to attend a mandatory safety induction programme on their first day of employment. The safety induction programme covers workplace hazards, at-risk areas and the Group's safety procedures. In addition, new hires are also issued with personal protective equipment including safety boots, hard hat, safety glasses and ear plugs. In accordance with Ministry of Manpower Workplace Safety and Health Act legislation, we conduct daily tool box meetings, Vessel Safety Coordination Committee meetings and regularly inspect our safety equipment and all personal protective equipment. Any regulatory training and medical examinations required under the Workplace Safety and Health Act are also carried out by authorised external providers, where necessary.

In addition to new employees, the Group requires all contractors and subcontractors working in our yards to undergo a safety induction training programme prior to any work commencing. Visitors and clients, where required will also attend the safety induction training programme. This programme for our external stakeholders covers safety aspects such as yard layout and safety protocols. Safe work procedures and risk assessments are also required to be in place prior to the start of any new projects and are constantly reviewed during various stages of project execution.

Workplace Safety Health and Environment ("WHSE") is actively promoted through successful safety programmes to bolster workspace safety and health practices throughout the year.

Emergency drills with different scenarios which include fire, rescue and even security related scenarios are periodically conducted by the WHSE committee (together with the Security Department for security related drills) in conjunction with continuing health and safety emergency response initiatives.

Under our haze management measures, we adopt the 24-hour PSI scenarios and guidelines which protects our employees from the effects of haze. Protective equipment including N95 respirators are issued to all employees working outdoors and are also readily available to all other employees. Proper site housekeeping, regular site inspection and bi-weekly pest control are also carried out.

With the emergence and spread of the COVID-19, the Group has also stepped up its workplace safety and health protocols including twice-daily temperature checks, promotion and encouragement of good personal hygiene practices and seeking medical attention should employees feel unwell. In addition, shared facilities and high-contact surfaces are cleaned and disinfected daily to prevent the spread of germs and diseases. The Group will revise its protocols as and when the situation evolves in line with regulatory recommended practices.

The Group's workplace safety and health protocols, practices, policies and compliance programmes go through both internal and external annual review and stringent checks by the Management to ensure the safety and well-being of our employees. The Board reviews and endorses the risk management strategies in relation to health, safety and environmental protocols.

Safety Measures

	2018 Actual (per 1 million man-hours)	2019 Target (per 1 million man-hours)	2019 Actual (per 1 million man-hours)	2020 Target (per 1 million man-hours)
Accident frequency rate (annual incidents involving first aid)	0	<1.2	2.6	<1
Accident severity rate (annual incidents involving treatement beyond first aid)	0	<30	15	<25

The above statistics are for fabrication projects only.

SUSTAINABILITY

THE COMMUNITY

Baker Tech aims to champion good corporate citizenry by making positive changes towards the well-being of the community in which we work. We engage and partner charity organisations within our local community as part of our commitment towards the development of the community and environment.

The Group continues to invest in our local community by providing support to the under privileged. For the past few years, we have partnered with the Apex Club of Bukit Timah in their food distribution drive. Staff volunteers packed and distributed food rations contributed to by the Company to the elderly and less fortunate living around Red Hill and Queenstown. This was also a good opportunity for staff to catch up with the residents living in the vicinity.

The Group also partnered with the South West Community and Development Council with their "Festive Cheers" at South West programme. Adopted beneficiaries which included underprivileged families received book vouchers as part of their Back-to-School shopping activity. Baker Tech continued its third year of sponsorship, bringing cheer to children living within the community before the start of the new school year.

This year, to empower our employees to lead an active lifestyle, Baker Tech participated in health promotion activities such as the National Steps Challenge – Corporate Challenge organised by the Health Promotion Board. Participants of the programme received a fitness tracker which is used to track their daily progress towards their health goals. All employees were also encouraged to perform light intensity activities daily and ideally incorporate five sessions (each at 30 minutes) of moderate to vigorous workout weekly. Motivational posters were also circulated around the office and yards.

In addition, the Group hosted two inter-company bowling tournaments during the year. Employees of all skills levels, ages and departments came together and showcased their talent in a friendly competition. Enthusiastic participation and wholesome camaraderie were witnessed by all employees within the Group and staff cohesion and morale were boosted during the tournaments.

In conjunction with our sustainability efforts to help preserve our environment and natural resources, the Group also stepped up its sustainability measures during office-held gatherings and lunches. We strongly advocate the use of biodegradable wooden and paper cutlery thus doing away with plastic cups and wares. Employees were also encouraged to bring their own reusable containers and water bottles.

The Group also organised its inaugural beach clean-up activity. Held at East Coast Beach, 71 staff volunteers picked up litter and other unwanted items from the car park areas and the East Coast Beach shorelines. This activity raised environment awareness as participants were able to see the negative impact the litter had on the environment and also provided another team building opportunity. Prizes were awarded to the team that picked up the most litter and lunch was provided to all participants.

Baker Tech remains committed to aligning our interests with the highest principles of business ethics and corporate governance requirements and continues to participate and contribute towards the Singapore Corporate Governance week.

INVESTOR RELATIONS

At Baker Tech, one of our key responsibilities is to communicate our financial performance and other corporate information in an accurate and timely manner to our investing community. We comply with SGX-ST's Code of Corporate Governance and the disclosure-based regulatory regime. Our Investor Relations ("IR") team engages the community by means of effective communication, building good rapport and long term relationships to stay committed to delivering sustainable value.

To reach out to the investing community in a fair and timely manner, the IR team presents the Group's financial performance, business strategy and business developments through multiple communication platforms. The Group's website – *www.bakertech.com.sg* is also kept updated with the financial performance, annual reports and SGX announcements. Investors may submit their queries through the Contact Us page on our corporate website. Our investor relations team will ensure timely responses to enquiries and feedback from the investment community.

With senior management spearheading the IR team and the Board providing guidance, Baker Tech strives towards enhancing its good investor relations practices and transparency levels. In 2019, Baker Tech was the Runner Up for Most Transparent Company at the SIAS Investors Choice Award.

RISK MANAGEMENT

Financial Calendar 2020	
February	Announcement of FY2019 Fourth Quarter and Full Year Results
April	Despatch of Annual Report Annual General Meeting
July	Announcement of Half Yearly Results
December 31	End of Financial Year 2020

The Group continues to recognise the importance of identifying and addressing the different types of risks ever present. To mitigate these risks, the Group has in place an enterprise risk management ("ERM") framework which also minimises significant exposures to industry-related, financial and operational risk to better safeguard stakeholders' interest and the Group's assets whilst delivering sustainable value to shareholders.

The ERM framework and all its implementation actions are regularly assessed and evaluated by the Board to ensure the Group's strategic objectives and consistency and risk appetite are aligned.

Financial Risk

- Review group's strategy and financial performance are reviewed regularly to ensure continued liquidity
- Continue to explore new market opportunities for sustainable growth and development
- Adoption and practise a policy of collecting payment before delivery / or an up-front collection of non-refundable deposits (where required)
- Review outstanding debts and debtors to ensure financial discipline
- Where possible, hedge foreign currency fluctuations naturally by a sale or purchase of a matching asset or liability of the same currency and amount
- The Group undertakes spot conversion of excess foreign currencies to Singapore Dollar

Industry-related risks

- Strategic risks are mitigated by cautiously reducing our cost base and curtailing discretionary expenditure to ensure the Group remains resilient amidst adversity

Operational Risk

- Cultivate safe-at-work habits and practices
- Raise awareness for certified in-house safety procedures and policies
- Attend regular training programmes, toolbox safety meetings and safety promotions
- Conduct regular safety site walkabouts followed by safety meetings attended by safety committee members to review issues and opportunities for improvement, if any, and to highlight good safety observations
- All employees, as required, undergo mandatory internal safety briefings, external competency training in addition to their orientation programmes
- Fire evacuation drills to ensure preparedness and cooperation during emergencies
- Business continuity plans and response measures are in place to address disruption of business operations
- Maximise operational efficiency through any down time by sourcing of alternative sites to ensure continuity to fulfil customers requirements

SUSTAINABILITY

GRI CONTENT INDEX

Disclosure Number	Disclosure Title	Reference/Comments
General Disclosure		
Organisation Profile		
102-1	Name of organisation	Baker Technology Limited
102-2	Activities, brands, products, and services	Page 4 - Corporate Structure Page 8 - Our Business
102-3	Location of headquarters	Page 5 - Corporate Information
102-4	Location of operations	Our operations are essentially conducted in Singapore
102-5	Ownership and legal form	Page 138 - Statistics of Shareholdings
102-6	Markets served	Page 13 - Financial Review
102-7	Scale of organisation	Page 13 - Financial Review
102-8	Information on employees and other workers	Page 37 - Social and Governance
102-9	Supply chain	Page 37 - Social and Governance
102-10	Significant changes to the organisation and its supply chain	Page 8 - Our Business
102-11	Precautionary Principle or approach	Page 41 - Risk Management
102-12	External initiatives	Page 40 - The Community
102-13	Membership of associations	Page 8 - Our Business
Strategy		
102-14	Statement from senior decision-maker	Page 22 - Chairman's Message
102-15	Key impacts, risks and opportunities	Page 22 - Chairman's Message
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Page 33 - Introduction
Governance		
102-18	Governance structure	Page 44 - Corporate Governance Report
Stakeholder Engagement		
102-40	List of stakeholder group	Page 33 - Introduction
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	Page 33 - Introduction
102-43	Approach to stakeholder engagement	Page 33 - Introduction
102-44	Key topics and concerns raised	Our processes and procedures are subjected to regular reviews
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Page 78 - Notes to the Financial Statements
102-46	Defining report content and topic boundaries	Page 35 - Materiality Assesment
102-47	List of material topics	Page 35 - Materiality Assesment
102-48	Restatements of information	No restatement

GRI CONTENT INDEX CONTINUED

Disclosure Number	Disclosure Title	"Reference/Comments
General Disclosure		
Reporting Practice		
102-49	Changes in reporting	No additional topics disclosed
102-50	Reporting period	1 January 2019 to 31 December 2019
102-51	Date of most recent report	This is the 4th report prepared by the Company
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	sustainability@bakertech.com.sg
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared based on reference to the Standards: Core option
102-55	GRI content index	Page 42 - GRI content index
102-56	External assurance	No assurance obtained
Specific Standard Disclosure		
Material Topic: Management Approach		
103-1/2/3	The management approach and its components	Page 37 - Social and Governance
Material Topic: Anti-Corruption		
205-2	Communication and training about anti-corruption policies and procedures	Page 37 - Social and Governance
205-3	Confirmed incidents of corruption and action taken	Page 37 - Social and Governance Page 44 - Corporate Governance Report
Material Topic: Environmental Compliance		
307-1	Non-compliance with enviromental laws and regulations	Page 36 - Environment
Material Topic: Occupational Health & Safety		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 37 - Social and Governance
Material Topic: Training and Education		
404-1	Average hours of training per year per employee	Page 32 - Our Year in Summary
Material Topic: Local Communities		
413-1	Operations with local community engagement, impact assessments and development programmes	Page 40 - The Community

CORPORATE GOVERNANCE REPORT

Baker Technology Limited (the "**Company**" or "**Baker Tech**") and its subsidiaries (collectively, the "**Group**") are committed to observing high standards of corporate governance and promoting corporate transparency accountability and integrity to enhance long-term value for shareholders.

The Company received a silver award for Best Annual Report for companies under $300 million in market capitalisation at the 2018 Singapore Corporate Awards, making it the seventh 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. In addition, the Company also received runner up award for the Most Transparent Company at Securities Investors Association (Singapore) Investors' Choice Award 2019.

This report sets out the Company's corporate governance practices for the financial year ended 31 December 2019 ("**FY2019**"), with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**"). Where there were variations in the Company's corporate governance practices from the provisions as set out in the Code ("**Provisions**"), explanation as to how the Company's practices were consistent with the intent of the Principle in question is provided in the relevant paragraph of this report.

(A) BOARD MATTERS

The Board's Conduct of Affairs

<u>Principle 1:</u>
The Company is headed by an effective Board which is collectively responsible and works with Management for the long term success of the Company.

The Company is headed by an effective Board which oversees the business affairs and performance of the Group. The Board also sets the Group's values and standards to ensure obligations to shareholders and other stakeholders are understood and met. Its primary functions include approving the board policies, strategies and financial objectives of the Group and monitoring the performance of Management, considering the sustainability issues as part of its strategic formulation, overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance and assuming responsibility for corporate governance with a view to achieving long-term success for the Company as well as to enhance the long-term value and returns to its shareholders. The Board delegates the formulation of business policies and day-to-day management to the Executive Directors.

Provision 1.1 of the Code

In discharging their fiduciary duties, all Directors are expected to exercise objective judgment and make decisions in the best interest of the Company. A Director who is interested in a transaction or proposed transaction will declare his/her interest and abstain from deliberation and voting unless the Board is of the opinion that his/ her presence and participation is necessary to enhance the efficacy of such discussion. Directors facing conflicts of interest are required to abstain from voting in relation to conflict-related matters.

The Board has put in place a Code of Conduct Policy and Procedures to assist and guide the Group directors and employees to better understand the general principles relating to conflicts of interest and in identifying, disclosing and managing conflict of interest situations. The Code of Conduct Policy and Procedures further serve to emphasise the Group's commitment to ethics and compliance with the law, for the protection of the Company's interest and the promotion of transparency for the benefit of shareholders and ensures proper accountability within the Group.

The Board has also adopted an Anti-Bribery & Corruption Policy detailing the Group's policy and procedures with respect to the conduct of the Group's business and operations in an ethical, honest, fair and professional manner. The Anti-Bribery & Corruption Policy applies to all directors, officers, employees and contract workers (including crew) and, where necessary and appropriate, outside parties acting on behalf of the Group, including but not limited to consultants, representatives, agents and intermediaries engaged by the Group. A Gift & Hospitality Policy has been put in place to set out the Group's specific thresholds in relation to appropriate and acceptable gifts and hospitality to offer to or receive from clients, vendors and other relevant third parties.

Provision 1.2 of the Code

The Company has an orientation programme for newly appointed Directors where the Director would be briefed on the Group's industry, business operations, governance practices and expected duties of a Director of a listed company. Newly appointed Directors will receive an induction pack containing the Company's latest annual report, information and documents relating to role and responsibilities of a director, relevant Company's policies and procedures and regulatory guidelines relevant to the Group as well as a board meeting calendar for the relevant year. If a newly appointed Director does not have any prior experience as a director of a listed company, the Company will arrange for such first-time Director to attend the Mandatory Training in accordance to Rule 210(5)(a) of the Listing Manual, at the expense of the Company conducted by the Singapore Institute of Directors. No new Director was appointed in FY2019.

The Directors are provided with updates on any changes in relevant laws and regulations, code of corporate governance, financial reporting standards and industry related matters, from time to time. 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. At the Audit Committee ("**AC**") meetings, the external auditors would update the AC and the Board on new or revised accounting standards which are applicable to the Company or the Group.

The Nominating Committee ("**NC**") reviews and makes recommendations on the training and professional development program to the Board. The Board was apprised of the training programmes attended by each Director in FY2019.

Provision 1.3 of the Code

The Group has in place an internal guide regarding matters that require the Board's approval including setting the strategic direction, policies or financial objectives which have or may have significant impact on the future profitability or performance of the Group, material acquisition and disposal of assets, funding proposals, approval of annual budgets, financial statements and declaration of dividends. Management is also given clear directions on matters (including setting thresholds for operating and capital expenditure relating to subsidiaries) that require the approval of the Board.

There is a formalised global authority matrix that sets out financial approval limits for the Board and Management regarding operational expenditure, capital expenditure, investments, financial costs and cheque signatory arrangements among others.

Provision 1.4 of the Code

The Board is supported by three Board Committees, namely the AC, the NC and the Remuneration Committee ("**RC**"), each with its own specific terms of reference setting out the authority and duties of the Board Committees and all the terms of reference for the Board Committees are approved by the Board. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations for the Board's endorsements, the ultimate responsibility on all matters lies with the Board. The terms of reference of the respective Board Committees, and other relevant information on the Board Committees, can be found in the subsequent sections of this Corporate Governance Report.

Provision 1.5 of the Code

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 meeting are scheduled in advance. Ad-hoc Board and Board Committee meetings are arranged as and when circumstances require. The Company's Constitution provides for the convening of the Board and Board Committee meetings by way of telephonic, video conferencing or other similar means of communication.

During FY2019, the number of the Board and Board Committee meetings held and attended are set out as follows[1]:

	Board		AC		RC		NC	
Directors	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Wong Meng Yeng[2]	5	5	5	5	1	1*	1	1
Jeanette Chang[3]	5	5	5	5*	1	1*	1	1*
Dr Benety Chang[4]	5	5	5	5*	1	1*	1	1
Tan Yang Guan	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
Lim Ho Seng[5]	4	4	4*	4*	1	1	1	1*

Notes:

(1) Refers to Meetings held/attended while each Director was in office.

(2) Mr Wong Meng Yeng was appointed as RC member on 30 September 2019.

(3) Ms Jeanette Chang was appointed as NC member on 14 February 2019.

(4) Dr Benety Chang resigned as NC member on 14 February 2019.

(5) Mr Lim Ho Seng resigned as Director/RC member on 30 September 2019.

* *Attended as invitees.*

Provision 1.6 of the Code

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 include but are not limited to monthly management accounts and analysis, information on budgets, forecasts, cash flow projections and manpower statistics.

Prior to each meeting of the Board and Board Committees, Management will provide the Directors with the meeting agendas and the relevant materials relating to the matters to be discussed during the meetings, so as to facilitate an informed discussion. Whenever necessary, senior management will be invited to attend the Board and AC meetings to answer queries from the Directors and members of the AC. The Directors have separate and independent access at all times to the Company's senior management to address any enquiries or requests for additional information, if necessary.

In the event that a Director is unable to attend a Board or Board Committee meeting, he/she will still receive all the papers and materials for discussion at that meeting. The relevant Director, having had an opportunity to review the papers and materials, will advise the Chairman or relevant Board Committee's Chairman of his/her views and comments (if any) on the matters to be discussed so that they may be conveyed to other members at the meeting.

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.

Provision 1.7 of the Code

The Board has separate and independent access to the Company Secretary, whose duties and responsibilities are clearly defined. The Company Secretary attends all Board meetings. The Secretary of Board Committees assists in ensuring coordination and liaison between the Board, Board Committees and Management. 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 Committee 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.

Where decisions to be taken by the Board require specialised knowledge or expert opinion, the Directors, either individually or as a group, are entitled to take independent professional advice, where appropriate, with such expense borne by the Company.

Board Composition and Guidance

Principle 2:
The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

As at the date of this report, the Board has six Directors comprising three Independent Directors, one Non-Executive Non-Independent Director and two Executive Directors, namely:

Mr Wong Meng Yeng	Chairman, Independent Director
Ms Jeanette Chang	CEO & Executive Director
Dr Benety Chang	Executive Director
Mr Tan Yang Guan	Non-Executive Non-Independent Director
Mr Ang Miah Khiang	Independent Director
Ms Han Sah Heok Vicky	Independent Director

Mr Wong Meng Yeng was appointed as Chairman of the Board upon Mr Lim Ho Seng's retirement on 30 Sep 2019.

Provisions 2.1, 2.2 & 2.3 of the Code

A Director who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Group, is considered to be independent.

The NC determines on an annual basis, and as and when circumstances require, whether or not a Director is independent, taking into account the criteria given in the Listing Manual, the Code and guidelines as to relationships in determining the independence of a Director. For the purpose of determining Directors' independence, every Non-Executive Director has provided declaration of their independence which is deliberated upon by the NC and the Board. The NC has reviewed and is satisfied with the independence of the Independent Directors, namely Mr Wong Meng Yeng, Mr Ang Miah Khiang and Ms Han Sah Heok Vicky. The NC is also satisfied that all the Independent Directors have no relationship (whether familial, business, financial, employment, or otherwise) with the Company, its related corporations, substantial shareholders or officers, which could interfere or be perceived to interfere with the Director's independent judgment.

With majority of the Board being Non-Executive Directors and half of the Board comprising of Independent Directors, the Group is in compliance with Rule 210(5)(c) of the SGX Listing Rules, thus providing a strong independence element on the Board, capable of open, constructive and robust debate on pertinent issues affecting the affairs and business of the Company and the Group. No individual or small group of individuals dominate the Board's decision-making process.

The NC noted that Mr Wong Meng Yeng has served beyond nine years since his first appointment. Taking into consideration, among other things, Mr Wong Meng Yeng's active participation and performance on the Board and Board Committees, ability to act independently and provide the overall guidance to the Management to safeguard and protect the Company's assets and shareholders' interests and his valuable contributions to the Board and Board Committees' deliberations in challenging Management constructively on various issues including but not limited to reasonable checks and balances for the Management, the NC and Board concluded that Mr Wong Meng Yeng has at all times demonstrated independence in character and judgement in the best interests of the Company in the discharge of his director's duties and should therefore continue to be deemed an Independent Director. Mr Wong Meng Yeng had abstained from all discussion and voting in the assessment of his independence.

The NC and Board are aware that with effect from 1 Jan 2022, Rule 210(5)(d)(iii) of Listing Rules requires re-election of an Independent Director who has been a director on the Board for an aggregate period of more than nine years to be approved in separate resolutions by (i) all shareholders and (ii) all shareholders excluding shareholders who also serve as the directors or CEO (and their associates).

Provision 2.4 of the Code

The NC reviews the size and composition of the Board and Board Committees annually to ensure that the size of the Board is conducive to effective discussion and decision making and the Board has the appropriate number of Independent Directors. When there is a vacancy or a need for new appointments to the Board, the NC will select and recommend candidates based on their skills, experience, knowledge and diversity in terms of expertise.

The current Board comprises two female Directors and four male Directors with an age group ranging from 43 to 72 years old. Each Director has been appointed based on the strength of his or her calibre, experience, grasp of corporate strategy and potential to contribute to the Company and its businesses. The Board is of the view that its present size is appropriate, taking into account the nature and scope of the Group's operations. The current Board has a good mix of core competencies in the areas of marine and offshore industry knowledge, accounting and finance, compliance, legal, business and management experience, familiarity with regulatory requirements and knowledge of risk management. The Board has two female Directors, in recognition of the importance and value of gender diversity.

Although the Company does not have a formal board diversity policy, due consideration would be given to the benefits of diversity and new directors will continue to be selected on merits based on objective criteria. The Board does not intend to appoint persons as directors by reason of their gender or age on the Board or simply to meet quotas. The Board has reservations on setting a quota as a target, as it may detract from the more fundamental principle that the candidate must be of the right fit and meet the relevant needs and vision of the Board and Company at the material time.

Key information regarding the Directors is set out in the "Board of Directors'" section on pages 24 to 27 and 'Directors' Statement' section on page 65 of this Annual Report.

Provision 2.5 of the Code

The Non-Executive 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 from time to time and on a need basis, and any relevant feedback would be provided to the Board and/or Chairman, as appropriate. The Company also benefits from Management's access to its Directors, and vice versa, for guidance and exchange of views both within and outside the formal environment of the Board and Board Committee meetings.

In addition, Non-Executive Directors are free to request for further clarification and have independent access to the Management. If necessary, Non-Executive Directors may initiate meetings to address any specific matter involving any other member of the Management.

Chairman and Chief Executive Officer

Principle 3:
There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 of the Code

There is a clear separation of roles and responsibilities of the Chairman and CEO to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making. Mr Wong Meng Yeng, who is the Chairman of the Board, and Ms Jeanette Chang, the CEO of the Company, are not related to each other.

Provision 3.2 of the Code

The Chairman provides leadership to the Board. He sets the meeting agenda in consultation with the CEO and ensures that Directors are provided with complete, adequate and timely 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 is responsible for the day-to-day management and business operations and execution of strategies and policies for value creation and to achieve the long-term sustainable growth of the Group, with the support of the Executive Directors and the rest of the management team.

Provision 3.3 of the Code

Mr Wong Meng Yeng has relinquished his role as Lead Independent Director following his appointment as Chairman of the Board on 30 September 2019. Given that Mr Wong Meng Yeng is an Independent Director, the position of Lead Independent Director is not required in line with the Code.

Board Membership

Principle 4:
The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1 of the Code

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 of succession plans for Directors, in particular the appointments and resignations of the Chairman, CEO and 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.

Provision 4.2 of the Code

The NC comprises three Directors, majority of whom, including its Chairman, are Independent Directors. As at the date of this report, the members of the NC are Mr Wong Meng Yeng (Chairman of NC), Ms Han Sah Heok Vicky and Ms Jeanette Chang.

Provisions 4.3, 4.4 & 4.5 of the Code

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, 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.

The NC also conducts an annual review of the independence of a director having regard to the circumstances set forth in Provision 2.1 of the Code and Rule 210(5)(d) of the Listing Rules of SGX-ST. The NC has reviewed the independence of the Directors and affirmed that Mr Wong Meng Yeng, Mr Ang Miah Khiang and Ms Han Sah Heok Vicky are independent and free from any relationship outlined in the Code, which may affect their independence. Each of the Independent Directors has also confirmed his/her independence.

The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards and have other principal commitments. As a guide, Directors should not have 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 Director's actual conduct on the Board.

The NC had reviewed and was satisfied that no Director had exceeded the maximum limit of listed company board representations and other principal commitments in FY2019 and that each Director has given sufficient time and attention to the affairs of the Company and has been able to diligently discharge his/her duties as a Director of the Company.

There are currently no alternate directors appointed to the Board.

All Directors to be re-elected have to be assessed and recommended by the NC before submission to the Board for approval. In recommending a Director for re-election to the Board, the NC takes into consideration the Directors' contribution and performance at Board and Board Committee meetings (such as attendance, preparedness, participation and candour) and also reviews their independence.

The Constitution of the Company requires one-third of the Directors to retire from office by rotation once every three years. A retiring Director is eligible for re-election at the Annual General Meeting ("**AGM**"). Any Director appointed to fill a casual vacancy or as an additional Director shall hold office until the next AGM at which he/she will be eligible for re-election. Each member of the NC shall abstain from deliberation in respect to his/her nomination as a Director.

The NC, with each NC member abstaining in respect of his own re-election, has recommended the nomination of Directors retiring under Article 110 of the Company's Constitution, namely Dr Benety Chang and Mr Tan Yang Guan, for re-election at the forthcoming AGM. The Board has accepted the recommendations of the NC, and accordingly, Dr Benety Chang and Mr Tan Yang Guan will be offering themselves for re-election. The details of Dr Benety Chang and Mr Tan Yang Guan who will be retiring by rotation at the forthcoming AGM to be held on 27 April 2020 are set out on pages 145 to 146 of this Annual Report.

Key information regarding the Directors required under Provision 4.5 of the Code is set out below:

Name of Director	Date of First Appointment	Date of Last Re-election	Present Directorships in Other Listed Companies and Other Principal Commitments	Past Directorships in Other Listed Companies held over the preceding 3 years
Mr Wong Meng Yeng	3 Jun 2010	27 Apr 2018	Present Directorship in Other Listed Companies: Independent Director of Multi-Chem Limited Other Present Principal Commitments: Director of Alliance LLC	KS Energy Limited Keong Hong Holdings Limited
Ms Jeanette Chang	1 Sep 2013	26 Apr 2019	Present Directorship in Other Listed Companies: Non-Executive Director of CH Offshore Ltd. Other Present Principal Commitments: Nil	Nil
Dr Benety Chang	5 May 2000	27 Apr 2018	Present Directorship in Other Listed Companies: Executive Director of CH Offshore Ltd. Other Present Principal Commitments: CEO of CH Offshore Ltd.	Nil
Mr Tan Yang Guan	5 May 2000	25 Apr 2017	Present Directorship in Other Listed Companies: Nil Other Present Principal Commitments: Nil	Nil
Mr Ang Miah Khiang	1 Nov 2013	26 Apr 2019	Present Directorship in Other Listed Companies: Independent Director of SK Jewellery Group Limited Other Present Principal Commitments: Nil	PS Group Holdings Ltd Katrina Group Ltd
Ms Han Sah Heok Vicky	1 Dec 2013	26 Apr 2019	Present Directorship in Other Listed Companies: Nil Other Present Principal Commitments: Director of BA Contracts Pte Ltd	Nil

Board Performance

Principle 5:
The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.

Provisions 5.1 & 5.2 of the Code

The Company has in place a formal process for assessing the effectiveness of the Board as a whole, and its Board Committees and each Director's contribution as well as of the Chairman in relation to the effectiveness of the Board. The NC's assessment of the Board's performance as a whole is conducted on an annual basis taking into account factors such as Board composition, conduct of meetings, corporate strategy and planning, risk management, measuring and monitoring performance, financial reporting and communication with shareholders.

The NC's assessment of the performance of the Board Committees is assisted by the self-assessment checklists completed by the AC, NC and RC.

The annual assessment of individual Directors by the NC 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, interaction with fellow Directors, Management and other relevant parties and the Director's self-assessment. This evaluation process also serves to determine whether new members are required to be added to the Board or to seek the resignation of Directors.

The effectiveness of the Board Chairman is assessed by the NC members, namely Ms Han Sah Heok Vicky and Ms Jeanette Chang, on attributes such as leadership, ethics and values, knowledge, interaction and communication skills. The NC is of the view that the Board Chairman has been carrying out his role and duties as Chairman of the Board competently and has no issue for Mr Wong Meng Yeng to carry on with dual role as Board Chairman and NC Chairman. Mr Wong Meng Yeng had abstained from any discussion or voting in view of his dual role as Board Chairman and NC Chairman.

Areas of strength and recommendation, if any, for improvements will be identified by the NC and tabled to the Board for discussion and comment.

Based on the NC's review, the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

The NC is of the view that the primary objective of the assessment exercise is to create a platform to identify the Board's strengths and make recommendations for improvements to be tabled to the Board for discussion and comment with a view to strengthening the effectiveness of the Board. The Company has not engaged any external facilitator to conduct the performance evaluation of the Board, Board Committees and individual Director. Where relevant and when the need arises, the NC will consider such an engagement.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6:
The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel. No Director is involved in deciding his or her own remuneration.

Provision 6.1 of the Code

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 recommendations of the RC have been submitted for endorsement by the Board of Directors.

Provision 6.2 of the Code

The RC comprises three Directors, who are Independent Directors. As at the date of this report, the members of the RC are Ms Han Sah Heck Vicky (Chairman of RC), Mr Ang Miah Khiang and Mr Wong Meng Yeng.

Provision 6.3 of the Code

The RC reviews the Company's obligations under 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.

Provision 6.4 of the Code

In discharging its functions, the RC may, at the Company's expense, obtain such independent legal and other professional advice as it deems necessary. For FY2019, no remuneration consultant was appointed to review the remuneration of Directors and Key Management Personnel.

Level and Mix of Remuneration

Principle 7:
The level and structure of remuneration of the Board and Key Management Personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Provisions 7.1 & 7.3 of the Code

The Group's remuneration policy for Executive Directors and Key Management Personnel comprises a base/fixed salary, an allowance and a variable performance related bonus that is linked to the Company/Group and individual performance and designed to align the interests of the Executive Directors and Key Management Personnel with those of shareholders and other stakeholders 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. Consideration is also given to whether the remuneration packages are competitive and sufficient to ensure that the Company is able to attract and retain the best available executive talent, without being excessively generous and be able to motivate the Executive Directors to provide good stewardship of the Company and together with Key Management Personnel to successfully manage the Company for the long term. The Executive Directors do not receive any Director's fees.

The RC reviews the remuneration of Directors and Key Management Personnel on an annual basis to ensure that it commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Company.

To promote the long-term success of the Company, none of the Executive Directors and Key Management Personnel's remuneration is tied solely and specifically to the profitability of the Company or the Group.

The Company's Share Option Scheme approved at the Extraordinary General Meeting held on 22 May 2002 (2002 Scheme) had expired on 21 May 2012. There has been no new share option scheme since the expiry of the 2002 Scheme. The Company will consider an employee share option scheme or other long-term incentive scheme as and when deemed necessary.

Provision 7.2 of the Code

Independent Directors are paid Directors' fees which take into consideration the contribution, time and effort spent and responsibilities of the Independent Directors. The Directors' fees comprise a basic fee and additional fees for appointment on Board Committees. The Independent Directors are not over compensated to the extent that their independence may be compromised. Non-Executive Non-Independent Director, Mr Tan Yang Guan, is remunerated by way of consultancy fees for providing financial advice and overview to the Group. Mr Tan Yang Guan does not receive Director's fees.

The Directors' fee framework for the financial year ending 31 December 2020 ("**FY2020**") is in line with that for FY2019, as follows:

Basic Fee for Board Members	**$42,000 per annum**
Additional fee:	
– Allowance for Board Chairman	75.0% 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 27 April 2020, for the payment of Directors' fees of S$236,250 to be paid quarterly in arrears for FY2020.

Having reviewed and considered the variable components in the remuneration packages of the Executive Directors and Key Management Personnel, the RC is of the view that it is not necessary to institute contractual provisions to reclaim incentive components of remuneration from Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Disclosure on Remuneration

Principle 8
The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions 8.1(a) & 8.3 of the Code

The Directors' remuneration for FY2019 is set out below:

Name of Directors	Fees (S$)	Salary, CPF & Allowance (S$)	Bonus (S$)	Other Benefits (S$)	Total (S$)
Wong Meng Yeng(1)	74,750				74,750
Jeanette Chang(5)		472,140	142,800	48,000(3)	662,940
Dr Benety Chang(5)		559,044	164,048		723,092
Tan Yang Guan				173,543(4)	173,543
Ang Miah Khiang	65,000				65,000
Han Sah Heok Vicky	65,000				65,000
Lim Ho Seng(2)	56,250				56,250

Notes:

(1) *Mr Wong Meng Yeng appointed as Board Chairman/RC member on 30 September 2019.*

(2) *Mr Lim Ho Seng resigned as Director/Board Chairman/RC member on 30 September 2019.*

(3) *This relates to director fees paid by a subsidiary.*

(4) *This relates to consultancy fees paid by the Group.*

(5) *Ms Jeanette Chang, the CEO and Executive Director, is the daughter of Dr Benety Chang, who is also an Executive Director of the Company.*

Provisions 8.1(b) & 8.3 of the Code

The remuneration in FY2019 of Key Management Personnel (who are not Directors or the CEO) are set out below in bands of $250,000:

Name of Key Management Personnel	Designation	Salary, CPF & Allowance (%)	Bonus (%)	Other Benefits (%)
$500,000 and up to $750,000				
Tan Wee Lee	Managing Director (Baker Engineering Pte. Ltd., Sea Deep Shipyard Pte. Ltd., Sea Hercules Cranes Pte. Ltd.)	72	28	–
$250,000 and up to $500,000				
Tan Kiang Kherng	Chief Financial Officer (Baker Technology Limited)	70	20	10[(1)]
Heath McIntyre	Managing Director (BT Investment Pte. Ltd.)	88	12	–

(1) This relates to director fees paid by a subsidiary.

The aggregate remuneration paid to the three Key Management Personnel for FY2019 was S$1,426,920.

There were no termination, retirement and post-employment benefits granted to any Director, the CEO and Key Management Personnel for FY2019.

The Company believes that it may not be in the Group's interest to disclose the remuneration of the Key Management Personnel to the level as recommended by the Code, given highly competitive hiring conditions and the need to retain the Group's talent pool.

Provision 8.2 of the Code

Save as disclosed in the above remuneration table for Directors, there is no employee in the Group who is an immediate family member of any of the Directors or the CEO and whose remuneration exceeded S$100,000 during FY2019. "Immediate family member" means spouse, child, adopted child, step-child, brother, sister and parent.

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9
The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Provision 9.1 of the Code

The Board has overall responsibility for the management of the Group's key risks to safeguard shareholders' interests and the Group's assets. The Board considers the nature and extent of the significant risks which the Company may take in achieving its strategic objectives and value creation. The AC has been tasked to assist the Board in the oversight of the risk management and internal control systems within the Group while the ownership of day-to-day management and monitoring of existing internal control systems are delegated to Management which comprise the Executive Directors and Key Management Personnel of the Group.

The AC, with the assistance of the internal auditors, reviews the adequacy and effectiveness of the 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. Such material internal control weaknesses noted by the internal and external auditors, and recommendations, if any, are reported to the AC.

As the environment in which the Group operates changes, risks and opportunities change. Based on the enterprise-wide risk management framework ("**ERM Framework**") established and maintained in the 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; ensure measures for mitigating these risks are promptly and properly implemented; and ensure policies and controls are complied with. Management reports to the AC on a quarterly basis. Appropriate mitigating actions in managing the key risks, as well as action plans to address the gaps are considered, documented and put in place to safeguard shareholders' interests and the Group's assets.

The ERM Framework is complemented by the Group's system of internal controls, which includes the Code of Conduct, documented policies and procedures, proper segregation of duties, approval procedures and authorities as well as checks-and-balances built into the business processes.

Provision 9.2(a) & 9.2(b) of the Code

For the quarterly financial statements issued during FY2019, the Board provided a negative assurance confirmation to shareholders, confirmed to the best of their knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

During the year under review, the Board has received written assurances from the CEO and the CFO as well as the relevant Key Management Personnel that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and the Group's risk management and internal control systems are adequate and effective in addressing material risks in the Group in its current business environment.

Pursuant to the Rule 720(1) of the Listing Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), all the Directors and Executive Officers of the Group have signed a letter of undertaking.

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 Group's risk management systems and internal controls were adequate and effective as at 31 December 2019 to address financial, operational, compliance and information technology controls and risk management systems within the current scope of the Group's business operations. The Board notes that no system of internal controls is capable of providing absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

AUDIT COMMITTEE

Principle 10
The Board has an Audit Committee which discharges its duties objectively.

Provision 10.1 of the Code

The AC carried out their duties in accordance with the terms of reference which include the following:

(i) review the quarterly, half yearly and full year financial statements of the Group before submission to the Board for approval;

(ii) review the significant financial reporting issues and judgements, changes in accounting policies and standards and major risk areas so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(iii) review the adequacy, effectiveness, scope and results of the external audit work, cost effectiveness of the audit, and the independence and objectivity of the external auditors taking into consideration the requirements under the Accountants Act (Chapter 2) of Singapore;

(iv) review the adequacy, effectiveness and independence of 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;

(v) review 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;

(vi) recommend to the Board on the appointment and re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;

(vii) review interested person transactions (if any) falling within the scope of the Listing Manual of the SGX-ST;

(viii) review arrangement by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns;

(ix) review the assurance from the CEO and CFO on the financial records and financial statements;

(x) investigate any matter which falls within the AC's terms of reference, having full access to and co-operation by Management and the full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;

(xi) undertake such other reviews and projects as may be requested by the Board of Directors and report to the Board of Directors its findings from time to time on matters arising and requiring the attention of the AC; and

(xii) undertake such other functions and duties as may be prescribed by statute and the Listing Rules or recommended by the Code and by such amendments made thereto from time to time.

The AC met five times during the year under review. Details of AC members and their attendance at meetings are provided on page 46. The auditors (if required), the CEO, CFO and Company Secretary were also in attendance.

The AC 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.

During the year, the AC reviewed the quarterly and full year results of FY2019, including the adequacy of disclosures as well as the key changes in accounting policies applied. In the review of the financial statements, the AC has discussed the Key Audit Matters with Management and the external auditor. The AC concurs with the basis and conclusions in the auditors' report with respect to Key Audit Matters.

Provision 10.2 of the Code

The AC comprises Mr Ang Miah Khiang, Mr Wong Meng Yeng and Ms Han Sah Heok Vicky, all of whom are Independent Directors. The Chairman of the AC is Mr Ang Miah Khiang.

The Board considers Mr Ang Miah Khiang, a fellow with the Institute of Singapore Chartered Accountants who has extensive and practical financial management knowledge and experience, well-qualified to chair the AC. All members of the AC are appropriately qualified, with at least two members having the requisite financial management expertise and experience.

Provision 10.3 of the Code

The AC does not have any member who is a former partner or Director of the Company's existing audit firm.

Provision 10.4 of the Code

The Company's internal audit function is outsourced and its current internal auditor is PricewaterhouseCoopers ("**PwC**"). The Board has approved the recommendation of the AC to re-engage PwC as internal auditor ("**IA**") of the Company. The IA has access to all the Company's documents, records, properties and personnel, including access to AC. The IA's primary line of reporting would be to the AC.

The IA function is independent of the activities it audits and has appropriate standing within the Group. The IA, PwC, is a corporate member of the Institute of Internal Auditors Singapore with professionals with relevant qualifications and experience. The audit work is carried out according to the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

The AC reviews and approves the compensation of the IA and internal audit plan as well as reviews the scope and results of internal audit procedures issued by the IA.

During FY2019, the IA completed an internal audit review of the Group on key processes such as chartering contract management, revenue and receipts and purchases and payments. The findings and recommendations of the IA, Management's responses and Management's implementations have been reviewed and approved by the AC.

Provision 10.5 of the Code

The AC had met with the Company's external and internal auditors once without the presence of Management during FY2019 to review any matter that might be raised privately. It also has full discretion to invite any Director, Key Management Personnel or any other person to attend its meetings.

The AC reviewed and approved the external auditor's audit plan for the year and assessed the quality of the work carried out by the external auditors in accordance with the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority ("**ACRA**"), and is satisfied with the performance of its external auditors. Taking into account the requirements under the Accountants Act (Chapter 2) of Singapore, the aggregate amount of fees payable to the external auditors, Ernst & Young LLP ("**EY**"), during the year under review for audit and non-audit fees amounted to $223,000 and $19,000 respectively. The AC, having reviewed the scope and value of non-audit services provided to the Group by EY, is satisfied that the nature and extent of such services has not prejudiced and effected their independence and objectivity.

In reviewing the nomination of EY for re-appointment as the Company's auditor for the financial year ending 31 December 2020, the AC had considered the adequacy and appropriate resources and experience of the firm and the assigned audit engagement partner, other audit engagements and the number and experience of the supervisory and professional staff assigned to the Group's audit. Mr Yee Woon Yim has been assigned by EY as audit engagement partner for FY2019 as the previous EY engagement partner has completed 5 consecutive audits since her appointment, pursuant to Rule 713(2) of Listing Rules.

EY is an audit firm registered with the ACRA. The Company has complied with Rule 712 and 715 of the Listing Manual of the SGX-ST in relation to the appointment of auditors. Accordingly, the AC has recommended EY for re-appointment as statutory auditor at the forthcoming AGM.

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 whistle-blowing complaints are handled and the confidentiality and identity of the whistle-blower 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.

(D) SHAREHOLDERS RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11:
The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1 of the Code

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Company endeavours to treat all shareholders 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.

Provision 11.2 of the Code

Each distinct issue is proposed as a separate resolution at general meetings. All resolutions proposed at general meetings shall be put to vote by way of a poll pursuant to Rule 730A(2) of the Listing Manual. All votes cast, for or against, and the respective percentages, in respect of each resolution are tallied and disclosed at the meeting and an announcement with the detailed results showing the numbers of votes cast for and against for each resolution and the respective percentage will be released via SGXNet after the general meetings.

Provision 11.3 of the Code

The Chairman of each of the AC, RC and NC, or members of the respective Committees standing in for them, are present at each AGM, and other general meetings held by the Company, if any, to address shareholders' queries. Management is also present at general meetings to respond, if necessary, to operational questions from shareholders that may be raised. The external auditor will also be present to address queries regarding the conduct of the audit and the preparation and content of the auditor's report.

Provision 11.4 of the Code

The Group believes in encouraging shareholders' participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or more proxies (who can either be named individuals nominated by the shareholder to attend the meeting or the Chairman of the meeting as the shareholder may select). The Company's Constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. Specified intermediaries, such as banks and capital markets services licence holders which provide custodial services, may appoint more than two proxies. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate in shareholders' meetings. Such indirect investors, where so appointed, will have the same rights as direct investors to vote at the shareholders' meetings. Voting in absentia by mail, facsimile or email is currently not permitted to ensure proper authentication of the identity of shareholders and their voting intent.

The Group ensures that shareholders have the opportunity to participate effectively in and vote at general meetings. The relevant rules including the voting procedures are set out in the notice of 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.

Provision 11.5 of the Code

Minutes of general meetings recording the substantial and relevant comments and queries relating to the agendas of the general meetings raised by shareholders, together with responses from the Board and Management, are prepared by the Company Secretary. These minutes will be made available to shareholders upon their requests.

Provision 11.6 of the Code

The Company does not have a formal dividend policy. In its evaluation and recommendation of dividends, the Board will take into account, the Company's operating performance, general financial condition, capital requirements, cash flow and other factors as the Directors may deem appropriate.

Engagement with Shareholders

Principle 12:
The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provisions 12.1, 12.2 & 12.3 of the Code

The Company does not practise selective disclosure. In line with continuing disclosure obligations of the Company pursuant to the Listing Rules and the Companies Act (Chapter 50) of Singapore ("**Act**"), the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group through SGXNet. All material information including results announcements, are disclosed regularly and in a timely manner via SGXNet and the Company's website.

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. To serve the Company's investing community better, the Group has ensured that each of its subsidiaries has a standalone company website describing its unique company profile, activities and operations. The investing community can reach out to the Group via Contact Us pages on each website or via dedicated investor relations email address found on the Group's media releases.

All shareholders of the Company are sent a copy of the Annual Report and notice of the AGM. The notice of AGM, which sets out all items of business to be transacted at the AGM, is also advertised in the newspapers.

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. The Directors, in particular the Chairman of the Board and Chairpersons of Board Committees and Management are available to answer any question or concerns regarding the Company.

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 Group has specifically entrusted its Executive Directors, CEO and the CFO with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.

Although the Company does not have an investor relations policy, other than communicating with shareholders at the AGM, shareholders may raise questions to the Company through the Company's website of which the Company may respond to such questions.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13:
The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Provisions 13.1, 13.2 & 13.3 of the Code

The Company regularly engage its stakeholders through various medium and channels to ensure that its business interests are aligned with those of its stakeholders. The Company's stakeholders have been identified as those who are impacted by the Company's business and operations and those who similarly are able to impact the Company's business and operations. The Company's efforts on sustainability are focused on creating sustainable value for its key stakeholders, which include community and environment, customers, employees, suppliers and shareholders/investors.

The Company has identified key areas of focus in relation to the management of stakeholder relationships. For details on the key areas of focus, please refer to the Sustainability Report on pages 32 to 43 of this Annual Report.

(F) DEALINGS IN SECURITIES

The Group has put in place a policy on dealings in the securities of the Company by the Directors, officers and employees of the Company and its subsidiaries. During FY2019, the Group issued 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.

The Directors and Management are expected to observe the insider trading laws at all times when dealing in securities within permitted trading period.

(G) INTERESTED PERSON TRANSACTIONS POLICY

The Company monitors all its interested person transaction closely and all interested person transactions are subject to review by the AC.

There were no interested person transactions conducted during the year which exceeds S$100,000 in value.

The Group does not have a general mandate from shareholders for interested person transactions.

(H) MATERIAL CONTRACTS

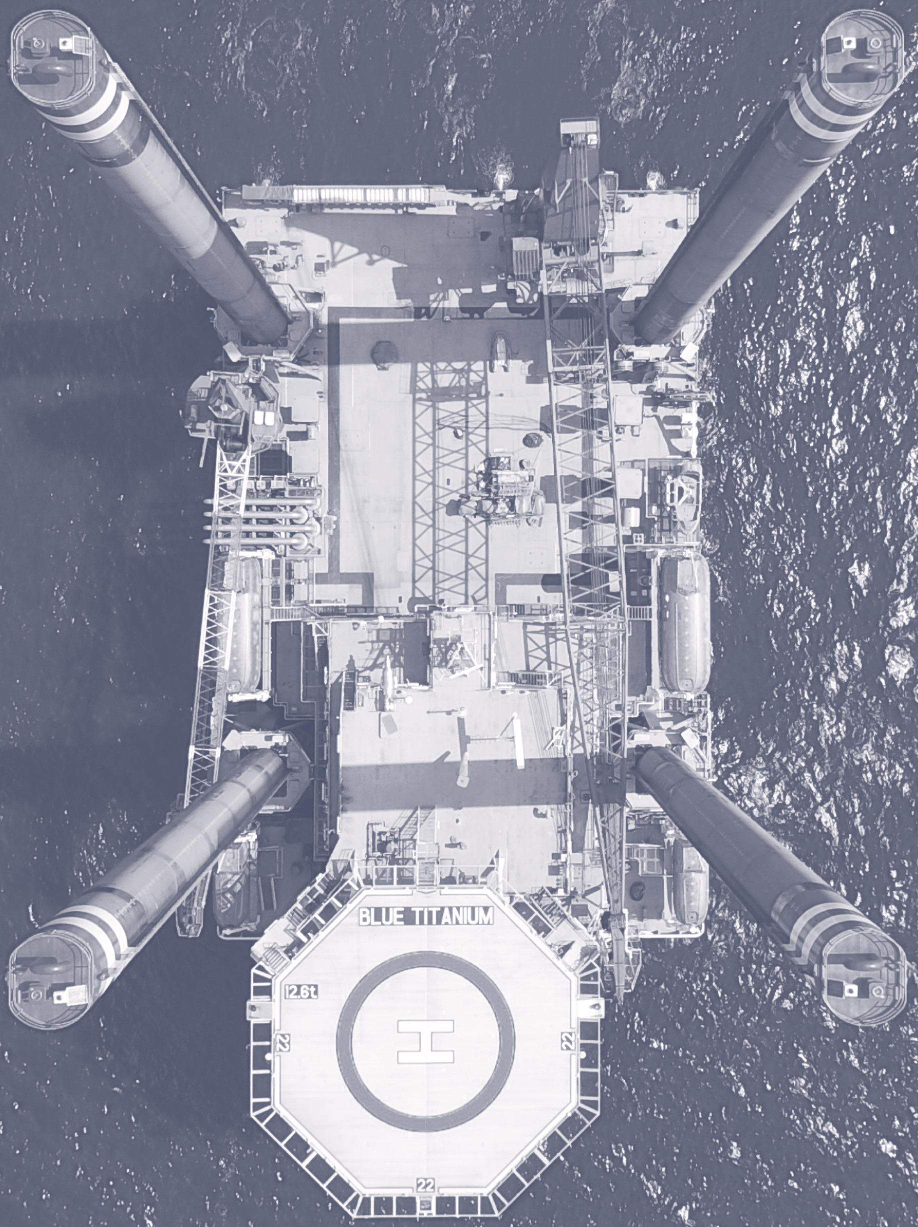
There were no material contracts of the Company and its subsidiaries involving the interests of the CEO, each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

(I) MAJOR PROPERTIES

The Group holds the following properties in Singapore:

Location	Description	Area (sqm)	Tenure
6 Pioneer Sector 1 Singapore 628418	A purpose-built shipyard complex with single-storey workshops, 3-storey office, stores, water frontage and paint blasting/open fabricating	31,094	Expiring on 31 December 2023
10 Jalan Samulun Singapore 629124	An existing custom-built premises with single-storey workshop, 3-storey office and water frontage	10,430	Expiring on 31 December 2025
12A Jalan Samulun Singapore 629131	An existing custom-built premises with single-storey workshop, 3-storey office and water frontage	5,995	Expiring on 31 May 2025

FINANCIAL CONTENTS



DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

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 2019.

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 2019, and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Wong Meng Yeng	(Chairman, Independent Director)
Jeanette Chang	(Chief Executive Officer)
Dr Benety Chang	(Executive Director)
Tan Yang Guan	(Non-Executive Non-Independent Director)
Ang Miah Khiang	(Independent Director)
Han Sah Heok Vicky	(Independent Director)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

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 share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:-

	Direct interest		Deemed interest	
Name of director	At 1.1.2019	At 31.12.2019	At 1.1.2019	At 31.12.2019
The Company				
Baker Technology Limited				
Ordinary shares				
Dr Benety Chang	87,003,837	87,003,837	19,151,771	19,151,771
Tan Yang Guan	4,128,554	4,128,554	–	–
Han Sah Heok Vicky	100,000	100,000	–	–
CH Offshore Ltd				
Ordinary shares				
Dr Benety Chang	–	–	387,535,300	387,535,300

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

Except as disclosed in this statement, 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 of the financial year, or at the end of the financial year.

SHARE OPTIONS

There is currently no share option scheme on unissued shares of the Company.

AUDIT COMMITTEE

The audit committee (AC) carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and the assistance given by the Group's and the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Reviewed effectiveness of the Group's and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Met with the internal and external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed 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;
- Reviewed the cost effectiveness and independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and results of the audit;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened five meetings during the year with full attendance from all members. 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 Report on Corporate Governance.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

AUDITOR

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

On behalf of the board of directors:

Wong Meng Yeng
Chairman

Jeanette Chang
Chief Executive Officer

Singapore
23 March 2020

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Baker Technology Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment assessment of vessels

As at 31 December 2019, the Group owned 12 vessels with an aggregate carrying value of $199,731,000. Due to the presence of impairment indicators, impairment testing was conducted by comparing the carrying amount of the vessels to their recoverable amounts, determined based on the value-in-use calculation. This area was significant to our audit as the carrying value of the vessels represented 67% of the Group's total assets as at 31 December 2019 and significant judgement and estimates were involved in determination of the recoverable amount of the vessels.

Our audit procedures included, amongst others, obtaining an understanding of management's impairment assessment process, including the identification of cash-generating units and indicators of impairment. We involved our internal valuation specialist in reviewing the appropriateness of management's valuation against comparable market data, considering the specifications and the age of the vessels. For other key assumptions used in the valuation, such as residual values and dry-docking expenditure, we compared to available industry and historical data applicable to the Group. In addition, we also reviewed the adequacy of disclosures on the key sources of estimation used in determining the recoverable amounts and carrying value of vessels set out in Note 3 and Note 10 to the consolidated financial statements respectively.

Key audit matters (cont'd)

Recoverability of trade receivables

As at 31 December 2019, the carrying amount of the Group's trade receivables, net of allowance for expected credit losses (ECL) of $2,151,000 amounted to $18,941,000, which represented 24% of its current assets.

Due to the inherent risk surrounding the oil and gas industry which the Group operates in, the credit quality of the Group's customers may have deteriorated, giving rise to increased risks in collection of trade receivables. The Group determines the ECL of trade receivables by making debtor-specific assessment of expected impairment loss for overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, debtors' ability to pay and forward-looking information specific to the debtors and economic environment. This assessment requires management to exercise significant judgement. Accordingly, we determined this as a key audit matter.

Our audit procedures included, amongst others, obtaining an understanding of the Group's processes and key controls relating to the monitoring of trade receivables and considered their ageing to identify collection risks. We performed audit procedures including, amongst others, reviewing the reasonableness of significant judgement used by the management in assessing the recoverability of trade receivables and reviewing management's assessment of the recoverability of long outstanding and overdue trade receivables. We tested the reasonableness of management's assumptions and inputs used in the ECL model by comparing to historical credit loss rates, and reviewed data and information that management has used, including consideration of forward-looking information based on specific economic data. We checked the arithmetic accuracy of management's computation of ECL. We reviewed the trade receivables ageing analysis and checked to subsequent receipts from major debtors. We obtained documentary evidence, representation and explanations from management to assess the recoverability of long outstanding debts, where applicable. In addition, we reviewed the adequacy of the disclosures relating to impairment of trade receivables and credit risk in Note 19 and Note 27(c) to the consolidated financial statements respectively.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yee Woon Yim.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
23 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	5	64,482	32,702
Cost of sales		(47,222)	(23,326)
Gross profit		17,260	9,376
Other income	6	744	25,648
Administrative expenses		(28,051)	(17,264)
Finance cost		(929)	(206)
Other expenses	6	(991)	–
Share of results of associated companies		(4,953)	(3,101)
(Loss)/profit before tax	7	(16,920)	14,453
Income tax expense	8	(1,021)	(138)
(Loss)/profit for the year		(17,941)	14,315
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss			
Net fair value (loss)/gain on equity instruments at fair value		(213)	40
Items that may be reclassified subsequently to profit or loss			
Net fair value gain/(loss) on debt instruments at fair value		16	(15)
Foreign currency translation		(1,487)	(345)
		(1,684)	(320)
Total comprehensive income for the year attributable to owners of the Company		(19,625)	13,995
(Loss)/profit for the year attributable to:			
Owners of the Company		(9,392)	17,624
Non-controlling interests		(8,549)	(3,309)
		(17,941)	14,315
Total comprehensive income for the year attributable to:			
Owners of the Company		(10,485)	17,581
Non-controlling interests		(9,140)	(3,586)
Total comprehensive income		(19,625)	13,995
Earnings per share attributable to owners of the Company			
Basic and diluted (in cents)	9	(4.6)	8.7

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current assets					
Property, plant and equipment	10	209,759	230,341	4	3
Right-of-use assets	11	5,465	–	–	–
Intangible assets	12	1,293	1,551	–	–
Investment in subsidiaries	13	–	–	88,600	22,800
Investment in associated companies	14	–	4,979	–	–
Loan to associated company	15	–	3,406	–	–
Investment securities	16	2,173	2,491	2,173	2,491
		218,690	242,768	90,777	25,294
Current assets					
Contract assets	5	984	1,071	–	–
Inventories and work-in-progress	18	2,637	1,176	–	–
Trade and other receivables	19	21,048	23,316	74	19
Prepaid operating expenses		396	669	36	49
Amounts due from subsidiaries	20	–	–	94,239	165,769
Loan to associated company	15	7,458	5,862	–	–
Investment securities	16	270	797	270	797
Cash and short-term deposits	21	45,222	28,920	24,666	14,575
		78,015	61,811	119,285	181,209
Less: Current liabilities					
Contract liabilities	5	269	–	–	–
Trade and other payables	22	16,523	10,265	597	601
Loans and borrowings	23	9,512	8,447	–	–
Amounts due to subsidiaries	20	–	–	7,003	7,650
Income tax payable		1,309	146	–	–
		27,613	18,858	7,600	8,251
Net current assets		50,402	42,953	111,685	172,958
Non-current liabilities					
Deferred tax liabilities	17	5,519	5,545	–	–
Loans and borrowings	23	6,553	4,067	–	–
Provision	22	1,550	–	–	–
		13,622	9,612	–	–
Net assets		255,470	276,109	202,462	198,252
Equity attributable to owners of the Company					
Share capital	24	108,788	108,788	108,788	108,788
Reserves		100,542	112,041	93,674	89,464
		209,330	220,829	202,462	198,252
Non-controlling interests		46,140	55,280	–	–
Total equity		255,470	276,109	202,462	198,252

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 2019

	Attributable to owners of the Company							
Group	**Share capital (Note 24) $'000**	**Capital reserve[1] $'000**	**Retained earnings $'000**	**Fair value reserve $'000**	**Foreign currency translation reserve $'000**	**Total reserves $'000**	**Non-controlling interests $'000**	**Total equity $'000**
2019								
At 1 January 2019	108,788	2,344	109,007	758	(68)	112,041	55,280	276,109
Loss for the year	–	–	(9,392)	–	–	(9,392)	(8,549)	(17,941)
Other comprehensive income								
Net fair value changes on equity instruments at FVOCI	–	–	–	(213)	–	(213)	–	(213)
Net fair value changes on debt instruments at FVOCI	–	–	–	16	–	16	–	16
Foreign currency translation	–	–	–	–	(896)	(896)	(591)	(1,487)
Total comprehensive income for the year	–	–	(9,392)	(197)	(896)	(10,485)	(9,140)	(19,625)
Contributions by and distributions to owners								
Dividend on ordinary shares (Note 30)	–	–	(1,014)	–	–	(1,014)	–	(1,014)
At 31 December 2019	108,788	2,344	98,601	561	(964)	100,542	46,140	255,470
2018								
At 1 January 2018 (FRS frame work)	108,788	2,344	91,383	(1)	–	93,726	–	202,514
Adoption of SFRS(I) 9	–	–	–	734	–	734	–	734
At 1 January 2018 (SFRS(I) framework)	108,788	2,344	91,383	733	–	94,460	–	203,248
Profit for the year	–	–	17,624	–	–	17,624	(3,309)	14,315
Other comprehensive income								
Net fair value changes on equity instruments at FVOCI	–	–	–	40	–	40	–	40
Net fair value changes on debt instruments at FVOCI	–	–	–	(15)	–	(15)	–	(15)
Foreign currency translation	–	–	–	–	(68)	(68)	(277)	(345)
Total comprehensive income for the year	–	–	17,624	25	(68)	17,581	(3,586)	13,995
Changes of ownership interests in subsidiaries								
Acquisition of subsidiary	–	–	–	–	–	–	58,866	58,866
At 31 December 2018	108,788	2,344	109,007	758	(68)	112,041	55,280	276,109

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 2019

Company	Share capital (Note 24) $'000	Capital reserve[1] $'000	Retained earnings $'000	Fair value reserve $'000	Total reserves $'000	Total equity $'000
	Attributable to owners of the Company					
2019						
At 1 January 2019	108,788	2,344	86,362	758	89,464	198,252
Profit for the year	–	–	5,421	–	5,421	5,421
Other comprehensive income						
Net fair value changes on equity instruments at FVOCI	–	–	–	(213)	(213)	(213)
Net fair value changes on debt instruments at FVOCI	–	–	–	16	16	16
Total comprehensive income for the year	–	–	5,421	(197)	5,224	5,224
Contributions by and distributions to owners						
Dividend on ordinary shares (Note 30)	–	–	(1,014)	–	(1,014)	(1,014)
At 31 December 2019	108,788	2,344	90,769	561	93,674	202,462
2018						
At 1 January 2018 (FRS frame work)	108,788	2,344	90,296	(1)	92,639	201,427
Adoption of SFRS(I) 9	–	–	–	734	734	734
At 1 January 2018 (SFRS(I) frame work)	108,788	2,344	90,296	733	93,373	202,161
Loss for the year	–	–	(3,934)	–	(3,934)	(3,934)
Other comprehensive income						
Net fair value changes on equity instruments at FVOCI	–	–	–	40	40	40
Net fair value changes on debt instruments at FVOCI	–	–	–	(15)	(15)	(15)
Total comprehensive income for the year	–	–	(3,934)	25	(3,909)	(3,909)
At 31 December 2018	108,788	2,344	86,362	758	89,464	198,252

[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 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
(Loss)/profit before tax		(16,920)	14,453
Adjustments for:			
Depreciation of property, plant and equipment	10	17,044	11,363
Depreciation of right-of-use assets	11	1,140	–
Amortisation of intangible assets	12	258	259
(Reversal of inventories written down)/inventories written down	18	(34)	32
Contract assets written down	5	–	506
Allowance for expected credit losses	19	1,847	266
Interest income	6	(658)	(522)
Interest expense on bank loans		929	206
Unrealised foreign exchange loss/(gain)		437	(218)
Loss on disposal of property, plant and equipment	6	424	18
Share of results of associated companies		4,953	3,101
Bargain purchase gain	6	–	(24,709)
Operating cash flows before working capital changes		9,420	4,755
Increase in inventories and work-in-progress		(1,427)	(362)
Decrease/(increase) in contract assets		87	(1,120)
Increase/(decrease) in contract liabilities		269	(104)
Decrease/(increase) in trade and other receivables		1,214	(9,754)
Decrease/(increase) in prepaid operating expenses		273	(557)
Increase/(decrease) in trade and other payables		5,948	(2,253)
Cash flows from/(used in) operations		15,784	(9,395)
Interest received		652	566
Interest paid		(929)	(206)
Income tax paid		(218)	(295)
Net cash flows from/(used in) operating activities		15,289	(9,330)
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiary	13(d)	–	(42,024)
Purchase of property, plant and equipment	10	(942)	(8,822)
Proceeds from disposal of property, plant and equipment		2,579	–
Maturity of investment securities		790	1,059
Purchase of investment securities		(166)	(120)
Repayment from associate		1,707	663
Net cash flows from/(used in) investing activities		3,968	(49,244)
Cash flows from financing activities			
Repayment of borrowings	23	(753)	–
Payment of principal portion of lease liabilities	23	(751)	–
Dividend on ordinary shares	30	(1,014)	–
Net cash flows used in financing activities		(2,518)	–
Net increase/(decrease) in cash and cash equivalents		16,739	(58,574)
Effect of exchange rate changes on cash and cash equivalents		(437)	852
Cash and cash equivalents at beginning of financial year		28,920	86,642
Cash and cash equivalents at end of financial year	21	45,222	28,920

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

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 consolidated financial statements of Baker Technology Limited and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 23 March 2020.

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 and associated companies are disclosed in Notes 13 and 14 to the financial statements respectively.

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 (International) (SFRS(I)).

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 Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

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

2.1 *Basis of preparation (cont'd)*

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the sett lement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. Except for the impact arising from the adoption of SFRS(I) 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

<u>SFRS(I) 16 *Leases*</u>

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*, and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

On the adoption of SFRS(I) 16, the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019.

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

2.2 *Changes in accounting policies (cont'd)*

SFRS(I) 16 *Leases (cont'd)*

The effect of adoption SFRS(I) 16 as at 1 January 2019 is, as follows:

	Group		
	1.1.2019 (As previously reported) $'000	SFRS(I) 16 adjustments $'000	1.1.2019 (Restated) $'000
Assets			
Right-of-use assets	–	6,605	6,605
Total assets	–	6,605	6,605
Liabilities			
Lease liabilities (Current)	–	752	752
Lease liabilities (Non-current)	–	4,303	4,303
Provision for reinstatement cost	–	1,550	1,550
Total liabilities	–	6,605	6,605

The Group has lease contracts for various leasehold lands and buildings used in its operations. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as operating lease. Refer to Note 2.11 for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.11 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

2.2 *Changes in accounting policies (cont'd)*

SFRS(I) 16 *Leases (cont'd)*

Leases previously accounted for as operating leases (cont'd)

The Group also applied the available practical expedients wherein it:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- Right-of-use assets of $6,605,000 were recognised and presented separately in the balance sheet.
- Additional lease liabilities and provision of $6,605,000 were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group $'000
Operating lease commitments as at 31 December 2018	6,161
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted operating lease commitments as at 1 January 2019	5,076
Less: Commitments relating to lease of low-value assets	(21)
Lease liabilities as at 1 January 2019	5,055

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

2.3 *Standard issued but not yet effective*

The Group has not adopted the following standard applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3 *Definition of Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 *Basis of consolidation and business combinations*

(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. Control is achieved when the Group 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. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

2.4 *Basis of consolidation and business combinations (cont'd)*

(a) *Basis of consolidation (cont'd)*

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(b) *Business combinations and goodwill*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SFRS(I) 9. Other contingent consideration that is not within the scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) ***Business combinations and goodwill (cont'd)***

After 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 each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.5 *Transaction with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 *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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 *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.

2.8 *Associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate is eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

2.9 *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	–	10 to 12 years
Leasehold improvements	–	the lower of remaining lease period and 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
Vessels	–	10 to 25 years
Dry-docking expenditure	–	5 years

Assets under construction are not depreciated as these assets are not yet available for use.

Fully depreciated assets still in use are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

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

2.9 *Property, plant and equipment (cont'd)*

Dry-docking expenditure refers to major inspections and overhauls which are required at regular intervals of 5 years over the useful life of the vessels to allow the continued use of the vessels. When each major inspection and overhaul is performed, its cost is recognised in the carrying amount of the vessels as a replacement if the following recognition criteria are met:

- It is probable that future economic benefits associated with the asset will flow to the entity;
- The cost of the asset to the entity can be measured reliably.
- Any remaining carrying amount of the cost of the previous inspection is derecognised;
- The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis; and
- The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.10 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Leases*

Accounting policy beginning 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) ***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold land and buildings – 5 to 7 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as set out in Note 2.12.

(b) ***Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in loans and borrowings (Note 23).

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

2.11 ***Leases (cont'd)***

Accounting policy beginning 1 January 2019 (cont'd)

Group as a lessee (cont'd)

(c) ***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Accounting policy prior to 1 January 2019

Group as a 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.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as charter hire. The accounting policy for charter hire is set out in Note 2.20(d). Contingent rents are recognised as revenue in the period in which they are earned.

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

2.12 *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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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. Impairment losses relating to goodwill cannot be reversed in future periods.

2.13 *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) *Financial assets*

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

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

2.13 *Financial instruments (cont'd)*

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

Initial recognition and measurement (cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, (i.e., the date that the Group commits to purchase or sell the asset).

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, loan to associated company, amounts due from subsidiaries, and cash and short-term deposits.

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

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

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

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes corporate bonds under investment securities.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under SFRS(I) 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

The Group's equity instruments at fair value through OCI includes unquoted equity securities under investment securities.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to subsidiaries and loans and borrowings.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; or
- Financial liabilities at amortised cost.

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

2.13 *Financial instruments (cont'd)*

(b) ***Financial liabilities (cont'd)***

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SFRS(I) 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SFRS(I) 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to loans and borrowings (Note 23).

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(c) ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

2.14 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid deposits with a maturity of three months or less, 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.

2.16 *Inventories*

Inventories, which are made up of mainly materials, bunkering stocks, component 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.
- Bunkering stocks: purchase costs on a first-in, first-out 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 *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.

Provision for reinstatement

The Group recognised a provision for reinstatement cost when there is obligation to restore the property, plant and equipment to its original condition upon termination of the contract leases. The reinstatement cost is estimated when modifications are performed on the properties, based on quotations from contractors and management's experience. The provision for reinstatement cost is reviewed annually and adjusted as appropriate.

2.18 *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.

2.19 *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.

2.20 *Other Income*

(a) ***Interest income***

Interest income is recognised using the effective interest method.

(b) ***Dividend income***

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

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

2.21 *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) ***Construction contracts***

Contract revenue is recognised over time by reference to the Group's progress towards completing the performance obligation in the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs (input method).

Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these shall be accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will recognise these as contract assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced on a progressive payment schedule. If the value of the goods and services transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods and services transferred, a contract liability is recognised.

(b) ***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.

(c) ***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.

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

2.21 *Revenue (cont'd)*

(d) *Charter hire*

The Group's charter contracts consist of time charters and bare boat charters. In the case of time charter, revenue is separated into a lease component and a service component.

The lease component represents the lease of the vessel and is accounted for using the lease standard. Revenue from chartering of vessels is recognised on a straight-line basis over the charter period.

The service component includes the provision of crew and other services under the time charter contracts. The Group separates the components by allocating the transaction price based on their relative stand-alone selling prices.

Revenue from the provision of other ancillary services including crew and other marine ancillary services are recognised over time on a straight-line basis over the charter period.

2.22 *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.

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

2.22 *Taxes (cont'd)*

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

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:

- When 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.

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:

- When 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

- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payablees in the statement of financial position.

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

2.23 *Government grants*

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.24 *Share capital and share issue expenses*

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

2.25 *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 expended in the period they occur. Borrowing costs consist of interests and other costs that an entity incurs in connection with the borrowing of funds.

2.26 *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*

Management is of the opinion that there were no significant judgements made in applying the accounting policies in the consolidated financial statements.

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 vessels***

The carrying amounts of the Group's vessels are reviewed at the end of the reporting period to determine whether there is any indication that those vessels have suffered an impairment loss. In determining the impairment loss to be recorded for the Group's vessels, management has computed the value-in-use and considered the respective cash-generating units (CGU) of the Group in deriving the recoverable amount of the Group's vessels.

CGU is defined by management through the division of the Group's fleet of vessels by type of vessel and engine specification (i.e. Brake Horse Power (Bhp)).

In current year, management computed the value-in-use by estimating the future cash flows expected to be generated by the vessels based on the pre-tax discount rate of 9.50% per annum (2018: 9.50% per annum) which reflects the current market assessment of the time value of money and the risks specific to the Group.

Based on the above internal and external sources of information, management has carried out a review of the recoverable amount of the Group's vessels and determined that carrying amounts of the Group's vessels did not exceed their recoverable amount.

The carrying amounts of the Group's vessels at the end of the reporting period are disclosed in Note 10 of the financial statements.

(b) ***Useful lives and residual value of vessels***

The cost of vessels is depreciated on a straight-line basis over their estimated economic useful lives. The Group reviews the estimated useful lives and residual value of its vessels at the start of each reporting period. In determining the residual values and useful lives of vessels, management considers factors such as market prices of used vessels, expected usage levels, maintenance and repair cost, technical or commercial obsolescence. Changes in these factors could potentially impact the economic useful lives and residual value of these assets, and thereby resulting in changes in future depreciation charges. Such changes are accounted for prospectively.

The carrying amounts of the Group's vessels at the end of the reporting period are disclosed in Note 10 of the financial statements.

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

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

(c) *Provision for expected credit losses of trade receivables*

The Group uses a provision matrix to calculate expected credit loss (ECL) for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 19.

The carrying amount of trade receivables as at 31 December 2019 is $18,941,000 (2018: $21,323,000).

(d) *Impairment of investment in subsidiaries*

The Company assesses at each reporting date whether there is any objective evidence that the interests in subsidiaries are impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the industry performance, technology changes, operating and financing cash flows. Management will also consider the financial condition and business prospects of the interest.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on the forecasted performance of the subsidiaries. The carrying amounts of the Company's interests in subsidiaries at the reporting date are disclosed in Note 13.

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. The Group's core business is in the design, construction, operating and chartering of mobile offshore units and offshore services vessels, along a wide range of critical equipment and components for the offshore marine 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.

4. SEGMENT INFORMATION (CONT'D)

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.

	Marine offshore		Investments		Corporate		Adjustments and elimination		Per consolidated financial statements	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue – external customers	**64,482**	32,702	**–**	–	**–**	–	**–**	–	**64,482**	32,702
Results:										
Depreciation and amortisation	**(18,439)**	(11,620)	**–**	–	**(3)**	(2)	**–**	–	**(18,442)**	(11,622)
Interest income	**476**	162	**13**	24	**169**	336	**–**	–	**658**	522
Interest expense	**(929)**	(206)	**–**	–	**–**	–	**–**	–	**(929)**	(206)
Reversal of inventories written down/(inventories written down)	**34**	(32)	**–**	–	**–**	–	**–**	–	**34**	(32)
Contract assets written down	**–**	(506)	**–**	–	**–**	–	**–**	–	**–**	(506)
Bargain purchase gain	**–**	–	**–**	24,709	**–**	–	**–**	–	**–**	24,709
Share of results of associated companies	**(4,953)**	(3,101)	**–**	–	**–**	–	**–**	–	**(4,953)**	(3,101)
Segment (loss)/profit	**(14,412)**	(7,891)	**3,081**	31,083	**5,471**	3,741	**(11,060)**	(12,480)	**(16,920)**	14,453
Segment assets	**268,302**	285,904	**50,467**	51,142	**25,049**	14,646	**(47,113)**	(47,113)	**296,705**	304,579
Segment liabilities	**40,575**	27,806	**63**	63	**597**	601	**–**	–	**41,235**	28,470
Other segment information:										
Purchase of investment securities	**–**	–	**166**	120	**–**	–	**–**	–	**166**	120
Additions to non-current assets:-										
– Investment in associated companies	**–**	4,979	**–**	–	**–**	–	**–**	–	**–**	4,979
– Purchase of property, plant and equipment	**939**	8,822	**–**	–	**3**	–	**–**	–	**942**	8,822

4. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Group	
	2019	**2018**
	$'000	**$'000**
Asia Pacific (excluding China and Singapore)	**49,699**	26,953
Africa	**5,108**	47
Middle East	**4,259**	3,205
America	**2,960**	839
Singapore	**1,622**	969
China	**66**	41
Others	**768**	648
	64,482	32,702

Except for the Group's unquoted equity securities of $2,173,000 (2018: $2,220,000) at 31 December 2019 which is located in Europe, all the assets and capital expenditure of the Group are located in Singapore and Asia Pacific.

Information about a major customer

Revenue from one major customer amounted to approximately $24,921,000 (2018: $22,309,000), arising from the provision of specialised marine offshore equipment and services.

5. REVENUE

	Group	
	2019	2018
	$'000	$'000
Marine offshore revenue	**60,656**	29,197
Spare sales	**3,826**	3,505
	64,482	32,702

Timing of transfer of goods or services

	2019		2018	
	At a point in time	Over time	At a point in time	Over time
	$'000	$'000	$'000	$'000
Asia Pacific (excluding China and Singapore)	**694**	**49,005**	274	26,679
Africa	**175**	**4,933**	47	–
Middle East	**2,376**	**1,883**	1,590	1,615
America	**–**	**2,960**	–	839
Singapore	**533**	**1,089**	964	5
China	**41**	**25**	–	41
Others	**7**	**761**	630	18
	3,826	**60,656**	3,505	29,197

The Group accounts for the lease of vessels for bareboat charter and time charter under SFRS(I) 16 *Leases* as leases revenue. Time charter comprises lease of vessels and provision of other ancillary services. Other ancillary charter hire revenue include provision of crew and other services under time charter contracts.

The Group separates the lease and non-lease components of time charter by allocating the transaction price based on their relative stand-alone selling prices. Other ancillary time charter revenue is recognised over time.

Included in the marine offshore revenue is charter hire revenue amounting to $24,515,000 (2018: $11,277,000) and other ancillary charter hire revenue amounting to $30,170,000 (2018: $14,114,000).

<u>Contract assets and contract liabilities</u>

Information about receivables contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group	
	2019	2018
	$'000	$'000
Receivables from contracts with customers	**7,258**	6,605
Contract assets	**984**	1,071
Contract liabilities	**269**	–

5. REVENUE (CONT'D)

Timing of transfer of goods or services (cont'd)

Contract assets and contract liabilities (cont'd)

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to $63,000 (2018: $63,000) for the financial year ended 31 December 2019.

Contract assets primarily relate to the revenue earned from ongoing specialised equipment constructions contracts. As such, the balance of this account vary and depend on the number of ongoing construction contracts at the end of the year.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for the manufacturing of specialised marine offshore equipment for the oil and gas industry.

Contract liabilities are recognised as revenue as the Group performs under the contract.

Significant changes in contract assets are explained as follows:

	Group	
	2019 $'000	2018 $'000
Contract assets written down	–	506

6. OTHER INCOME/(EXPENSES)

	Group	
	2019 $'000	2018 $'000
Interest income from short term deposits and quoted corporate bonds	**658**	522
Foreign exchange gain	–	320
Other sundry income	**41**	–
Rental income	**45**	97
Bargain purchase gain	–	24,709
Other income	**744**	25,648
Loss on disposal of property, plant and equipment	**(424)**	–
Foreign exchange loss	**(567)**	–
Other expenses	**(991)**	–

7. (LOSS)/PROFIT BEFORE TAX

The following items have been included in arriving at (loss)/profit before tax:

	Group	
	2019	2018
	$'000	$'000
Depreciation of property, plant and equipment	**17,044**	11,363
Depreciation of right-of-use assets	**1,140**	–
Amortisation of intangible assets	**258**	259
Consultancy service fee paid/payable to directors	**174**	167
Operating lease expenses	**–**	1,585
Expense relating to leases of low-value assets	**24**	–
(Reversal of inventories written down)/inventories written down	**(34)**	32
Contract assets written down	**–**	506
Employee benefits expense (including executive directors):		
– Salaries, wages, bonuses and other costs	**11,393**	8,530
– Contributions to defined contribution plans	**905**	678
Audit fees paid to auditors of the Company	**223**	182
Non-audit fees paid to:		
– Auditors of the Company	**19**	61
– Other auditors	**53**	73
Legal and other professional fees	**764**	990
Allowance for expected credit losses	**1,847**	266

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	
	2019	2018
	$'000	$'000
Statement of comprehensive income:		
Current income tax:		
– Current income taxation	**183**	7
– Under provision in respect of prior years	**794**	–
	977	7
Deferred income tax:		
– Origination and reversal of temporary difference (Note 17)	**44**	131
Income tax expense recognised in the statement of comprehensive income	**1,021**	138

8. INCOME TAX EXPENSE (CONT'D)

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

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

	Group	
	2019	**2018**
	$'000	**$'000**
(Loss)/profit before tax	**(16,920)**	14,453
Income tax credit at the applicable tax rate of 17% (2018: 17%)	**(2,876)**	2,457
Adjustments for tax effect of:		
Effect of different tax rates of companies operating on different jurisdiction	**113**	–
Deferred tax assets not recognised	**77**	1,485
Deferred tax benefits utilised	**(191)**	(129)
Income not subject to taxation	**–**	(4,201)
Tax incentive	**–**	(4)
Net marine offshore income not subject to tax[1]	**97**	(1,364)
Non-deductible expenses	**2,174**	1,337
Tax effect of share of results of associates	**846**	527
Under provision in respect of prior years	**794**	–
Others, net	**(13)**	30
Income tax expense recognised in profit or loss	**1,021**	138

[1] *This represents net losses/(income) exempted under Section 13A and tax exemption under Section 43(6) of the Singapore Income Tax Act.*

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $14,888,000 (2018: $15,559,000) that are available for offset against future taxable profits of the relevant subsidiary in which the losses arose, for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation.

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.

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.

As there were no share options and warrants granted, the basic and diluted earnings per share are the same.

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:

	2019 $'000	2018 $'000
(Loss)/profit for the financial year attributable to owners of the Company used in the computation of basic and diluted earnings per ordinary share	(9,392)	17,624

	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	202,878	202,878

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold lands and buildings $'000	Leasehold improvements $'000	Assets under construction $'000
Cost:			
At 1 January 2018	16,740	8,654	–
Exchange differences	–	–	(5)
Acquisition of subsidiary	–	–	1,317
Additions	–	77	–
Disposal/write off	–	–	–
Reclassification	–	–	(1,312)
At 31 December 2018 and 1 January 2019	16,740	8,731	–
Exchange differences	–	–	–
Additions	–	105	–
Disposal/write off	–	–	–
At 31 December 2019	16,740	8,836	–
Accumulated depreciation:			
At 1 January 2018	9,620	5,706	–
Depreciation charge for the year	932	1,113	–
At 31 December 2018 and 1 January 2019	10,552	6,819	–
Exchange differences	–	–	–
Depreciation charge for the year	932	789	–
Disposal/write off	–	–	–
At 31 December 2019	11,484	7,608	–
Net carrying amount:			
At 31 December 2018	6,188	1,912	–
At 31 December 2019	5,256	1,228	–

Furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Plant and equipment $'000	Vessels $'000	Dry-docking expenditure $'000	Total $'000
383	1,768	421	12,104	100,050	–	140,120
–	–	–	–	(378)	(18)	(401)
25	–	–	–	113,897	5,050	120,289
53	92	–	76	8,524	–	8,822
(18)	–	–	–	–	–	(18)
–	–	–	–	–	1,312	–
443	1,860	421	12,180	222,093	6,344	268,812
(1)	(1)	–	–	(1,523)	(79)	(1,604)
44	99	81	88	–	525	942
–	(24)	–	(20)	(2,966)	(900)	(3,910)
486	1,934	502	12,248	217,604	5,890	264,240
285	1,194	315	9,590	–	–	26,710
76	237	61	1,397	6,632	1,313	11,761
361	1,431	376	10,987	6,632	1,313	38,471
(1)	(1)	–	–	(73)	(16)	(91)
46	244	44	797	11,478	2,714	17,044
–	(24)	–	(17)	(164)	(738)	(943)
406	1,650	420	11,767	17,873	3,273	54,481
82	429	45	1,193	215,461	5,031	230,341
80	284	82	481	199,731	2,617	209,759

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 $17,044,000 (2018: $11,363,000) and $Nil (2018: $398,000) have been included in the Group's consolidated statement of comprehensive income and contract assets, respectively.

Impairment testing on vessels

As at 31 December 2019, the Group carried out a review of the recoverable amount of its vessels due to the continued weakness in the oil and gas industry. The recoverable amount of the vessels was based on its value in use and the pre-tax discount rate was 9.5%. As the recoverable amount was computed to be higher than the carrying value, no impairment loss was recorded.

	Office equipment $'000
Company	
Cost:	
At 31 December 2018, 1 January 2019 and 31 December 2019	62
Additions	4
At 31 December 2019	66
Accumulated depreciation:	
At 1 January 2018	56
Depreciation charge for the year	3
At 31 December 2018 and 1 January 2019	59
Depreciation charge for the year	3
At 31 December 2019	62
Net carrying amount:	
At 31 December 2018	3
At 31 December 2019	4

11. RIGHT-OF-USE ASSETS

The Group has lease contracts for various leasehold lands and buildings used in its operations. As at 1 January 2019, lease of leasehold lands and buildings generally have remaining lease terms of 5 and 7 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of office equipment with lease terms of 12 months or less and with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-assets recognised and movements during the year:

	Leasehold properties $'000
At 1 January 2019	–
Additions – due to adoption of SFRS(I) 16	6,605
Depreciation charge for the year	(1,140)
At 31 December 2019	5,465

Set out below are the carrying amounts of lease liabilities (included under loans and borrowings (Note 23)) and the movements during the year:

	Group 2019 $'000
At 1 January 2019	–
Additions – due to adoption of SFRS(I) 16	5,055
Accretion of interest	283
Payments	(1,034)
At 31 December 2019	4,304
Current	799
Non-current	3,505
	4,304

The maturity analysis of lease liabilities is disclosed in Note 27(b).

11. RIGHT-OF-USE ASSETS (CONT'D)

The following are the amounts recognised in profit or loss:

	Note	Group 2019 $'000
Depreciation expense of right-of-use assets	7	**1,140**
Interest expense on lease liabilities		**283**
Expense relating to leases of low-value assets	7	**24**
Total amount recognised in profit or loss		**1,447**

In the current financial year, the Group had total cash outflows for leases of $1,034,000.

12. INTANGIBLE ASSETS

Group	Vessel design $'000
Cost:	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	2,561
Accumulated amortisation and impairment:	
At 1 January 2018	751
Amortisation charge for the year	259
At 31 December 2018 and 1 January 2019	1,010
Amortisation charge for the year	258
At 31 December 2019	1,268
Net carrying amount:	
At 31 December 2018	1,551
At 31 December 2019	1,293

Vessel design

In 2014, the Group acquired a vessel design and commenced the construction of a vessel. The construction of the vessel was completed in 2017. The vessel design impairment assessment under FRS 36 *Impairment of Assets* is dependent on the recoverable amount of the vessel (Note 10).

Amortisation charge of $258,000 (2018: $259,000) has been included in the Group's consolidated statement of comprehensive income.

13. INVESTMENT IN SUBSIDIARIES

	Company 2019 $'000	Company 2018 $'000
Shares, at cost	**30,000**	30,000
Amounts due from subsidiaries*	**95,000**	–
Less: Allowance for impairment	**(36,400)**	(7,200)
	88,600	22,800

* *The settlement of the amounts due from subsidiaries is at the discretion of the subsidiaries. Consequentially, these amounts form part of the Company's net investment in the subsidiaries.*

Movement in allowance account

	Company 2019 $'000	Company 2018 $'000
At 1 January	**(7,200)**	(7,200)
Reclassified from amounts due from subsidiaries (Note 20)	**(29,200)**	–
At 31 December	**(36,400)**	(7,200)

(a) ***Composition of the Group***

The subsidiaries for the financial year ended 31 December are:-

Subsidiaries (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group 2019 %	Percentage of equity held by the Group 2018 %
(1) Sea Deep Shipyard Pte. Ltd. (Singapore)	Manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry (Singapore)	**100**	100
(1) Baker Engineering Pte. Ltd. (Singapore)	Design and fabrication of offshore and marine equipment (Singapore)	**100**	100
(1) BT Investment Pte. Ltd. (Singapore)	Investment holding (Singapore)	**100**	100

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Subsidiaries (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group 2019 %	2018 %
Held through Sea Deep Shipyard Pte. Ltd.:			
(1) Sea Hercules Cranes Pte. Ltd (formerly known as Interseas Shipping (Private) Limited) (Singapore)	Manufacturer and provider of specialised marine offshore equipment and services for the oil and gas industry (Singapore)	**100**	100
Held through Baker Engineering Pte. Ltd.:			
(1) BEL Design Pte. Ltd. (Singapore)	Design and engineering of offshore and marine vessels and equipment (Singapore)	**100**	100
Held through BT Investment Pte. Ltd.:			
(1) BT Titanium Pte. Ltd. (Singapore)	Provision of offshore marine logistics support services (Singapore)	**100**	100
(3) BT Offshore (B) Sdn Bhd (Brunei)	Provision of offshore marine logistics support services (Brunei)	**100**	100
(1) BT OSV 1 Pte. Ltd. (Singapore)	Ship owning and chartering (Singapore)	**100**	100
(1) BT Offshore Management Pte. Ltd. (Singapore)	Chartering of vessels and ship management services (Singapore)	**100**	100
(1) Interseas Pte. Ltd. (Singapore)	Dormant	**100**	100
(1) CH Offshore Ltd. (Singapore)	Investment holding and owning and chartering of vessels (Singapore)	**54.98**	54.98
Held through BT Titanium Pte. Ltd.			
(2) BT Offshore (Malaysia) Pte Ltd (Malaysia)	Provision of offshore marine logistic support services (Malaysia)	**100**	100

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Subsidiaries (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2019	2018
		%	%
Held through CH Offshore Ltd.:			
[1] CHO Ship Management Pte Ltd	Ship management and investment holding (Singapore)	**54.98**	54.98
[1] Delaware Marine Pte Ltd	Investment holding (Singapore)	**54.98**	54.98
[1] Sea Glory Private Limited	Ship owning and chartering (Singapore)	**54.98**	54.98
[1] Garo Pte Ltd	Ship owning and chartering (Singapore)	**54.98**	54.98
[1] Offshore Gold Singapore Pte Ltd	Ship owning and chartering (Singapore)	**54.98**	54.98
[1] Pembrooke Marine Pte Ltd	Ship owning and chartering (Singapore)	**54.98**	54.98
[1] Venture Offshore Pte Ltd	Ship owning and chartering (Singapore)	**54.98**	54.98
Held through CHO Ship Management Pte Ltd:			
[2] High Majestic Sdn Bhd	Ship owning and chartering (Malaysia)	**54.98**	54.98
Held through Delaware Marine Pte Ltd:			
[2] Pearl Marine Pte Ltd	Ship owning and chartering (Malaysia)	**38.49**	38.49

(1) *Audited by Ernst & Young LLP, Singapore.*
(2) *Audited by Ernst & Young LLP, Malaysia.*
(3) *Audited by Ernst & Young LLP, Brunei.*

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) ***Interest in subsidiaries with material non-controlling interest (NCI)***

Name of subsidiary	Principal place of business	Proportion ownership interest held by non-controlling interest	Loss allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
31 December 2019:					
CH Offshore Ltd	Singapore	45.02%	(8,549)	46,140	–
31 December 2018:					
CH Offshore Ltd	Singapore	45.02%	(3,309)	55,280	–

There are no significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests.

(c) ***Summarised financial information about subsidiary with material NCI***

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	CH Offshore Ltd	
	2019 $'000	2018 $'000
Current assets	**30,558**	22,029
Non-current assets	**103,359**	124,644
Total assets	**133,917**	146,673
Current liabilities	**22,647**	13,882
Non-current liabilities	**8,567**	9,612
Total liabilities	**31,214**	23,494
Net assets	**102,703**	123,179

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) ***Summarised financial information about subsidiary with material NCI (cont'd)***

Summarised statement of comprehensive income

	CH Offshore Ltd	
		27.8.2018 to
	2019	31.12.2018
	$'000	$'000
Revenue	**28,561**	5,730
Loss before income tax	**(18,938)**	(7,185)
Income tax expense	**(226)**	(165)
Loss after tax, representing total comprehensive income	**(19,164)**	(7,350)

Other summarised information

	CH Offshore Ltd	
		27.8.2018 to
	2019	31.12.2018
	$'000	$'000
Net cash flows from operations	**586**	2,155
Repayment from associate	**1,707**	663

(d) ***Acquisition of subsidiary***

On 26 July 2018, the Group acquired 371,646,150 shares (or 52.72%) in CH Offshore Ltd (CHO), which principally engages in the owning and chartering of offshore services vessels, for approximately $45.0 million from two unrelated vendors. Subsequently, the Group acquired additional 15,889,150 shares in CHO (or 2.26%) for approximately $2.1 million under the mandatory unconditional cash offer in accordance with Rule 14.1 of the Singapore Code of Take-overs and Mergers.

The Group has ascertained the date of acquisition to be on 27 August 2018 in accordance to SFRS(I) 3, representing the date whereby four representatives of the Group were nominated into CHO's Board of Directors. As a result, the Group commenced the consolidation of CHO as a 54.98% owned subsidiary into its consolidated financial statements as of that date.

The Group has acquired CHO as it is complementary to the Group's business and is in line with the strategy to expand its future asset and earnings base. The investment in CHO also provides an attractive platform to build the Group's offshore support services.

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) ***Acquisition of subsidiary (cont'd)***

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of CHO's net identifiable assets.

In prior year, the purchase price allocation exercise in respect of the acquisition of CHO was completed by an independent valuer. No intangible assets have been identified arising from this acquisition. The fair values of the net assets and liabilities acquired at the date of acquisition were as follows:

	Fair value recognised on acquisition $'000
Property, plant and equipment	120,289
Investment in associates	8,143
Loan to associated company	4,629
Inventories	212
Trade and other receivables	20,424
Cash and cash equivalents	5,089
Loans and borrowing	(12,500)
Trade and other payables	(10,195)
Deferred tax liabilities	(5,403)
	130,688
Less: Non-controlling interest	(58,866)
Net assets acquired	71,822
Bargain purchase gain	(24,709)
Total consideration paid	47,113
Less: Cash and cash equivalents of subsidiary	(5,089)
Net cash outflow from acquisition of subsidiary	42,024

The acquisition was fully settled in cash.

Transaction costs related to the acquisition of approximately $520,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2018.

As the consideration paid by the Group was significantly lower than the net tangible asset value per CHO shares, this acquisition resulted in a bargain purchase gain of approximately $24.7 million, which have been recognised in the "other income" line item in the Group's profit and loss for the year ended 31 December 2018.

14. INVESTMENT IN ASSOCIATED COMPANIES

The Group's material investments in associated companies are summarised below:

	Group	
	2019	2018
	$'000	$'000
PT Bahtera Nusantara Indonesia	–	4,979
Other associates	–	–
	–	4,979

Details of the Group's associated companies at the end of the financial year are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2019	Proportion (%) of ownership interest 2018
Held by CH Offshore Ltd				
MarineCo Limited[(a)]	Malaysia	Ship owning and chartering	**26.94%**	26.94%
Gemini Sprint Sdn. Bhd.[(a)]	Malaysia	Ship chartering	**26.94%**	26.94%
Held by Venture Offshore Pte Ltd				
PT Bahtera Nusantara Indonesia[(b)]	Indonesia	Ship owning and chartering	**26.94%**	26.94%

(a) *Audited by other CPA firms in Malaysia.*

(b) *Audited by other CPA firm in Indonesia and audited by Ernst & Young LLP, Singapore for consolidation purpose.*

In accordance with the requirements of Rules 715 and 716 of the SGX-ST Listing Manual, the directors of the audit committee of CH Offshore Ltd, having reviewed the appointment of different auditors for the Group's associates, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of CH Offshore Ltd.

14. INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

The accumulated losses of an associated company in excess of the Group's interest in that associated company which is not included in these financial statements using equity method of accounting amounted to $844,000 (2018: $18,000).

Aggregate information about the Group's investments in associated companies that are not individually material are as follows:

	Group	
	2019 $'000	2018 $'000
Profit after tax, representing total comprehensive income	**37**	10,685

The summarised financial information in respect of PT Bahtera Nusantara Indonesia, based on its International Financial Reporting Standards (IFRS) financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	PT Bahtera Nusantara Indonesia	
	2019 $'000	2018 $'000
Current assets	**1,738**	3,088
Non-current assets	**13,529**	27,903
Total assets	**15,267**	30,991
Current liabilities	**1,747**	1,915
Non-current liabilities	**15,221**	18,915
Total liabilities	**16,968**	20,830
Net (liabilities)/assets	**(1,701)**	10,161
Group's share of net assets, representing carrying amount of the investment	**–**	4,979

Summarised statement of comprehensive income

	PT Bahtera Nusantara Indonesia	
	2019 $'000	27.8.2018 to 31.12.2018 $'000
Revenue	**2,874**	2,318
Operating expenses	**(14,286)**	(7,806)
Interest expense	**(465)**	(287)
Loss before tax	**(11,877)**	(5,775)

15. LOAN TO ASSOCIATED COMPANY

	Group	
	2019	2018
	$'000	$'000
Due within 12 months	**7,458**	5,862
Due after 12 months	**–**	(3,406)
	7,458	9,268

The loan to associated company is unsecured, bears interest of 4.26% (2018: 4.26%) per annum and is repayable over 3 years.

16. INVESTMENT SECURITIES

Financial instruments

	Group and Company	
	2019	2018
	$'000	$'000
At fair value through other comprehensive income		
– Corporate bonds (quoted)	**270**	1,068
– Unquoted equity securities	**2,173**	2,220
	2,443	3,288
Net carrying amount		
Current	**270**	797
Non-current	**2,173**	2,491

Corporate bonds (quoted)

The Group's and Company's investment in quoted corporate bonds are denominated in SGD and USD. They bear interest at 3.0% (2018: 2.500% to 4.625%) p.a. and with maturity at March 2020 (2018: February 2019 to March 2020). The Group has elected to measure these corporate bonds at FVOCI due to the Group's intention to hold these debt instruments to collect contractual cash flows and sell.

Unquoted equity securities

In the current financial year, the Group and Company purchased additional unquoted equity securities amounting to $166,000 (2018: $120,000).

The Group's and Company's unquoted equity securities relates to a minority stake in an investment fund company, which was incorporated in Luxembourg. The Group has elected to measure these equity securities at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

17. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred tax assets:				
Provisions	**–**	–	**–**	20
Differences in depreciation for tax purposes	**–**	–	**–**	(3)
	–	–		
Deferred tax liabilities:				
Provisions	**–**	–	**–**	45
Differences in depreciation for tax purposes (Note A)	**(5,519)**	(5,545)	**44**	69
	(5,519)	(5,545)		
Deferred tax expense			**44**	131

Note A: The movement of deferred tax liabilities arising from differences in depreciation for tax purposes for the financial year ended 31 December 2019 is summarised as follows:

	Group	
	2019	2018
	$'000	$'000
Beginning of the year	**5,545**	89
Acquisition of a subsidiary	**–**	5,403
Charged to consolidated statement of comprehensive income	**44**	69
Translation difference	**(70)**	(16)
	5,519	5,545

Tax consequence of proposed dividends

There are no income tax consequences attached to the dividends proposed by the Company to the shareholders but not recognised as a liability in the financial statements (Note 30).

18. INVENTORIES AND WORK-IN-PROGRESS

	Group	
	2019	2018
	$'000	$'000
Balance sheet:		
Materials, components and spares	**2,016**	765
Bunkering stocks	**621**	411
	2,637	1,176
Consolidated income statement:		
Inventories recognised as an expense in cost of sales	**2,488**	2,224
Inclusive of the following (credit)/charge:		
– Inventories written down	**–**	(32)
– Reversal of inventories written down	**34**	–

In current year, the reversal of inventories written down was made when the related inventories were sold above their carrying amounts.

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables – net	**18,941**	21,323	**–**	–
Deposits	**330**	172	**60**	–
GST recoverable	**604**	500	**–**	10
Sundry receivables	**1,159**	1,295	**–**	–
Interest receivables	**14**	26	**14**	9
Total trade and other receivables (current)	**21,048**	23,316	**74**	19
Trade and other receivables (excluding GST recoverable)	**20,444**	22,816	**74**	9
Amount due from subsidiaries (Note 20)	**–**	–	**94,239**	165,769
Loan to associated company (Note 15)	**7,458**	9,268	**–**	–
Cash and short-term deposits (Note 21)	**45,222**	28,920	**24,666**	14,575
Total financial assets carried at amortised cost	**73,124**	61,004	**118,979**	180,353

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.

19. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables denominated in foreign currencies, other than the respective functional currencies of the Group entities at 31 December are as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
United States Dollar	**6,142**	4,874	**–**	–
Malaysian Ringgit	**4,042**	–	**–**	–
United Arab Emirates Dirham	**–**	1,142	**–**	–

Expected credit loss (ECL) of trade receivables

The Group provides for lifetime ECL for all trade receivables using a provision matrix. The basis of determination of loss allowance are disclosed in Note 27(c).

	Group		
	Gross amount	Loss allowance	Carrying amount
	$'000	$'000	$'000
2019			
Current	**3,774**	**–**	**3,774**
< 3 months past due	**7,280**	**–**	**7,280**
3 to 6 months past due	**3,177**	**–**	**3,177**
6 to 12 months past due	**4,413**	**–**	**4,413**
>12 months past due	**2,448**	**(2,151)**	**297**
	21,092	**(2,151)**	**18,941**
2018			
Current	11,692	–	11,692
< 3 months past due	6,001	–	6,001
3 to 6 months past due	1,171	–	1,171
6 to 12 months past due	640	–	640
>12 months past due	2,148	(329)	1,819
	21,652	(329)	21,323

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group Trade receivables	
	2019	2018
	$'000	$'000
Movement in allowance accounts:		
At 1 January	**329**	63
Exchange differences	**(25)**	–
Charge for the year	**1,847**	266
At 31 December	**2,151**	329

20. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2019	2018
	$'000	$'000
Amount due from:		
Non-trade receivables – nominal amounts	**94,239**	194,969
Less: Allowance for impairment	**–**	(29,200)
	94,239	165,769
Movement in allowance account:		
At 1 January	**29,200**	21,500
Charge for the year	**–**	7,700
Reclassified to investment in subsidiaries (Note 13)	**(29,200)**	–
At 31 December	**–**	29,200
Amount due to:		
Non-trade payables	**7,003**	7,650

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

In prior year, an impairment loss of $7,700,000 was recognised in the Company's profit or loss subsequent to an assessment of the carrying amount of the amounts due from subsidiaries.

21. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash at banks and on hand	**27,047**	28,920	**9,219**	14,575
Short-term deposits	**18,175**	–	**15,447**	–
	45,222	28,920	**24,666**	14,575

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 and 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 0.89% to 2.90% (2018: 0.20% to 2.05%) per annum.

Cash and short-term deposits denominated in foreign currencies, other than the respective functional currencies of the Group entities at 31 December are as follows:-

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
United States Dollar	**35,523**	15,361	**23,579**	12,441
Euro	**298**	375	**15**	18
Malaysia Ringgit	**4,526**	659	**–**	–
Singapore Dollar	**1,196**	1,234	**–**	–

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade payables	**8,064**	7,281	**14**	–
Other payables	**8,459**	2,984	**583**	601
Total trade and other payables (current)	**16,523**	10,265	**597**	601
Provision (non-current)	**1,550**	–	**–**	–
Total trade and other payables (current and non-current)	**18,073**	10,265	**597**	601
Trade and other payables (excluding provision (non-current))	**16,523**	10,265	**597**	601
Amount due to subsidiaries (Note 20)	**–**	–	**7,003**	7,650
Loans and borrowings (Note 23)	**16,065**	12,514	**–**	–
Total financial liabilities carried at amortised cost	**32,588**	22,779	**7,600**	8,251

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

Included in other payables is a provision made in relation to the arbitration made against the Group's subsidiary, CH Offshore Ltd (CHO), by three ship brokers (claimants). On 12 February 2016, the claimants had submitted claims on brokers' commissions amounting to US$3,736,000 ($5,092,000) against CHO. On 14 August 2019, the tribunal held that the claimants' succeeded in their claim and CHO was to pay the claimants the original commissions of US$3,736,000 ($5,092,000) plus interests accrued at a commercial rate from the date of the settlement agreement dated 29 June 2015. Subsequently, CHO has submitted an appeal to the Commercial Court in London and received the appeal approval on 15 November 2019, with the next hearing scheduled to take place on 16 June 2020.

Provision (non-current) relates to provision for reinstatement costs of leasehold lands and buildings that arose from the adoption of SFRS(I) 16 *Leases* as of 1 January 2019 (Note 2.2). The provision was made based on the estimated cost of reinstating the leased premises when the leases expire, taking into consideration current market assessment of the time value of money.

Trade payables denominated in foreign currencies, other than the respective functional currencies of the Group entities at 31 December are as follows:-

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
United States Dollar	**6,058**	468	**–**	–
Euro	**15**	75	**–**	–
Malaysia Ringgit	**106**	–	**–**	–
Singapore Dollar	**535**	1,211	**–**	–

23. LOANS AND BORROWINGS

	Maturity	Group 2019 $'000	Group 2018 $'000
Current:			
Bank loan A	2020	**7,513**	7,508
Bank loan B	2021-2023	**1,200**	939
Lease liabilities	2023-2025	**799**	–
		9,512	8,447
Non-current:			
Bank loan B	2021-2023	**3,048**	4,067
Lease liabilities	2023-2025	**3,505**	–
		6,553	4,067
		16,065	12,514

Bank loan A:

The bank loan is a secured revolving credit facility which bears effective interest rate of 5.03% (2018: 4.66%) per annum and is denominated in Singapore Dollars.

Bank loan B:

The bank loan is secured with a tenure of 72 months, bears interest rate of 5.50% (2018: 5.50%) per annum and is denominated in Singapore Dollars. This loan is provided by a bank for an initiative under SPRING Singapore, an agency under the Ministry of Trade and Industry of Singapore, for working capital assistance for companies in the offshore industry.

Based on the terms of the loan arrangements, the repayment of the principal amount of the loan will commence 24 months from the inception of the loan.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes as follows:

Group	1.1.2019 (Restated) $'000	Repayment $'000	31.12.2019 $'000
Borrowings	12,514	(753)	11,761
Lease liabilities	5,055	(751)	4,304
Total liabilities from financing activities	17,569	(1,504)	16,065

24. SHARE CAPITAL

	Group and Company			
	2019		2018	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid:				
At 1 January and 31 December	**202,877,948**	**108,788**	202,877,948	108,788

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.

25. COMMITMENTS AND CONTINGENCIES

(a) ***Capital commitments***

Capital expenditure contracted for as at the end of the reporting period in respect of unquoted equity securities contracted for but not recognised in the financial statements was $Nil (2018: $168,000).

(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 2018 $'000
Not later than one year	1,063
Later than one year but no later than five years	4,213
Later than five years	885
	6,161

(c) ***Contingent liabilities***

The Company has provided financial support to certain subsidiaries having current liabilities in excess of current assets of $3,285,000 (2018: $4,238,000).

26. RELATED PARTY TRANSACTIONS

(a) ***Sales and purchase of goods and services***

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2019	2018
	$'000	$'000
Management and agency fee from associated companies	**179**	86
Interest income from an associated company	**373**	108
Rental expense paid to a substantial shareholder of a subsidiary	**–**	30
Chartering of vessel to a substantial shareholder of a subsidiary	**577**	352

* *Substantial shareholder of a subsidiary refers to members of Falcon Energy Group Limited's (FEG) group of companies.*

(b) ***Compensation of Key Management Personnel***

	Group	
	2019	2018
	$'000	$'000
Short-term employee benefits	**3,248**	2,941
Comprise amounts paid / payable to		
– Directors of the Company	**1,821**	1,450
– Other Key Management Personnel	**1,427**	1,491
	3,248	2,941

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk and foreign currency risk. The Group does not speculate in the currency markets or hold or issue derivatives financial instruments. The Board reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks for financial year 2019.

(a) ***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 the interest rate risk arises primarily from their borrowings. The Group's and Company's floating rate borrowings are contractually re-priced at intervals of 6 months from the end of the reporting period.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $38,000 (2018: $19,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings.

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

(b) *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 Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

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	One year or less $'000	One to five years $'000	Total $'000
2019			
Financial assets:			
Trade and other receivables (excluding GST recoverable)	**20,444**	**–**	**20,444**
Cash and short-term deposits	**45,222**	**–**	**45,222**
Loan to associated company	**7,952**	**–**	**7,952**
Total undiscounted financial assets	**73,618**	**–**	**73,618**
Financial liabilities:			
Trade and other payables (excluding provision for reinstatement)	**16,523**	**–**	**16,523**
Loans and borrowings	**9,316**	**3,241**	**12,557**
Lease liabilities	**1,035**	**3,953**	**4,988**
Total undiscounted financial liabilities	**26,874**	**7,194**	**34,068**
Total net undiscounted financial assets/(liabilities)	**46,744**	**(7,194)**	**39,550**
2018			
Financial assets:			
Trade and other receivables (excluding GST recoverable)	22,816	–	22,816
Cash and short-term deposits	28,920	–	28,920
Loan to associated company	6,284	3,491	9,775
Total undiscounted financial assets	58,020	3,491	61,511
Financial liabilities:			
Trade and other payables	10,265	–	10,265
Loans and borrowings	8,822	4,592	13,414
Total undiscounted financial liabilities	19,087	4,592	23,679
Total net undiscounted financial assets/(liabilities)	38,933	(1,101)	37,832

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

(b) ***Liquidity risk (cont'd)***

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company	2019 One year or less $'000	2018 One year or less $'000
Financial assets:		
Trade and other receivables (excluding GST recoverable)	**74**	9
Amount due from subsidiaries	**94,239**	165,769
Cash and short-term deposits	**24,666**	14,575
Total undiscounted financial assets	**118,979**	180,353
Financial liabilities:		
Trade and other payables	**597**	601
Amount due to subsidiaries	**7,003**	7,650
Total undiscounted financial liabilities	**7,600**	8,251
Total net undiscounted financial assets	**111,379**	172,102

(c) ***Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a pro-active approach in the extension of credit terms to trade customers, monitors its exposure to credit risk on an ongoing basis and only transacts with creditworthy institutions.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. Information regarding loss allowance movement of trade receivables are disclosed in Note 19.

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

(c) *Credit risk*

Concentration of credit risk

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			
	2019		2018	
	$'000	%	$'000	%
By country				
Asia Pacific (excluding China and Singapore)	**13,752**	**73**	15,117	71
Africa	**1,648**	**9**	–	–
Middle East	**899**	**5**	3,730	17
America	**1,762**	**9**	–	–
Singapore	**258**	**1**	821	4
China	**64**	**–**	41	–
Others	**558**	**3**	1,614	8
	18,941	**100**	21,323	100

At the end of the reporting period, approximately:

- 50% (2018: 70%) of the Group's trade receivables were due from 2 (2018: 3) major customers who are located in Singapore and Asia Pacific.
- A nominal amount of approximately $44,451,000 (2018: $45,012,000) relating to a corporate guarantee provided by the Company to banks for its subsidiaries' banking facilities.

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in currencies other than Singapore Dollars (SGD). The foreign currency in which these transactions are denominated are mainly US Dollars (USD). Approximately 98% (2018: 99%) of the Group's sales are denominated in foreign currencies whilst about 62% (2018: 47%) of costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances that are denominated in foreign currencies at the end of the reporting period, as disclosed in Notes 19 and 22 respectively, have similar exposures.

The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes. These balances at the end of the reporting period are disclosed in Note 21.

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

(d) ***Foreign currency risk (cont'd)***

The Group and the Company's investment in quoted corporate bonds that are denominated in USD amount to approximately $270,000 (2018: $817,000).

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

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

Sensitivity analysis for foreign currency risk

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

		Group	
		2019	**2018**
		$'000	**$'000**
		Net loss	**Net profit**
USD / SGD	– strengthened 3% (2018: 3%)	**-1,034**	+617
	– weakened 3% (2018: 3%)	**+1,034**	-617

28. FAIR VALUE OF ASSETS AND LIABILITIES

(a) ***Fair value hierarchy***

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

- Level 1 - Quoted 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.

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

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

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Financial assets:		
Equity securities at fair value through other comprehensive income		
– Corporate bonds (quoted) (Level 1)	**270**	1,068
– Unquoted equity securities (Level 2)	**2,173**	2,220
	2,443	3,288

Determination of fair value

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

Unquoted equity securities: Fair value is determined directly by reference to the audited net asset value of the investment fund company where the fair value of the portfolio investment are determined using a set of internationally recognised valuation methodologies.

(c) ***Assets and liabilities by classes that are not measured at fair value and whose carrying amounts are reasonable approximation of fair value***

The carrying amounts of the trade and other receivables, cash and short-term deposits, load to associated company, amounts due from/(to) subsidiaries, trade and other payables, and loans and borrowings are reasonable approximation of fair values, due to their short-term nature.

29. CAPITAL MANAGEMENT

The capital includes cash which are disclosed in Note 21.

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 2019 and 31 December 2018.

30. DIVIDEND

	Group and Company	
	2019	2018
	$'000	$'000
Declared and paid during the financial year:		
Dividend on ordinary shares:		
– First and final tax exempt (one-tier) dividend for 2018: 0.5 cent per share	1,014	–
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 2019: 0.5 cent (2018: 0.5 cent) per share	1,014	1,014

STATISTICS OF SHAREHOLDINGS

As at 12 March 2020

SHARE CAPITAL

Issued and Fully paid-up capital (including Treasury Shares)	:	S$103,503,391.83
Issued and Fully paid-up capital (excluding Treasury Shares)	:	S$103,503,391.83
Total Number of Issued & Paid Up Shares (including Treasury Shares)	:	202,877,948
Total Number of Issued & Paid Up Shares (excluding Treasury Shares)	:	202,877,948
Total Number/Percentage of Treasury Shares	:	0 (0.00%)
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	183	3.76	1,590	0.00
100 – 1,000	843	17.33	438,096	0.22
1,001 – 10,000	2,880	59.21	13,331,227	6.57
10,001 – 1,000,000	945	19.43	44,722,275	22.04
1,000,001 and above	13	0.27	144,384,760	71.17
Total	**4,864**	**100.00**	**202,877,948**	**100.00**

TWENTY LARGEST SHAREHOLDERS

As shown in the Register of Members and Depository Register

No.	Name	No. of Shares	%
1	Benety Chang	87,646,737	43.20
2	Heng Chin Ngor Doris @Heng Lee Fung Doris	19,151,771	9.44
3	Ho Kim Lee Adrian	9,887,580	4.87
4	DBS Nominees (Private) Limited	7,706,587	3.80
5	Tan Yang Guan	4,128,554	2.03
6	Lim & Tan Securities Pte Ltd	3,684,160	1.82
7	Aurol Anthony Sabastian	3,115,134	1.54
8	Chiam Toon Chew	2,073,120	1.02
9	Citibank Nominees Singapore Pte Ltd	1,872,620	0.92
10	UOB Kay Hian Private Limited	1,652,840	0.81
11	Phillip Securities Pte Ltd	1,247,268	0.61
12	CGS-CIMB Securities (Singapore) Pte. Ltd.	1,142,129	0.56
13	United Overseas Bank Nominees (Private) Limited	1,076,260	0.53
14	OCBC Securities Private Limited	967,802	0.48
15	OCBC Nominees Singapore Private Limited	959,101	0.47
16	Raffles Nominees (Pte.) Limited	922,380	0.45
17	Magheart Pte Ltd	890,000	0.44
18	Yeap Cheow Soon	889,200	0.44
19	Pua Beng Soon	790,000	0.39
20	ABN AMRO Clearing Bank N.V.	776,600	0.38
	Total	**150,579,843**	**74.20**

STATISTICS OF SHAREHOLDINGS

As at 12 March 2020

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 12 March 2020:-

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dr Benety Chang [(1)]	87,646,737	43.20	19,151,771	9.44
Dr Doris Heng Chin Ngor [(2)]	19,151,771	9.44	87,646,737	43.20

Notes:

[(1)] *Dr Benety Chang's deemed interests include 19,151,771 shares held by his wife, Dr Doris Heng Chin Ngor.*

[(2)] *Dr Doris Heng Chin Ngor's deemed interests include 87,646,737 shares held by her husband, Dr Benety Chang.*

FREE FLOAT

Based on the information available to the Company as at 12 March 2020 and to the best knowledge of the Directors and the substantial shareholders of the Company, approximately 45.20% of the issued ordinary shares of the Company was held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Baker Technology Limited (the "Company") will be held at Evergreen Room 1 & 2, Safra Jurong, 333 Boon Lay Way, Singapore 649848 on Monday, 27 April 2020 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of S$0.05 cent per ordinary share (tax exempt one-tier) for the year ended 31 December 2019 **(Resolution 2)**

3. To approve Directors' fees of up to S$236,250 for the financial year ending 31 December 2020, to be paid quarterly in arrears. (FY2019 : S$273,000) **(Resolution 3)**

4. To re-elect Dr Benety Chang, being a Director who retires by rotation pursuant to Article 110 of the Constitution of the Company. **(Resolution 4)**

5. To re-elect Mr Tan Yang Guan, being a Director who retires by rotation pursuant to Article 110 of the Constitution of the Company. **(Resolution 5)**

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

7. To transact any other business that may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

8. **"Share Issue Mandate** **(Resolution 7)**

   That pursuant to the Company's Constitution and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or 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) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

   (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the share capital of the Company;

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) new shares arising from exercising share options or vesting of Share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8.; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustment in accordance with (b)(i) and (b)(ii) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of this Resolution.

(c) And that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities."

9. **"Proposed Renewal of the Share Buyback Mandate** **(Resolution 8)**

That

(a) for the purposes of the Companies Act, Chapter 50, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases, transacted on the ready market of the SGX-ST, or as the case may be, other stock exchange for the time being on which the Shares may be listed or quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose ("**Market Purchases**"); and/or

(ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors of the Company as they may consider fit and in the best interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Listing Manual ("**Off-Market Purchases**"),

and otherwise in accordance with all other applicable laws and regulations (including the provisions of the Act, as amended, supplemented or modified from time to time) and the provisions in the Listing Manual as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the absolute discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Act;

(c) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on:

(i) the conclusion of the next AGM of the Company;

(ii) the date by which the next AGM of the Company is required to be held;

(iii) the date on which the purchases of Shares by the Company are carried out to the full extent mandated; or

(iv) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by ordinary resolution of the Company in a general meeting,

whichever is the earliest;

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient, incidental, necessary or in the interest of the Company to give effect to the transactions contemplated and/or authorised by this Resolution; and

(e) in this Resolution:

(i) "**Maximum Limit**" means 10% of the total number of issued Shares (excluding any Shares which are held by the Company as treasury shares and subsidiary holdings) as at the date of the passing of this Resolution, unless the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act, or the court has, at any time during the Relevant Period, made an order under Section 78I of the Companies Act confirming the reduction of share capital of the Company, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered by the special resolution of the Company or the order of the Court, as the case may be;

(ii) "**Relevant Period**" means the period commencing from the date on which this Resolution is passed and expiring on the date the next AGM of the Company is held or is required by law to be held, whichever is the earlier, after the date of this Resolution;

(iii) "**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding applicable brokerage, stamp duties, commission, goods and services tax and other related expenses) not exceeding:

(A) in the case of a Market Purchase, 105% of the Average Closing Price; and

(B) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded, immediately preceding the date of the Market Purchase and deemed to be adjusted for any corporate action that occurs during the relevant five (5) Market Days and the date on which the Market Purchase is made;

“**Highest Last Dealt Price**” means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.”

By Order of the Board

Lim Mee Fun
Company Secretary

Singapore
9 April 2020

Explanatory Notes:

Resolution 3 — *The Ordinary Resolution 3, if passed, will authorise the Directors of the Company to pay Directors’ fees to Independent Directors for the year ending 31 December 2020 quarterly in arrears.*

Resolution 4 — *Mr Dr Benety Chang will, upon re-election, remain as an Executive Director of the Company. Please refer to pages 145 to 146 of the Annual Report for the relevant information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.*

Resolution 5 — *Mr Tan Yang Guan will, upon re-election, remain as Non-Executive Non-Independent Director of the Company. Please refer to pages 145 to 146 of the Annual Report for the relevant information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.*

Resolution 7 — *The Ordinary Resolution 7, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis.*

Additional Notes:

1. *A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.*

2. *Where a member (other than a Relevant Intermediary*) appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the Proxy Form, failing which, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.*

3. *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).*

4. *The Proxy Form is attached and must be deposited at the registered office of the Company at 10 Jalan Samulun Singapore 629124 not less than 72 hours before the time fixed for holding the Annual General Meeting in order for the proxy to be entitled to attend and vote at the Annual General Meeting.*

5. *A Depositor’s name must appear on the Depository Register maintained by the Central Depository (Pte) Limited 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.*

   ** A Relevant Intermediary is:*

   (a) *a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or*

   (b) *a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or*

   (c) *the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under 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

IMPORTANT NOTICE ON COVID-19

As the COVID-19 situation continues to evolve, the Company is closely monitoring the situation, including any precautionary measures which may be required or recommended by government agencies to minimise the risk of spread of COVID-19. Shareholders are advised to read the health advisories from the MOH.

The Company reserves the right to take appropriate measures to minimise any risk to shareholders and proxies attending the AGM, which may include conducting temperature checks, requiring the signing of health declaration forms, and declining entry to any person with fever or flu-like symptoms.

Shareholders and proxies who are feeling unwell on the date of the AGM are advised not to attend the AGM. Shareholders and proxies attending the AGM are advised to arrive at the AGM venue early as precautionary measures may cause delay in the registration process.

The Company will provide the necessary updates if there are any other measures as appropriate in order to minimise the risk of community spread of COVID-19.

The Company seeks the understanding and cooperation of shareholders and proxies.

NOTICE OF RECORD DATE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 8 May 2020 after 5.00 p.m. 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 8 May 2020 will be registered to determine shareholders' entitlement to the proposed final dividend.

Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on 8 May 2020, will be entitled to the proposed final dividend.

The proposed final dividend, if approved by shareholders at the Annual General Meeting to be held on 27 April 2020, will be paid on 20 May 2020.

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 and administration 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.

Kindly note that by attending the Annual General Meeting, the members of the Company, their proxy(ies) and/or representative(s) consent to the video-recording of the proceedings of the Annual General Meeting, for the Company's records.

DIRECTORS STANDING FOR RE-ELECTION AT THE ANNUAL GENERAL MEETING

The following information relating to Dr Benety Chang and Mr Tan Yang Guan, each of whom is standing for re-election as a Director at the Annual General Meeting of the Company on 27 April 2020, is provided pursuant to Rule 720(6) of the Listing Manual of the SGX-ST:

Name of Director	Dr Benety Chang	Tan Yang Guan
Date of Appointment	5 May 2000	5 May 2000
Date of Last Re-Election	27 April 2018	25 April 2017
Age	72	66
Country of principal residence	Singapore	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has accepted the NC's recommendation on Dr Benety Chang's re-election after taking into consideration of Dr Benety Chang's contribution and performance as Executive Director of the Company.	The Board of Directors of the Company has accepted the NC's recommendation on Mr Tan Yang Guan's re-election after taking into consideration of Mr Tan Yang Guan's contribution and performance as Non-Executive Non-Independent Director of the Company.
Whether the appointment is executive, and if so, the area of responsibility	Executive	Non-Executive
Job Title	Executive Director	Non-Executive Non-Independent Director
Professional qualifications	Dr Chang holds a MBBS degree from the University of Singapore.	The Association of Chartered Certified Accountants (United Kingdom) The Institute of Singapore Chartered Accountants (Singapore)
Working experience and occupation(s) during the past 10 years	2018-Current : CEO/ Executive Director of CH Offshore Ltd. 2019-Current : Executive Director, Baker Technology Limited 2000-2018 : CEO/Executive Director, Baker Technology Limited 1998-2012 : CEO, PPL Shipyard Pte Ltd	Mr Tan Yang Guan has over twenty five years experiences in the oil and gas industry, having held the position of Finance Director of PPL Shipyard Pte. Ltd.
Shareholding interest in the Company and its subsidiaries	Direct interest : 87,747,437 ordinary shares in the capital of the Company Deemed interest : 19,151,771 ordinary shares in the capital of the Company	Direct Interest : 4,128,554 ordinary shares in the capital of the Company

DIRECTORS STANDING FOR RE-ELECTION AT THE ANNUAL GENERAL MEETING

Name of Director	Dr Benety Chang	Tan Yang Guan
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	Father of Jeanette Chang (CEO & Executive Director of the Company) & spouse of Dr Doris Heng Chin Ngor (Substantial Shareholder of the Company).	Nil
Conflict of interest (including any competing business)	None	None
Undertaking submitted to the Company in the form of Appendix 7.7 (Listing Rule 720(1))	Yes	Yes
Other Principal Commitments including Directorships – Past (for the last 5 years)	Past Directorship: Nil Past Principal Commitments: Nil	Past Directorship: Nil Past Principal Commitments: Nil
Other Principal Commitments including Directorships – Present	Present Directorship: CH Offshore Ltd. Baker Engineering Pte. Ltd. BT Investment Pte. Ltd. BEL DESIGN PTE. LTD. Sea Deep Shipyard Pte. Ltd. Sea Hercules Cranes Pte. Ltd. CHO Ship Management Pte. Ltd. Delaware Marine Pte Ltd Garo Pte. Ltd. Offshore Gold Shipping Pte. Ltd. Pembrooke Marine Pte Ltd Sea Glory Private Limited Venture Offshore Pte. Ltd. Chytron Company Limited IPEC Pte Ltd Present Principal Commitments: CEO of CH Offshore Ltd.	Present Directorship: Baker Engineering Pte. Ltd. BT Investment Pte. Ltd. Sea Deep Shipyard Pte. Ltd. IPEC Pte Ltd Middlebury Pte Ltd Present Principal Commitments: Nil

The retiring Directors had responded negative to items (a) to (k) listed in Appendix 7.4.1 of the Listing Manual of the SGX-ST respectively and the retiring Directors have confirmed that there is no change to their declarations as at the date of this report.

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, ______________________ (Name), ______________________ (NRIC/Passport/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 Evergreen Room 1 & 2, Safra Jurong, 333 Boon Lay Way, Singapore 649848 on Monday, 27 April 2020 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. Resolutions put to vote at the Meeting shall be decided by 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:**	**Number of Votes For**	**Number of Votes Against**
	ORDINARY BUSINESS		
1.	Adoption of Directors' Statement and Audited Financial Statements for the year ended 31 December 2019		
2.	Approval of Final Dividend for the year ended 31 December 2019		
3.	Approval of Directors' fees for the year ending 31 December 2020		
4.	Re-election of Dr Benety Chang as a Director		
5.	Re-election of Mr Tan Yang Guan as a Director		
6.	Re-appointment of Ernst & Young LLP as Auditors		
	SPECIAL BUSINESS		
7.	Authority to issue shares and/or convertible securities		
8.	Renewal of Share Buyback Mandate		

Dated this ______________ day of ________________ 2020

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 TO PROXY FORM

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 72 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. The dispensation of the use of common seal pursuant to Sections 41A, 41B and 41C of the Companies Act, Chapter 50 of Singapore is applicable at this Annual General Meeting.*

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 9 April 2020.

Baker Technology Limited
10 Jalan Samulun
Singapore 629124
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Fax: (65) 6262 2108
Website: www.bakertech.com.sg