

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

SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS
ANNUAL GENERAL MEETING 28 APRIL 2022

The Board of Directors (the "**Board**") of BAKER TECHNOLOGY LIMITED (the "**Company**") would like to thank shareholders for submitting their questions in advance of the Company's Annual General Meeting to be held by electronic means on Thursday, 28 April 2022 at 10.00 a.m.

The Board would like to inform shareholders that the responses to all substantial and relevant questions which have been submitted by shareholders are published in this announcement. The questions from shareholders have been reproduced in verbatim. However as some of the questions overlap, the Company has grouped some of the questions for ease of answering and reading.

Please refer to Appendix of this announcement for details.

By Order of the Board
Lim Mee Fun
Company Secretary
22 April 2022

APPENDIX

1. What is the total construction cost of Blue Titanium? How long did our Company take to build it?

In order to maintain our competitive advantage, we are unable to disclose the total construction cost and time to completion of the Blue Titanium.

2. What is the remaining economic life of Blue Titanium?

Liftboats can work for about 30 years depending on the build quality, specification, quality of maintenance and functionality of the vessel. From an accounting perspective, we are depreciating our vessel over 25 years.

3. Is there an oversupply or shortage of liftboats currently in the market?

Broadly speaking, there is a shortage of liftboats in the market however this will depend on the liftboat specifications eg length of legs, lifting capacity of crane, available accommodation, deck size etc.

4. What are the current market day-rates of liftboats comparable to Blue Titanium?

Market day rates depend on various factors like geographical deployment, charterer's requirements, vessel specifications etc. We are unable to provide exact charter rates for liftboats comparable to Blue Titanium as the rates are usually kept confidential. However, in general, current market rates are significantly below market rates before the oil and gas downturn in circa 2014.

5. For Blue Titanium, when will the current chartering contract end? Are there options to extend the charter hire when the contract expires?

For contract confidentiality and to maintain a competitive edge, we are unable to give specific answers. However, we expect the Blue Titanium to be employed for the rest of the year.

6. How many similar liftboats have our Company built after Blue Titanium?

We have not built any liftboats after the Blue Titanium.

7. In the past 12 months, were there any customer enquiries about the newbuild of such lifeboats?

Yes, there were several customer enquiries regarding the building of new liftboats but none have developed into serious discussions.

8. How much would a newbuild liftboat similar to Blue Titanium cost in the current market? How long would it take our Company to build a similar liftboat, given the current constraints? Will our Company build additional liftboats in anticipation of future demand?

Currently, there are no liftboats being built. With the uncertain geopolitical conditions and supply chain disruptions leading to increased costs and delays, material and equipment costs are volatile and delivery timelines uncertain. As such, unless we have a serious enquiry, it would be unproductive to expend time and resources to determine construction cost and time in the current market. Our Company will not be building additional liftboats speculatively in anticipation of future demand.

9. Are we open to selling the current liftboat if there is an offer with right price?

We would consider selling the liftboat if the offer price is attractive.

10. In our Company's opinion, are we currently in the early stages of a multi-year upcycle in the offshore support market? Has charter rates for liftboats and tugboats increased relative to last year?

In our opinion, the oil and gas market has the appearance of being in the early stages of an upcycle when compared with the past few years. The upcycle however has been variously attributed more to the geopolitical upheavals than to economic growth. So while oil prices have trended up since a low in early 2020 on the back of increased consumption in 2021 due to a pent up demand, more recently, the gyrations in the prices have been largely blamed on the Russia-Ukraine conflict. Charter rates of offshore vessels have increased on average but are still significantly below previous market highs as there are still a significant number of vessels that are not working.

11. Is there a pickup in business for Sea Deep Shipyards? Does Sea Deep Shipyards benefit from the re-activation of cold-stacked rigs? Does Sea Deep Shipyards benefit from the dry-docking of jack-up and semi-sub rigs?

There is no discernable pick-up in business for Sea Deep Shipyard Pte. Ltd. ("Sea Deep"). Sea Deep would benefit from the sale of spares related to its equipment installed on such rigs both for the re-activation of cold-stacked rigs and dry docking of jack-up rigs. We do not service any semi-submersibles.

12. Are we seeing higher utilization rate and day-rates in the jack-up and semi-sub markets respectively?

Higher utilisation rates and day rates in the jack-up and semi-sub markets have been reported by the market. However, similar to liftboats and AHTS, these increases have not been seen equally across all markets.

13. I refer to "Major Properties", Annual Report Pg 69. With the lease of the properties expiring 2023 to 2025, does our Company intend to renew the lease of all the 3 properties? If so, what will be the estimated cost of the lease renewal?

14. Expiring leases in 2023 and 2025. What will happen if Baker Technology is not able to renew one or all leases? I believe a sustainable CAPEX will be needed if leases are renewed, and while I am not asking about the amount of CAPEX, I do wish the management share/comment on whether there are plans for infrastructure/ equipment needed to bring its operation to another level.

The leases at two of the properties cannot be renewed due to the Government's plans for the area. We are exploring alternative facilities and to that end, we are working with JTC for the renewal of the lease at the third property. As part of the lease renewal, it is de jure to invest a certain amount into the property. JTC has yet to give an indication of that amount. We have plans to increase productivity and reduce reliance on manpower by adopting automation and equipment where possible.

15. What is the current utilization rate of the six anchor handling tug (AHT) vessels?

Please refer to page 13 of the FY2021 annual report of CH Offshore Ltd. ("CHO"). The utilisation rate for CHO's vessels is 59% for FY2021.

16. How many third-party vessels is our Company managing now?

The number of third-party vessels that CHO manages varies during the year as some of the arrangements are short term while others are long term. CHO provides commercial management services as well as technical and operational ship management services. CHO managed between 5 to 10 third-party vessels during the course of the year.

17. How many vessels have our Company acquired as part of our fleet renewal plan? Have we "miss the boat" in acquiring cheaper vessels in 2021?

We have not acquired any vessels as part of our fleet renewal plan. Our policy of vessel acquisitions is based on ability to create immediate revenue and not solely on later possible value appreciation for resale. To that end, we do not think we have missed any opportunity.

18. Is there an oversupply or shortage of AHT vessels currently in the market?

There is currently an oversupply of AHTS vessels in the market. Please refer to the CHO FY2021 annual report for more information on the AHTS market.

19. What are the current market day-rates of vessels comparable to our AHT vessels?

The current market day-rates for vessels comparable to our AHT vessels depend on a number of factors: geographical market (eg level of activity, environmental conditions), scope of work and required specification (eg age of vessel, equipment required), cabotage rules, when the vessels are required among others, length of charter among others. Current market rates are below market rates before the oil and gas downturn in circa 2014.

20. Is there a shortage of crews currently in the AHT market?

The availability of crew has improved but due to logistical problems partly due to Covid-19 and the Ukraine-Russia conflict, crewing remains challenging.

21. What is the percentage of our revenues is related to Offshore Renewables Sector?

Currently up to 10% of our revenue is related to the Offshore Renewables Sector.

22. How is our Company tap on the emerging opportunities in the offshore wind farms in China, Vietnam, Korea and Japan?

We are currently working with major service companies within the offshore renewables space. With the relaxation of travel restrictions, we will be increasing the marketing of our services and widening our client base.

23. Our Company has S\$59.8m in cash as at end FY 2021. What are our Company's plans for these cash balances? Are we waiting for opportunities to deploy the cash in the business? Or the cash balances like a safe harbour after more than 10 years of downcycle in the offshore support market?

Subject to shareholders' approval at the upcoming AGM, we will be paying out a dividend of \$0.005 per share. Given that market conditions are volatile and fragile, we will retain the rest of the cash balance both for contingencies and to enable us to take advantage of market opportunities as well as for working capital.

24. The Group reported a profit after tax of \$2.886 million (\$5.886 million profit attributable to shareholders) for FY 2021. However, it would have incurred a loss \$0.983 million if adjusted for the following items amounting to a total of \$3.869 million, namely (i) Grant income of \$1.318 million; (ii) Other sundry income (principally insurance claim for vessel for \$0.87 million) of \$1.083 million, and (iii) Reversal of expected credit losses of \$1.468 million. What are management's plans and strategies to significantly improve the financial performance of the Group, given that the Group has been incurring losses for quite some time?

Market conditions especially for the oil and gas sector have been poor since 2014. This has been one of the longest down cycle for the sector and unfortunately the uptick in activity in late 2019 was derailed with the emergence of Covid-19 and its ongoing impact. The Group's strategy to improve performance is to:

- Address manpower shortage due to Covid-19 attrition and further increase manpower
- Increase manpower productivity including by adopting automation
- Increase vessel management services
- Expand further into the renewables space
- Continue with our cost management strategies

25. We understand that the market conditions for the past few years have been quite challenging for the Group. However, the Group's Return on Shareholders' Equity ("ROE") and Return on Assets ("ROA") for the past 5 years (excluding the bargain purchase recorded in FY 2018) have been negative or extremely low at 1%. What measures have management proposed or taken to improve the deployment of the Group's capital, and the utilisation and efficiency of its assets?

Please refer to our answer to Question 24. To increase the utilisation of the Group's yards, our current bottleneck, similar to what other shipyards and construction companies in Singapore are experiencing, is the lack of manpower. Through 2021, it was difficult to bring in new workers or bring back returning workers to Singapore and when it was possible, it was expensive. With more manpower, the Group is better poised to increase the utilisation of our yards. With regard to the Group's vessels, as the offshore market improves (barring any unexpected developments), charter rates may increase and charterers may look to charter vessels for longer periods to lock in certain pricing. This would help improve utilisation. In addition, regular maintenance of our vessels will also ensure that unexpected downtime for repairs is minimised, again increasing utilisation.

- 26. The acquisition of CH Offshore Ltd has been a drag on the Group's results since its acquisition in 2018. It has continued to incur huge losses. The Group's share of CH Offshore's losses for FY 2021 is about \$3.678 million (US\$4.949 million losses * S\$1.3517 MAS period end exchange rate * Baker Tech's share of 54.98%). What are management's plans and measures to rectify this present untenable situation which is likely to worsen if not dealt with promptly and effectively?**
- 27. CH Offshore has a much reduced and older fleet compared to at the point of acquisition by Baker Technology. Please comment on the strategy forward, such as ownership of vessel, 3rd parties vessel management or generally how Baker plan to grow CH Offshore or regain profitability.**

Since BTL's acquisition of CHO, CHO's processes, departments, focus etc have been reorganised and optimised. In addition, CHO's asset base has been rationalised and its revenue streams broadened. These improvements allowed CHO to take advantage of the better sentiment in the oil and gas market in the last quarter of 2019 through to the first quarter of 2020 resulting in an increase in vessel utilisation and revenue from H1 2019 to H1 2020. If not for Covid-19, CHO would likely have seen better financial performance in 2020 and going forward. The impact from Covid-19 on global markets and the additional impact from the significant fall in oil prices in early 2020 was a surprise to many countries and companies resulting in many companies within the oil and gas sector suffering default payments, reduced charter income and in some cases, debt restructuring exercises. The prolonged impact of the pandemic resulted in a fall in vessel valuations which gave rise to asset impairments on CHO's financials for FY2020 leading to further losses. Consistent with last year, we continue to be focused on providing commercial and technical ship management services for third party vessels. This will enable us to reduce operational risk and earn increased revenue from a smaller asset base. We will also continue to focus on markets like Africa, Mexico, South-East Asia and India as well as opportunities in the renewables space. This strategy which we implemented during the year has improved our cash performance

- 28. The recovery in design, construction of critical equipment and components doesn't seem to be gaining momentum based on the following extract from note 5 of the annual report. "included in the marine offshore revenue are charter hire revenue amounting to \$31,991,000 (2020: \$24,031,000) and other ancillary charter hire revenue amounting to \$33,655,000 (2020: \$27,151,000)". Pls comment on the difficulty and strategy that Baker Technology is working on.**

We have noted a typographical error in Note 5 of the Financial Section of the Annual Report. The sentence should read as follows:

"Included in the marine offshore revenue are charter hire revenue amounting to ~~\$31,991,000~~ \$21,081,000 (2020: \$24,031,000) and other ancillary charter hire revenue amounting to \$33,655,000 (2020: \$27,151,000)."

Save for the above typographical error and correction, please note that the Marine Offshore Revenue (in which the charter hire revenue was a component) of \$66,040,000 stated in Note 5 and, all other information in the Annual Report, are correct and remain unchanged. The typographical error and correction do not have any material impact on the Company's financial statements for the financial year ended 31 December 2021. With the above correction, there is a recovery in design, construction of critical equipment and components from 2020 to 2021. We apologise for the error.