



BAKER TECHNOLOGY LIMITED

Company Registration No.: 198100637D

Quarterly Financial Statement And Dividend Announcement for the Period Ended 31 March 2014

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

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

CONSOLIDATED INCOME STATEMENT

	Group		
	3 months ended 31 March 2014	3 months ended 31 March 2013	Change
	S\$'000	S\$'000	%
Revenue	18,510	25,059	(26)
Cost of goods sold	(13,575)	(19,034)	(29)
Gross profit	4,935	6,025	(18)
Administrative expenses	(2,674)	(1,810)	48
Other operating income / (expenses), net	121	94	29
Finance cost	-	(8)	(100)
Share of results of associates (a)	-	(86)	(100)
Profit before taxation (b)	2,382	4,215	(43)
Income tax expenses (c)	(622)	(968)	(36)
Net profit attributable to equity holders of the Company	1,760	3,247	(46)

NM – Not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	3 months ended 31 March 2014	3 months ended 31 March 2013	Change
	S\$'000	S\$'000	%
Net profit attributable to equity holders of the Company	1,760	3,247	(46)
Other comprehensive income:			
Net loss on fair value changes of available-for-sale investments	(171)	-	NM
Total comprehensive income attributable to equity holders of the Company	1,589	3,247	(51)

Explanatory notes:

- (a) For 1Q2013, the amount relates to the Group's 20% share in the results of Discovery Offshore S.A. ("DO") prior to its disposal in June 2013.
- (b) Profit before taxation is stated after charging / (crediting):

	Group		
	3 months ended 31 March 2014	3 months ended 31 March 2013	Change
	S\$'000	S\$'000	%
Depreciation	434	328	32
Foreign exchange (gain) / loss	(57)	47	NM
Interest income	(218)	(107)	104

- (c) The taxation charge for 1Q2014 and 1Q2013 were significantly higher than the statutory income tax rate of Singapore as certain operating expenses incurred by the corporate head office and certain subsidiaries could not be offset against the taxable profits of the operating subsidiaries.

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

	Group		Company	
	31/3/2014 S\$'000	31/12/2013 S\$'000	31/3/2014 S\$'000	31/12/2013 S\$'000
<u>Non-current assets</u>				
Property, plant and equipment (a)	9,762	6,057	9	4,319
Intangible assets	7,551	7,551	-	-
Investment in subsidiaries	-	-	21,000	21,000
Other investments (b)	8,032	2,456	8,032	2,456
Deferred tax assets	876	876	-	-
	<u>26,221</u>	<u>16,940</u>	<u>29,041</u>	<u>27,775</u>
<u>Current assets</u>				
Inventories	8,729	5,573	-	-
Work-in-progress (c)	8,678	14,547	-	-
Trade and other receivables	15,514	13,237	22	104
Amounts due from subsidiaries	-	-	8,397	5,478
Cash and short-term deposits	200,448	205,871	152,171	156,810
	<u>233,369</u>	<u>239,228</u>	<u>160,590</u>	<u>162,392</u>
<u>Current liabilities</u>				
Excess of progress billings over work-in-progress (c)	4,087	820	-	-
Trade and other payables (d)	9,967	11,738	1,264	1,371
Tax payable	3,745	3,767	-	4
	<u>17,799</u>	<u>16,325</u>	<u>1,264</u>	<u>1,375</u>
Net current assets	215,570	222,903	159,326	161,017
Net assets	<u>241,791</u>	<u>239,843</u>	<u>188,367</u>	<u>188,792</u>

	Group		Company	
	31/3/2014	31/12/2013	31/3/2014	31/12/2013
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Equity attributable to equity holders of the Company</u>				
Share capital	87,209	86,850	87,209	86,850
Reserves	154,582	152,993	101,158	101,942
Total equity	241,791	239,843	188,367	188,792

Explanatory notes:

- (a) The increase in the Group's fixed asset was due to the acquisition of new plant and machinery by its subsidiary to boost production capability. During the current quarter, the Company also transferred its leasehold property at 10 Jalan Samulun to its wholly-owned subsidiary, Baker Engineering Pte. Ltd., hence the reduction in the Company's fixed assets.
- (b) Other investments relate to the Company's investment in quoted corporate bonds (S\$7.4 million) and a minority stake in an unquoted investment fund company (S\$0.6 million), which was incorporated in Luxembourg.
- (c) The reduction was due to the progressive recognition of revenue and cost for existing projects in the current period.
- (d) 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 31/3/2014		As at 31/12/2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Amount repayable after one year

As at 31/3/2014		As at 31/12/2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Details of any collateral

Not applicable.

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

	Group	
	3 months ended 31 March 2014 S\$'000	3 months ended 31 March 2013 S\$'000
Cash flows from operating activities:		
Profit before tax	2,382	4,215
Adjustments for:		
Depreciation	434	328
Interest income	(218)	(107)
Interest expenses	-	8
Share of results of associates	-	86
Unrealised exchange loss	107	243
Operating profit before working capital changes	2,705	4,773
Increase in trade and other receivables	(2,268)	(1,021)
(Increase) / decrease in inventories	(3,156)	1,514
Increase in pledged deposits	-	(138)
Decrease in net work-in-progress	9,136	10,131
Decrease in trade and other payables	(1,894)	(1,602)
Net cash flows from operations	4,523	13,657
Interest received	218	107
Interest paid	-	(8)
Income tax (paid) / refund	(644)	19
Net cash flows from operating activities	4,097	13,775
Cash flows from investing activities:		
Purchase of property, plant and equipment	(4,139)	(154)
Purchase of available-for-sale investment	(5,747)	-
Placement of short-term deposits	(6,021)	-
Purchase of additional stake in associate	-	(242)
Net cash flows used in investing activities	(15,907)	(396)
Cash flows from financing activities:		
Proceeds from conversion of warrants	359	5,035
Repayment of loans and borrowings	-	(3,678)
Net cash flows from financing activities	359	1,357
Net (decrease) / increase in cash and cash equivalents	(11,451)	14,736
Effect of exchange rate changes on cash and cash equivalents	7	(241)
Cash and cash equivalents at beginning of period	201,871	173,902
Cash and cash equivalents at end of period	190,427	188,397

The Group's cash and cash equivalents as at 31 March 2014 excluded short-term deposits which are made for more than 3 months amounting to approximately S\$10,021,000 (31 March 2013: Nil)

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 capitalisation 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	Other reserve	Total reserves	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1/1/2014	86,850	2,344	150,649	-	152,993	239,843
Profit for the period	-	-	1,760	-	1,760	1,760
Other comprehensive income for the period	-	-	-	(171)	(171)	(171)
Issuance of new shares from conversion of warrants	359	-	-	-	-	359
Balance at 31/3/2014	87,209	2,344	152,409	(171)	154,582	241,791
Balance at 1/1/2013	50,317	2,344	215,482	-	217,826	268,143
Profit for the period	-	-	3,247	-	3,247	3,247
Other comprehensive income for the period	-	-	-	-	-	-
Issuance of new shares from conversion of warrants	5,035	-	-	-	-	5,035
Balance at 31/3/2013	55,352	2,344	218,729	-	221,073	276,425

Company	Share capital	Capital reserve	Accumulated profits	Other reserve	Total reserves	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1/1/2014	86,850	2,344	99,598	-	101,942	188,792
Loss for the period	-	-	(613)	-	(613)	(613)
Other comprehensive income for the period	-	-	-	(171)	(171)	(171)
Issuance of new shares from conversion of warrants	359	-	-	-	-	359
Balance at 31/3/2014	87,209	2,344	98,985	(171)	101,158	188,367
Balance at 1/1/2013	50,317	2,344	166,909	-	169,253	219,570
Profit for the period	-	-	(515)	-	(515)	(515)
Other comprehensive income for the period	-	-	-	-	-	-
Issuance of new shares from conversion of warrants	5,035	-	-	-	-	5,035
Balance at 31/3/2013	55,352	2,344	166,394	-	168,738	224,090

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 31 March 2014, 1,942,000 Warrants were exercised at S\$0.185 each by warrant holders to subscribe for 1,942,000 new ordinary shares in the Company.

As at 31 March 2014 and 31 March 2013, the Company's outstanding warrants is as follow:

	Expiry Date	Exercise Price	No. of warrants	
			31 Mar 2014	31 Mar 2013
2012 Warrants	5 Jun 2015	S\$0.185 *	142,764,822	261,392,952

* At the Company's AGM held on 25 April 2014, the shareholders approved a first and final tax exempt (one-tier) dividend of 1.0 cent per ordinary share and a special tax exempt (one-tier) dividend of 4.0 cents per ordinary share for the year ended 31 December 2013. As the special dividend will be distributed out of reserves which are attributable to profits or gains arising from the disposal of investments by the Company, the exercise price of the 2012 Warrants of S\$0.185 per share will be adjusted to S\$0.145 per share so as to reflect the lower intrinsic value of the Company's share after the special dividend. The adjustment to the exercise price of the 2012 Warrants will be effective from 12 May 2014.

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 31 March 2014, the Company's issued share capital was S\$87,209,000 (31 December 2013 – S\$86,850,000) comprising 874,082,844 ordinary shares (31 December 2013 – 872,140,844 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 LLP.

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.

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	
	3 months ended 31 March 2014	3 months ended 31 March 2013
(i) Basic earnings per share (in cents)	0.20	0.44
(ii) Diluted earnings per share (in cents)	0.19	0.32

- (i) Basic earnings per ordinary shares for the financial period ended 31 March 2014 was calculated based on the weighted average number of ordinary shares in issue of 872,487,990 (31 March 2013 – 741,814,478).
- (ii) Earnings per share for the financial period ended 31 March 2014 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 142,764,822 warrants (31 March 2013 – 261,392,952 warrants).

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:- (a) current financial period reported on; and (b) immediately preceding financial year**

	Group		Company	
	31/3/2014	31/12/2013	31/3/2014	31/12/2013
Net Asset Value per ordinary share based on issued share capital at the end of the period (in cents)	27.7	27.5	21.6	21.6

Net asset value per ordinary share as at 31 March 2014 and 31 December 2013 was calculated based on the number of shares in issue of 874,082,844 and 872,140,844 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

The Group's revenue decreased 26% from 1Q2013 to S\$18.5 million in 1Q2014 due to lower contribution from new projects secured in late 2013 / early 2014, as these projects were at its infancy stages of construction.

As at the end of March 2014, the Group's net order book stood at US\$54 million, maintaining the same level reported at December 2013. These orders are expected to be completed within the next 12 to 18 months.

Profitability

For the current quarter ended 31 March 2014, the Group's net profit decreased from S\$3.2 million in 1Q2013 to S\$1.8 million mainly due to:

- lower gross profit of S\$1.1 million, with the reduction in revenue; and
- higher administrative expenses of S\$0.9 million primarily due to higher payroll cost and operating expenses as a result of newly incorporated subsidiaries and new premises.

However, the reduction in profitability was partially offset by a lower taxation charge of S\$0.3 million due to lower profit for the current quarter.

Financial position

Group shareholders' fund increased from S\$239.8 million as at 31 December 2013 to S\$241.8 million as at 31 March 2014, attributable mainly to retained profits for the quarter ended 31 March 2014 and the increase in share capital following the conversion of warrants by warrant holders.

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

There were no forecast nor prospect statement previously disclosed.

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**

Although global Exploration and Production spending is expected to be high in 2014, most of it will be focused in America with Asia and the Middle East experiencing flat to low growth in spending. In addition, despite the flatlining of China's import of petroleum and other liquids resulting in reduced capex spend, the penetration of Chinese rig makers, oil & gas services and engineering firms along the entire supply chain is increasing. The strong government support, cheap and plentiful labour, significant supply of raw materials and abundance of available space has allowed for very competitive pricing, therefore increasing pressure on international yards and manufacturers. On the other hand, with the increased focus on production vs exploration as well as cost efficiency and reduction, we expect an increased

emphasis on shallow water production, driving up the demand and day rates for jack ups vs floaters. There could be an increase in new rig orders, exercise of existing options and new players in the market. The long term prospects therefore remain positive with the short to medium term outlook competitive and challenging with the need to focus on value added, technologically advanced products.

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

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. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

The Company has not obtained a general mandate from shareholders for Interested Person Transactions.

14. Negative confirmation pursuant to Rule 705(5)

The Board of Directors hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results of the Company and of the Group for the period ended 31 March 2014 to be false or misleading.

BY ORDER OF THE BOARD

Nga Ko Nie
Company Secretary
25 April 2014