



**BAKER TECHNOLOGY LIMITED**

Company Registration No.: 198100637D

**Quarterly Financial Statement And Dividend Announcement for the Period Ended 30 June 2014**

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

1(a)(i) 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

	Group					
	3 months ended			6 months ended		
	30/6/14	30/6/13	Change	30/6/14	30/6/13	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	17,791	22,142	(20)	36,301	47,201	(23)
Cost of goods sold	(13,634)	(17,479)	(22)	(27,209)	(36,513)	(25)
<b>Gross profit</b>	<b>4,157</b>	<b>4,663</b>	<b>(11)</b>	<b>9,092</b>	<b>10,688</b>	<b>(15)</b>
Administrative expenses	(2,435)	(1,997)	22	(5,109)	(3,807)	34
Other operating income / (expenses), net	(315)	1,041	NM	(194)	1,135	NM
Finance cost	-	-	-	-	(8)	(100)
Share of results of associate (a)	-	(409)	(100)	-	(495)	(100)
Gain on disposal of associate	-	8,862	(100)	-	8,862	(100)
<b>Profit before taxation (b)</b>	<b>1,407</b>	<b>12,160</b>	<b>(88)</b>	<b>3,789</b>	<b>16,375</b>	<b>(77)</b>
Income tax expenses (c)	(452)	(840)	(46)	(1,074)	(1,808)	(41)
<b>Net profit attributable to equity holders of the Company</b>	<b>955</b>	<b>11,320</b>	<b>(92)</b>	<b>2,715</b>	<b>14,567</b>	<b>(81)</b>

NM – Not meaningful

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Group					
	3 months ended			6 months ended		
	30/6/14	30/6/13	Change	30/6/14	30/6/13	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b>Net profit attributable to equity holders of the Company</b>	<b>955</b>	<b>11,320</b>	<b>(92)</b>	<b>2,715</b>	<b>14,567</b>	<b>(81)</b>
Other comprehensive income:						
Net gain / (loss) on fair value changes of available-for-sale investment	44	-	NM	(127)	-	NM
<b>Total comprehensive income attributable to equity holders of the Company</b>	<b>999</b>	<b>11,320</b>	<b>(91)</b>	<b>2,588</b>	<b>14,567</b>	<b>(82)</b>

**Explanatory notes:**

(a) The comparative figures relate to the Group's 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			6 months ended		
	30/6/14 S\$'000	30/6/13 S\$'000	Change %	30/6/14 S\$'000	30/6/13 S\$'000	Change %
Depreciation	604	316	91	1,038	644	61
Foreign exchange loss / (gain)	701	(1,000)	NM	644	(953)	NM
Interest income	(281)	(106)	165	(499)	(213)	134

(c) The taxation charges for the current quarter and half year were significantly higher than the statutory income tax rate of Singapore as certain operating expenses incurred by the corporate office and newly incorporated subsidiaries could not be offset against taxable profits of the operating subsidiaries. For the comparative figures in 2013, the taxation charges were significantly lower as the gain on disposal of an associate was capital in nature and therefore not subjected to any income tax.

**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	
	30/6/2014 S\$'000	31/12/2013 S\$'000	30/6/2014 S\$'000	31/12/2013 S\$'000
<b><u>Non-current assets</u></b>				
Property, plant and equipment (a)	9,186	6,057	8	4,319
Intangible assets	7,551	7,551	-	-
Investment in subsidiaries	-	-	21,000	21,000
Available-for-sale investment (b)	8,042	2,456	8,042	2,456
Deferred tax assets	876	876	-	-
	25,655	16,940	29,050	27,775
<b><u>Current assets</u></b>				
Inventories (c)	10,546	5,573	-	-
Work-in-progress (c)	22,426	14,547	-	-
Trade and other receivables	13,778	13,237	128	104
Amounts due from subsidiaries	-	-	11,139	5,478
Cash and short-term deposits	153,862	205,871	108,733	156,810
	200,612	239,228	120,000	162,392
<b><u>Current liabilities</u></b>				
Excess of progress billings over work-in-progress (c)	2,140	820	-	-
Trade and other payables (c)	18,016	11,738	709	1,371
Tax payable	2,847	3,767	-	4
	23,003	16,325	709	1,375
Net current assets	177,609	222,903	119,291	161,017
<b>Net assets</b>	203,264	239,843	148,341	188,792

	Group		Company	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>Equity attributable to equity holders of the Company</u></b>				
Share capital	92,929	86,850	92,929	86,850
Reserves	110,335	152,993	55,412	101,942
<b>Total equity</b>	<b>203,264</b>	<b>239,843</b>	<b>148,341</b>	<b>188,792</b>

**Explanatory notes:**

- (a) The increase in the Group's fixed asset was due to the acquisition of new plant and machinery by its subsidiaries to boost its production capabilities. In 1Q 2014, 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 increase in inventories, work-in-progress and trade and other payables were in line with the increase in production activities for existing projects.

**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 30/6/2014		As at 31/12/2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

**Amount repayable after one year**

As at 30/6/2014		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		6 months ended	
	30/6/14 S\$'000	30/6/13 S\$'000	30/6/14 S\$'000	30/6/13 S\$'000
<b>Cash flows from operating activities:</b>				
Profit before tax	1,407	12,160	3,789	16,375
Adjustments for:				
Depreciation	604	316	1,038	644
Interest income	(281)	(106)	(499)	(213)
Interest expenses	-	-	-	8
Gain on disposal of associate	-	(8,862)	-	(8,862)
Share of results of associate	-	409	-	495
Unrealised exchange loss / (gain)	794	(654)	891	(411)
<b>Operating profit before working capital changes</b>	<b>2,524</b>	<b>3,263</b>	<b>5,219</b>	<b>8,036</b>
Decrease / (increase) in trade and other receivables	1,783	864	(485)	(157)
(Increase) / decrease in inventories	(1,817)	(820)	(4,973)	694
Decrease in pledged deposits	-	11,205	-	11,067
(Increase) / decrease in net work-in-progress	(15,695)	8,175	(6,559)	18,306
Increase / (decrease) in trade payables and other liabilities	8,104	(1,616)	6,210	(3,218)
<b>Net cash flows (used in) / from operations</b>	<b>(5,101)</b>	<b>21,071</b>	<b>(588)</b>	<b>34,728</b>
Interest received	281	106	499	213
Interest paid	-	-	-	(8)
Income tax paid	(1,350)	(2,400)	(1,994)	(2,381)
<b>Net cash flows (used in) / from operating activities</b>	<b>(6,170)</b>	<b>18,777</b>	<b>(2,083)</b>	<b>32,552</b>
<b>Cash flows from investing activities:</b>				
Net proceeds from disposal of associate	-	40,629	-	40,629
Return of equity contribution / (purchase) of available-for-sale investment	24	(319)	(5,713)	(319)
Purchase of additional stake in associate	-	-	-	(242)
Purchase of property, plant and equipment	(28)	(350)	(4,167)	(504)
Maturity / (placement) of short-term deposits	2,000	-	(4,021)	-
<b>Net cash flows from / (used in) investing activities</b>	<b>1,996</b>	<b>39,960</b>	<b>(13,901)</b>	<b>39,564</b>
<b>Cash flows from financing activities:</b>				
Net proceeds from conversion of warrants	5,720	31,485	6,079	36,520
Dividends paid on ordinary shares	(45,246)	(87,206)	(45,246)	(87,206)
Repayment of loans and borrowings	-	-	-	(3,678)
<b>Net cash flows used in financing activities</b>	<b>(39,526)</b>	<b>(55,721)</b>	<b>(39,167)</b>	<b>(54,364)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(43,700)</b>	<b>3,016</b>	<b>(55,151)</b>	<b>17,752</b>
Effect of exchange rate changes on cash and cash equivalents	(886)	466	(879)	225
Cash and cash equivalents at beginning of period	190,427	188,397	201,871	173,902
<b>Cash and cash equivalents at end of period</b>	<b>145,841</b>	<b>191,879</b>	<b>145,841</b>	<b>191,879</b>

The Group's cash and cash equivalents as at 30 June 2014 excluded short-term deposits which were made for more than 3 months maturities amounting to approximately S\$8,021,000 (30 Jun 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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

<b>Group</b>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Accumulated profits</b>	<b>Other reserve</b>	<b>Total reserves</b>	<b>Total equity</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Balance at 1/1/2014</b>	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
<b>Balance at 31/3/2014</b>	<b>87,209</b>	<b>2,344</b>	<b>152,409</b>	<b>(171)</b>	<b>154,582</b>	<b>241,791</b>
Profit for the period	-	-	955	-	955	955
Other comprehensive income for the period	-	-	-	44	44	44
Issuance of new shares from conversion of warrants	5,720	-	-	-	-	5,720
Dividends on ordinary shares	-	-	(45,246)	-	(45,246)	(45,246)
<b>Balance at 30/6/2014</b>	<b>92,929</b>	<b>2,344</b>	<b>108,118</b>	<b>(127)</b>	<b>110,335</b>	<b>203,264</b>
<b>Balance at 1/1/2013</b>	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
<b>Balance at 31/3/2013</b>	<b>55,352</b>	<b>2,344</b>	<b>218,729</b>	<b>-</b>	<b>221,073</b>	<b>276,425</b>
Profit for the period	-	-	11,320	-	11,320	11,320
Other comprehensive income for the period	-	-	-	-	-	-
Issuance of new shares from conversion of warrants	31,485	-	-	-	-	31,485
Dividends on ordinary shares	-	-	(87,206)	-	(87,206)	(87,206)
<b>Balance at 30/6/2013</b>	<b>86,837</b>	<b>2,344</b>	<b>142,843</b>	<b>-</b>	<b>145,187</b>	<b>232,024</b>

Company	Share capital S\$'000	Capital reserve S\$'000	Accumulated profits S\$'000	Other reserve S\$'000	Total reserves S\$'000	Total equity S\$'000
<b>Balance at 1/1/2014</b>	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
<b>Balance at 31/3/2014</b>	<b>87,209</b>	<b>2,344</b>	<b>98,985</b>	<b>(171)</b>	<b>101,158</b>	<b>188,367</b>
Loss for the period	-	-	(544)	-	(544)	(544)
Other comprehensive income for the period	-	-	-	44	44	44
Issuance of new shares from conversion of warrants	5,720	-	-	-	-	5,720
Dividends on ordinary shares	-	-	(45,246)	-	(45,246)	(45,246)
<b>Balance at 30/6/2014</b>	<b>92,929</b>	<b>2,344</b>	<b>53,195</b>	<b>(127)</b>	<b>55,412</b>	<b>148,341</b>
<b>Balance at 1/1/2013</b>	50,317	2,344	166,909	-	169,253	219,570
Loss for the period	-	-	(515)	-	(515)	(515)
Other comprehensive income for the period	-	-	-	-	-	-
Issuance of new shares from conversion of warrants	5,035	-	-	-	-	5,035
<b>Balance at 31/3/2013</b>	<b>55,352</b>	<b>2,344</b>	<b>166,394</b>	<b>-</b>	<b>168,738</b>	<b>224,090</b>
Profit for the period	-	-	7,808	-	7,808	7,808
Other comprehensive income for the period	-	-	-	-	-	-
Issuance of new shares from conversion of warrants	31,485	-	-	-	-	31,485
Dividends on ordinary shares	-	-	(87,206)	-	(87,206)	(87,206)
<b>Balance at 30/6/2013</b>	<b>86,837</b>	<b>2,344</b>	<b>86,996</b>	<b>-</b>	<b>89,340</b>	<b>176,177</b>

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 June 2014, 32,781,600 warrants and 97,000 warrants were exercised at S\$0.185 and S\$0.145 each respectively by warrant holders to subscribe for a total of 32,878,600 new ordinary shares in the Company.

As at 30 June 2014 and 2013, the Company has the following warrants that remained outstanding:

	Expiry Date	Exercise Price	No. of warrants	
			30 June 2014	30 June 2013
2012 Warrants	5 June 2015	S\$0.145 ^	111,828,222	144,779,822

^ During the Company's AGM which was 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 was distributed out of reserves which were attributable to profits or gains arising from the disposal of investments made by the Company, the exercise price of the 2012 Warrants of S\$0.185 per share was adjusted to S\$0.145 per share on 12 May 2014, to reflect the lower intrinsic value of the Company's share after the special dividend.

**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 June 2014, the Company's issued share capital was S\$92,929,286 (31 December 2013 – S\$86,850,625) comprising 905,019,444 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		Group	
	3 months ended		6 months ended	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
(i) Basic earnings per share (in cents)	0.10	1.35	0.31	1.84
(ii) Diluted earnings per share (in cents)	0.09	1.15	0.29	1.56

- (i) Basic earnings per ordinary share for the current quarter and half year ended 30 June 2014 were calculated based on the weighted average number of ordinary shares in issue of 898,248,648 (2Q2013 – 840,620,599) and 885,511,434 (1H2013 – 791,766,461), respectively.
- (ii) Earnings per share for the current quarter and half year ended 30 June 2014 on a fully diluted basis was calculated based on the weighted number of ordinary shares in issue during the periods adjusted for the dilutive effect of 111,828,222 warrants (30 June 2013 – 144,779,822 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	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
Net Asset Value per ordinary share based on issued share capital at the end of the period (in cents)	22.5	27.5	16.4	21.6

Net asset value per ordinary share as at 30 June 2014 and 31 December 2013 was calculated based on the number of shares in issue of 905,019,444 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**

Group revenue for 2Q2014 was S\$17.8 million, a reduction of S\$4.4 million from the corresponding quarter in 2013. This was due to lower revenue recognition for existing projects.

Similarly, Group revenue decreased from S\$47.2 million in 1H2013 to S\$36.3 million in 1H2014.

Order in-take in 2014 has remained healthy. As at the end of June 2014, the Group's net order book stood at US\$61 million, an improvement from US\$54 million as at the end of March 2014. These orders are expected to be completed within the next 12 to 18 months.



## Profitability

On the back of a lower revenue for the quarter, gross profit decreased 11% from S\$4.7 million in 2Q2013 to S\$4.2 million in 2Q2014.

For the current quarter, the Group's net profit was S\$1.0 million, as compared to S\$11.3 million for 2Q2013, mainly due to:

- a gain on disposal of associate (DO) of S\$8.9 million in 2013;
- higher administrative expenses of S\$0.4 million primarily due to higher payroll cost and operating expenses as a result of newly incorporated subsidiaries and new premises; and
- foreign exchange loss of S\$0.7 million due to a weakening of the US dollar against the Singapore dollar (2013 : exchange gain of S\$1.0 million).

For 1H2014, the Group reported a net profit of S\$2.7 million as compared to S\$5.7 million (excluding gain on disposal of DO) for the corresponding period in 2013, mainly due to higher operating expenses and foreign exchange loss of S\$0.6 million (2013 : exchange gain of S\$1.0 million).

## Financial position & cash flow

Group shareholders' fund decreased from S\$239.8 million as at 31 December 2013 to S\$203.3 million as at 30 June 2014, primarily due to the payment of dividends of S\$45.2 million to shareholders, which were partially offset by proceeds from the conversion of warrants (S\$6.1 million) and retained profits for the period.

For the quarter and half year ended 30 June 2014, the Group reported net operating cash outflows of S\$6.2 million and S\$2.1 million, due to higher working capital required for inventories and work-in-progress. However, the Group's cash and short-term deposits remain healthy at S\$153.9 million as at 30 June 2014.

**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**

The Group maintains its optimism on the long-term fundamentals of the oil and gas industry as it has been receiving good enquiries on offshore components and equipment. Baker Engineering Pte. Ltd. ("BEPL"), a subsidiary of the Group, has also completed its design for a state-of-the-art liftboat (a self-propelling multi-purpose jack-up) and will commence the construction of the liftboat. The Group is also continuing to explore external opportunities (including strategic alliances) and to provide additional avenue of growth.

**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/recommended, 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 confirm that, to the best of their knowledge, nothing has come to its attention which may render the unaudited financial results for the second quarter and half year ended 30 June 2014 to be false or misleading.

**BY ORDER OF THE BOARD**

Nga Ko Nie  
Company Secretary  
30 July 2014