



# BAKER TECHNOLOGY LIMITED

Company Registration No.: 198100637D

## Quarterly Financial Statement And Dividend Announcement for the Period Ended 30 September 2010

### PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

#### 1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group					
	3 months ended			9 months ended		
	30/9/10 S\$'000	30/9/09 S\$'000	Change %	30/9/10 S\$'000	30/9/09 S\$'000	Change %
Revenue	13,783	28,777	(52)	26,805	63,688	(58)
Cost of goods sold	(9,271)	(9,015)	3	(13,355)	(26,338)	(49)
<b>Gross profit</b>	<b>4,512</b>	<b>19,762</b>	<b>(77)</b>	<b>13,450</b>	<b>37,350</b>	<b>(64)</b>
Administrative expenses	(1,775)	(1,997)	(11)	(5,567)	(4,893)	14
Other operating income / (expenses), net	(2,285)	3,762	NM	13,768	3,867	256
Finance cost	(1)	(2)	(50)	(6)	(8)	(25)
Share of results of associates (a)	31	31	-	262	(512)	NM
<b>Profit before taxation (b)</b>	<b>482</b>	<b>21,556</b>	<b>(98)</b>	<b>21,907</b>	<b>35,804</b>	<b>(39)</b>
Income tax expenses (c)	(400)	(2,890)	(86)	(1,570)	(5,639)	(72)
<b>Net profit attributable to equity holders of the Company</b>	<b>82</b>	<b>18,666</b>	<b>(99)</b>	<b>20,337</b>	<b>30,165</b>	<b>(33)</b>

NM – Not meaningful

#### A statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediate preceding financial year

	Group					
	3 months ended			9 months ended		
	30/9/10 S\$'000	30/9/09 S\$'000	Change %	30/9/10 S\$'000	30/9/09 S\$'000	Change %
<b>Net profit attributable to equity holders of the Company</b>	<b>82</b>	<b>18,666</b>	<b>(99)</b>	<b>20,337</b>	<b>30,165</b>	<b>(33)</b>
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income attributable to equity holders of the Company</b>	<b>82</b>	<b>18,666</b>	<b>(99)</b>	<b>20,337</b>	<b>30,165</b>	<b>(33)</b>

**Explanatory notes:**

(a) This relates to the Group's 49% share in the result of York Transport Equipment (Asia) Pte Ltd ("York").

(b) Profit before taxation is stated after charging / (crediting):

	Group					
	3 months ended			9 months ended		
	30/9/10 S\$'000	30/9/09 S\$'000	Change %	30/9/10 S\$'000	30/9/09 S\$'000	Change %
Depreciation	449	499	(10)	1,344	1,370	(2)
Amortisation of intangible assets	-	-	-	-	317	(100)
Foreign exchange (gain) / loss	2,369	1,690	40	2,169	1,391	56
Loss on disposal of property, plant and equipment	-	-	-	-	16	(100)
Interest income	(55)	(41)	34	(142)	(116)	22
Dividend income	-	(5,400)	(100)	(15,823)	(5,400)	193

(c) The taxation charge for the current quarter was significantly higher than the statutory income tax rate of Singapore due to losses incurred by certain entities within the group. For the 9 months period ended 30 September 2010, it was however significantly lower than the statutory tax rate of Singapore due to the receipt of tax-exempt dividend income in the previous quarter.

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	Group		Company	
	30/9/2010 S\$'000	31/12/2009 S\$'000	30/9/2010 S\$'000	31/12/2009 S\$'000
<b><u>Non-current assets</u></b>				
Property, plant and equipment	5,657	6,967	25	4
Intangible assets	7,551	7,551	-	-
Investment in subsidiaries	-	-	23,600	23,600
Investment in associates (a)	10,580	10,318	9,616	9,616
Other investment (b)	5,066	5,066	-	-
	28,854	29,902	33,241	33,220
<b><u>Current assets</u></b>				
Inventories	9,593	10,813	-	-
Work-in-progress (c)	9,668	1,783	-	-
Trade receivables	8,064	6,189	-	-
Other receivables	1,023	974	427	12
Amounts due from subsidiaries	-	-	4,877	4,200
Pledged deposits (d)	7,877	5,396	-	-
Cash and cash equivalents	72,672	76,428	29,242	34,826
	108,897	101,583	34,546	39,038
<b><u>Current liabilities</u></b>				
Obligations under finance leases	23	27	-	-
Excess of progress billings over work-in-progress (c)	12,735	9,850	-	-
Trade payables and other liabilities (e)	8,777	14,024	512	334
Amounts due to subsidiaries	-	-	-	71
Tax payable (e)	2,781	7,895	4	7
	24,316	31,796	516	412
Net current assets	84,581	69,787	34,030	38,626

	Group		Company	
	30/9/2010	31/12/2009	30/9/2010	31/12/2009
	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>Non-current liabilities</u></b>				
Obligations under finance leases	(82)	(118)	-	-
Deferred tax liabilities	(100)	(100)	-	-
<b>Net assets</b>	<b>113,253</b>	<b>99,471</b>	<b>67,271</b>	<b>71,846</b>
<b><u>Equity attributable to equity holders of the Company</u></b>				
Share capital	30,527	21,726	30,527	21,726
Reserves	82,726	77,745	36,744	50,120
<b>Total equity</b>	<b>113,253</b>	<b>99,471</b>	<b>67,271</b>	<b>71,846</b>

**Explanatory notes:**

- (a) This relates to the Group's 49% stake in York.
- (b) The amount relates to the 15% equity stake in PPL Shipyard Pte Ltd ("PPL"), held through PPL Holdings Pte Ltd and its subsidiary, E-Interface Holdings Limited.
- (c) The increase was due to higher production activities and higher progress billing during the current period.
- (d) These are deposits pledged to the banks as collateral for banking facilities and the issuance of bank guarantees.
- (e) The decrease was mainly due to the settlement of liabilities during the current period.

**1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year**

**Amount repayable in one year or less, or on demand**

As at 30/9/2010		As at 31/12/2009	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
23	-	27	-

**Amount repayable after one year**

As at 30/9/2010		As at 31/12/2009	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
82	-	118	-

**Details of any collateral**

Certain motor vehicles are under finance lease arrangements.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

Group	3 months ended		9 months ended	
	30/9/10 S\$'000	30/9/09 S\$'000	30/9/10 S\$'000	30/9/09 S\$'000
<b>Cash flows from operating activities:</b>				
Profit before tax	482	21,556	21,907	35,804
Adjustments for:				
Depreciation	449	499	1,344	1,370
Amortisation of intangible assets	-	-	-	317
Dividend income	-	(5,400)	(15,823)	(5,400)
Interest income	(55)	(41)	(142)	(116)
Interest expenses	1	2	6	8
Loss on disposal of property, plant and equipment	-	-	-	16
Share of results of associates	(31)	(31)	(262)	512
<b>Operating profit before working capital changes</b>	846	16,585	7,030	32,511
(Increase) / decrease in trade receivables	(2,632)	(1,893)	(1,875)	22,022
Decrease / (increase) in other receivables	201	140	(49)	755
Decrease / (Increase) in inventories	425	83	1,220	(6,577)
Decrease / (increase) in pledged deposits	313	2,480	(2,481)	1,023
Increase / (decrease) in net progress billings in excess of work-in-progress	1,690	(20,112)	(5,000)	(11,319)
Increase / (decrease) in trade payables and other liabilities	962	2,757	(5,247)	(468)
<b>Net cash flows from / (used in) operations</b>	1,805	40	(6,402)	37,947
Interest received	55	41	142	116
Interest paid	(1)	(2)	(6)	(8)
Income tax paid	(2,217)	(1,226)	(6,684)	(3,971)
<b>Net cash flows (used in) / from operating activities</b>	(358)	(1,147)	(12,950)	34,084
<b>Cash flows from investing activities:</b>				
Dividend received	-	5,400	15,823	5,400
Proceeds from disposal of property, plant and equipment	-	-	-	49
Purchase of property, plant and equipment	(2)	(5)	(34)	(165)
<b>Net cash flows (used in) / from investing activities</b>	(2)	5,395	15,789	5,284
<b>Cash flows from financing activities:</b>				
Net proceeds from conversion of warrants	4	518	8,801	534
Dividends paid on ordinary shares	-	-	(15,356)	(3,159)
Repayment of obligations under finance leases	(5)	(7)	(40)	(93)
<b>Net cash flows used in financing activities</b>	(1)	511	(6,595)	(2,718)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(361)	4,759	(3,756)	36,650
Cash and cash equivalents at beginning of period	73,033	63,000	76,428	31,109
<b>Cash and cash equivalents at end of period [Note A]</b>	72,672	67,759	72,672	67,759

**Notes to Cash Flow Statement:**

**(A) Cash and cash equivalent**

	30/9/10	30/9/09
	S\$'000	S\$'000
<b>Cash and cash equivalents at end of period / year comprised of:</b>		
Cash at banks and in hand	55,509	15,489
Short-term deposits	17,163	52,270
	<u>72,672</u>	<u>67,759</u>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

Group	Share capital	Capital reserve	Accumulated profits	Total reserves	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance at 1/1/2010</b>	21,726	2,344	75,401	77,745	99,471
Issuance of new shares from conversion of warrants*	7	-	-	-	7
Issuance of new shares from conversion of warrants**	8,790	-	-	-	8,790
Total comprehensive income for the period	-	-	20,255	20,255	20,255
Dividends on ordinary shares	-	-	(15,356)	(15,356)	(15,356)
<b>Balance at 30/6/2010</b>	<b>30,523</b>	<b>2,344</b>	<b>80,300</b>	<b>82,644</b>	<b>113,167</b>
Issuance of new shares from conversion of warrants*	1	-	-	-	1
Issuance of new shares from conversion of warrants**	3	-	-	-	3
Total comprehensive income for the period	-	-	82	82	82
<b>Balance at 30/9/2010</b>	<b>30,527</b>	<b>2,344</b>	<b>80,382</b>	<b>82,726</b>	<b>113,253</b>
<b>Balance at 1/1/2009</b>	18,115	2,344	39,991	42,335	60,450
Issuance of new shares from conversion of warrants	16	-	-	-	16
Total comprehensive income for the period	-	-	11,499	11,499	11,499
Dividends on ordinary shares	-	-	(3,159)	(3,159)	(3,159)
<b>Balance at 30/6/2009</b>	<b>18,131</b>	<b>2,344</b>	<b>48,331</b>	<b>50,675</b>	<b>68,806</b>
Issuance of new shares from conversion of warrants	518	-	-	-	518
Total comprehensive income for the period	-	-	18,666	18,666	18,666
<b>Balance at 30/9/2009</b>	<b>18,649</b>	<b>2,344</b>	<b>66,997</b>	<b>69,341</b>	<b>87,990</b>

Company	Share capital	Capital reserve	Accumulated profits	Total reserves	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance at 1/1/2010</b>	21,726	2,344	47,776	50,120	71,846
Issuance of new shares from conversion of warrants*	7	-	-	-	7
Issuance of new shares from conversion of warrants**	8,790	-	-	-	8,790
Total comprehensive income for the period	-	-	2,922	2,922	2,922
Dividends on ordinary shares	-	-	(15,356)	(15,356)	(15,356)
<b>Balance at 30/6/2010</b>	<b>30,523</b>	<b>2,344</b>	<b>35,342</b>	<b>37,686</b>	<b>68,209</b>
Issuance of new shares from conversion of warrants*	1	-	-	-	1
Issuance of new shares from conversion of warrants**	3	-	-	-	3
Total comprehensive income for the period	-	-	(941)	(942)	(942)
<b>Balance at 30/9/2010</b>	<b>30,527</b>	<b>2,344</b>	<b>34,400</b>	<b>36,744</b>	<b>67,271</b>
<b>Balance at 1/1/2009</b>	18,115	2,344	7,020	9,364	27,479
Issuance of new shares from conversion of warrants	16	-	-	-	16
Total comprehensive income for the period	-	-	(802)	(802)	(802)
Dividends on ordinary shares	-	-	(3,159)	(3,159)	(3,159)
<b>Balance at 30/6/2009</b>	<b>18,131</b>	<b>2,344</b>	<b>3,059</b>	<b>5,403</b>	<b>23,534</b>
Issuance of new shares from conversion of warrants	518	-	-	-	518
Total comprehensive income for the period	-	-	(405)	(405)	(405)
<b>Balance at 30/9/2009</b>	<b>18,649</b>	<b>2,344</b>	<b>2,654</b>	<b>4,998</b>	<b>23,647</b>

\* - W110613

\*\* - W121116

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

During the period ended 30 September 2010, 324,249 warrants (W110613) and 27,478,627 warrants (W121116) were exercised at S\$0.025 and S\$0.320 each by warrant holders, respectively, to subscribe for a total of 27,802,876 new ordinary shares in the Company.

As at 30 September 2010 and 31 December 2009, the Company has the following warrants that remained outstanding:

	Expiry Date	Exercise Price	No. of warrants	
			30 Sep 2010	31 Dec 2009
W110613	13 June 2011	S\$0.025	407,553	731,802
W121116	16 November 2012	S\$0.320	299,905,381	327,384,008
			<u>300,312,934</u>	<u>328,115,810</u>

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

As at 30 September 2010, the Company's issued share capital was S\$30,526,956 (31 December 2009 – S\$21,725,689) comprising 682,570,893 ordinary shares (31 December 2009 – 654,768,017 ordinary shares).

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on**

Not applicable.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed by its auditors, Messrs Ernst & Young.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The same accounting policies and methods of computation have been applied in the financial statements as in the most recently audited financial statements.

The new or revised Financial Reporting Standards ("FRS") and Interpretations to FRS that are applicable for the current financial year have no material effect on the financial statements.

The Company is currently reviewing whether it should adopt FRS 31 *Interests in Joint Ventures* to account for its 15% equity stake in PPL Shipyard Pte Ltd, which is held by PPL Holdings Pte Ltd. If FRS 31 is applied, restatement of prior year's figures in the financial statements may be required.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not applicable.

**6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Group		Group	
	3 months ended		9 months ended	
	30/9/2010	30/9/2009	30/9/2010	30/9/2009
(i) Basic earnings per share (in cents)	0.01	2.86	3.03	4.76
(ii) Diluted earnings per share (in cents)	-	2.85	2.09	4.74

- (i) Basic earnings per ordinary share for the financial period ended 30 September 2010 was calculated based on the weighted average number of ordinary shares in issue of 670,473,313 (30 September 2009 – 634,201,369).
- (ii) Earnings per share for the financial period ended 30 September 2010 on a fully diluted basis was calculated based on the number of ordinary shares in issue during the period adjusted for the dilutive effect of 300,312,934 warrants (30 September 2009 – 2,788,298 warrants).

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	Group		Company	
	30/9/2010	31/12/2009	30/9/2010	31/12/2009
Net Asset Value per ordinary share based on issued share capital at the end of the period (in cents)	16.6	15.2	9.9	11.0

Net asset value per ordinary share as at 30 September 2010 and 31 December 2009 was calculated based on the number of shares in issue of 682,570,893 and 654,768,017 respectively.

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

**Revenue**

3Q2010 vs 3Q2009

Group revenue for 3Q2010 was S\$13.8 million, a reduction of 52% from a revenue of S\$28.8 million as reported in 3Q2009. The Group did not feel the full impact of the global economic and financial crisis until after 3Q2009 as it was still in the process of completing orders secured in earlier years for the period ended 30 September 2009. As a result of the crisis, which delayed many oil and gas projects, order intake slowed down significantly in 2009, with the Group's net order book falling to a low of US\$7 million as of December 2009.



Accordingly, Group revenue was only S\$6.2 million and S\$6.8 million for 1Q2010 and 2Q2010 respectively. With new orders having been secured in the first quarter of this year, revenue in 3Q2010 has increased to S\$13.8 million.

#### 9M2010 vs 9M2009

Group revenue fell from S\$63.7 million in 9M2009 to S\$26.8 million in 9M2010 due to the slower new order intake in 2009.

As at the end of September 2010, the Group's net order book stood at US\$20 million. These orders are expected to be completed within the next 12 months.

### **Profitability**

#### 3Q2010 vs 3Q2009

Gross profit for 3Q2010 was S\$4.5 million, a reduction of S\$15.3 million from that reported in 3Q2009. The decrease was in line with the lower revenue and lower margin as most of the new projects are still in progress in the current quarter.

Administrative expenses decreased from S\$2.0 million in 3Q2009 to S\$1.8 million in 3Q2010, mainly due to lower payroll expenses. However, the reduction was partially offset by higher professional and legal fees.

Due to weakening of the US\$ against the S\$, the Group reported a foreign exchange loss of S\$2.4 million in current quarter. As a result, the Group's net earnings was only S\$82,000 for the current quarter.

#### 9M2010 vs 9M2009

Similarly, on the back of lower revenue for 9M2010, gross profit for the nine months ended 30 September 2010 was S\$13.5 million, a drop of 64% from the corresponding period last year. However, gross profit margins remained at about 50% due to:

- Higher margins recognised for most of its projects, which were either completed or near completion during the first half of this year; and
- Write-back of unutilised warranty provision of approximately S\$1.7 million in 9M2010.

For 9M2010, the Group's share of profits from its 49% stake in York was S\$262,000, as compared to a share of losses of S\$512,000 in 9M2009. This was due mainly to an improved operating environment for the trailer axle industry, especially in relation to the Indian market in recent quarters.

The Group's net profit for 9M2010 was S\$20.3 million, mainly due to the receipt of the interim tax-exempt dividends of S\$15.8 million in the last quarter.

### **Financial position & cash flow**

Group shareholders' fund increased from S\$99.5 million at 31 December 2009 to S\$113.3 million at 30 September 2010, attributable to retained profits for the period.

With the improvement in activities and higher project progress billings in the current quarter, the Group's net cash flows used in operating activities were S\$0.4 million, down from S\$3.5 million in the last quarter. However, the Group's net available cash and cash equivalents remain healthy at S\$72.7 million.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

There is no material variance from the previous outlook statement.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The Group remains confident of the oil and gas sector's long term fundamentals and expects to remain profitable in FY2010 from positive contributions from its core operating business and investments.

At an Extraordinary General Meeting ("EGM") held on 23 October 2010, the shareholders of the Company approved the disposal by the Company of the entire issued and paid-up share capital of PPL Holdings Pte Ltd ("PPLH") to QD Asia Pacific Ltd for a revised cash consideration of US\$116.25 million based on the terms of the Amended Agreement as set out in the Notice of EGM dated 8 October 2010. The disposal was completed on 26 October 2010.

PPLH is an investment holding company which holds an aggregate direct and indirect 15% shareholding stake in PPL Shipyard Pte Ltd, a company principally engaged in the business of design and construction of offshore drilling rigs from shallow water to deep water.

**11. Dividend**

***(a) Current Financial Period Reported On***

Any dividend recommended for the current financial period reported on?      None

***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year?      None

***(c) Date payable***

Not applicable.

***(d) Books closure date***

Not applicable.

**12. If no dividend has been declared/recommendeded, a statement to that effect**

No dividend has been declared or recommended by the Company.

**13. Confirmation by the Board**

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to its attention which may render the unaudited financial results for the third quarter and nine months ended 30 September 2010 to be false or misleading.

**BY ORDER OF THE BOARD**

Aw Seok Chin  
Company Secretary  
2 November 2010