



BAKER TECHNOLOGY LIMITED

Company Registration No.: 198100637D

Unaudited Third Quarter and Nine Months Financial Statement for the Period Ended 30 September 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			9 months ended		
	30/9/14	30/9/13	Change	30/9/14	30/9/13	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	21,113	20,718	2	57,414	67,919	(15)
Cost of goods sold	(14,934)	(14,046)	6	(42,143)	(50,559)	(17)
Gross profit	6,179	6,672	(7)	15,271	17,360	(12)
Administrative expenses	(2,765)	(1,823)	52	(7,874)	(5,630)	40
Other operating income / (expenses), net	1,850	(265)	NM	1,656	870	90
Finance cost	-	-	-	-	(8)	(100)
Share of results of associate (a)	-	-	-	-	(495)	(100)
(Loss) / gain on disposal of associate	-	(105)	(100)	-	8,757	(100)
Profit before taxation (b)	5,264	4,479	18	9,053	20,854	(57)
Income tax expenses (c)	(937)	(860)	9	(2,011)	(2,668)	(25)
Net profit attributable to equity holders of the Company	4,327	3,619	20	7,042	18,186	(61)

NM – Not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group					
	3 months ended			9 months ended		
	30/9/14	30/9/13	Change	30/9/14	30/9/13	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Net profit attributable to equity holders of the Company	4,327	3,619	20	7,042	18,186	(61)
Other comprehensive income:						
Net gain on fair value changes of available-for-sale investments	75	-	NM	(52)	-	NM
Total comprehensive income attributable to equity holders of the Company	4,402	3,619	22	6,990	18,186	(62)

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			9 months ended		
	30/9/14	30/9/13	Change	30/9/14	30/9/13	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Depreciation	616	303	103	1,654	947	75
Gain on disposal of property, plant and equipment	-	(3)	(100)	-	(3)	(100)
Foreign exchange (gain) / loss	(1,507)	228	NM	(863)	(725)	19
Interest income	(191)	(128)	49	(690)	(341)	102
Interest expenses	-	-	-	-	8	(100)
Loss / (gain) on disposal of associate	-	105	(100)	-	(8,757)	(100)

- (c) The taxation charges for the current quarter ("3Q2014"), comparative quarter in 2013 ("3Q2013") and current period ("9M2014") were higher than the statutory income tax rate of Singapore as certain operating expenses incurred by the corporate office and certain subsidiaries could not be offset against taxable profits of the operating subsidiaries. For the comparative figures in 2013, the taxation charges for 9M2013 was 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	
		30/9/2014	31/12/2013	30/9/2014	31/12/2013
		S\$'000	S\$'000	S\$'000	S\$'000
<u>Non-current assets</u>					
Property, plant and equipment	(a)	8,962	6,057	12	4,319
Intangible assets		7,551	7,551	-	-
Investment in subsidiaries		-	-	21,000	21,000
Available-for-sale investment	(b)	8,145	2,456	8,145	2,456
Deferred tax assets		876	876	-	-
		25,534	16,940	29,157	27,775
<u>Current assets</u>					
Inventories		4,448	5,573	-	-
Work-in-progress	(c)	28,992	14,547	-	-
Trade and other receivables		19,842	13,237	119	104
Amounts due from subsidiaries		-	-	1,962	5,478
Cash and short-term deposits		148,689	205,871	118,594	156,810
		201,971	239,228	120,675	162,392
<u>Current liabilities</u>					
Excess of progress billings over work-in-progress	(c)	4,666	820	-	-
Trade and other payables	(c)	12,416	11,738	841	1,371
Tax payable		2,437	3,767	-	4
		19,519	16,325	841	1,375
Net current assets		182,452	222,903	119,834	161,017
Net assets		207,986	239,843	148,991	188,792

	Group		Company	
	30/9/2014	31/12/2013	30/9/2014	31/12/2013
	S\$'000	S\$'000	S\$'000	S\$'000
Equity attributable to equity holders of the Company				
Share capital	93,249	86,850	93,249	86,850
Reserves	114,737	152,993	55,742	101,942
Total equity	207,986	239,843	148,991	188,792

Explanatory notes:

- 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 1Q2014, the Company 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.
- 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.
- The increase in work-in-progress and trade and other payables were in line with the increase in production activities of operating subsidiaries.
- The increase in trade and other receivables is due to higher progress billings in 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 30/9/2014		As at 31/12/2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Amount repayable after one year

As at 30/9/2014		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		9 months ended	
	30/9/14 S\$'000	30/9/13 S\$'000	30/9/14 S\$'000	30/9/13 S\$'000
Cash flows from operating activities:				
Profit before tax	5,264	4,479	9,053	20,854
Adjustments for:				
Depreciation	616	303	1,654	947
Interest income	(191)	(128)	(690)	(341)
Interest expenses	-	-	-	8
Gain on disposal of property, plant and equipment	-	(3)	-	(3)
Loss / (gain) on disposal of associate	-	105	-	(8,757)
Share of results of associate	-	-	-	495
Unrealised exchange (gain) / loss	(1,284)	730	(393)	319
Operating profit before working capital changes	4,405	5,486	9,624	13,522
(Increase) / decrease in trade and other receivables	(5,938)	424	(6,423)	267
Decrease / (increase) in inventories	6,098	(3,163)	1,125	(2,469)
Decrease in pledged deposits	-	-	-	11,067
(Increase) / decrease in net work-in-progress	(4,040)	6,401	(10,599)	24,707
(Decrease) / increase in trade payables and other liabilities	(5,516)	4,195	694	977
Net cash flows (used in) / from operations	(4,991)	13,343	(5,579)	48,071
Interest received	191	128	690	341
Interest paid	-	-	-	(8)
Income tax paid	(1,347)	(1,204)	(3,341)	(3,585)
Net cash flows (used in) / from operating activities	(6,147)	12,267	(8,230)	44,819
Cash flows from investing activities:				
Proceed from disposal of property, plant and equipment	-	3	-	3
Net proceeds from disposal of associates	-	(105)	-	40,524
Purchase of available-for-sale investment	(28)	-	(5,741)	(319)
Purchase of additional stake in associates	-	-	-	(242)
Maturity / (placement) of short-term deposits	8,021	(2,000)	4,000	(2,000)
Purchase of property, plant and equipment	(392)	(2)	(4,559)	(506)
Net cash flows from / (used in) investing activities	7,601	(2,104)	(6,300)	37,460
Cash flows from financing activities:				
Net proceeds from conversion of warrants	320	13	6,399	36,533
Dividends paid on ordinary shares	-	-	(45,246)	(87,206)
Repayment of loans and borrowings	-	-	-	(3,678)
Net cash flows from / (used in) financing activities	320	13	(38,847)	(54,351)
Net increase / (decrease) in cash and cash equivalents	1,774	10,176	(53,377)	27,928

Group	3 months ended		9 months ended	
	30/9/14	30/9/13	30/9/14	30/9/13
	S\$'000	S\$'000	S\$'000	S\$'000
Effect of exchange rate changes on cash and cash equivalents	1,074	(389)	195	(164)
Cash and cash equivalents at beginning of period	145,841	191,879	201,871	173,902
Cash and cash equivalents at end of period	148,689	201,666	148,689	201,666

The Group's cash and cash equivalents as at 30 September 2013 excluded short-term deposits of S\$2,000,000 which were made for more than 3 months maturity.

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	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	-	-	2,715	-	2,715	2,715
Other comprehensive income for the period	-	-	-	(127)	(127)	(127)
Issuance of new shares from conversion of warrants	6,079	-	-	-	-	6,079
Dividends on ordinary shares	-	-	(45,246)	-	(45,246)	(45,246)
Balance at 30/6/2014	92,929	2,344	108,118	(127)	110,335	203,264
Profit for the period	-	-	4,327	-	4,327	4,327
Other comprehensive income for the period	-	-	-	75	75	75
Issuance of new shares from conversion of warrants	320	-	-	-	-	320
Balance at 30/9/2014	93,249	2,344	112,445	(52)	114,737	207,986
Balance at 1/1/2013	50,317	2,344	215,482	-	217,826	268,143
Profit for the period	-	-	14,567	-	14,567	14,567
Other comprehensive income for the period	-	-	-	-	-	-
Issuance of new shares from conversion of warrants	36,520	-	-	-	-	36,520
Dividends on ordinary shares	-	-	(87,206)	-	(87,206)	(87,206)
Balance at 30/6/2013	86,837	2,344	142,843	-	145,187	232,024
Profit for the period	-	-	3,619	-	3,619	3,619
Other comprehensive income for the period	-	-	-	-	-	-
Issuance of new shares from conversion of warrants	13	-	-	-	-	13
Balance at 30/9/2013	86,850	2,344	146,462	-	148,806	235,656

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
Balance at 1/1/2014	86,850	2,344	99,598	-	101,942	188,792
Loss for the period	-	-	(1,157)	-	(1,157)	(1,157)
Other comprehensive income for the period	-	-	-	(127)	(127)	(127)
Issuance of new shares from conversion of warrants	6,079	-	-	-	-	6,079
Dividends on ordinary shares	-	-	(45,246)	-	(45,246)	(45,246)
Balance at 30/6/2014	92,929	2,344	53,195	(127)	55,412	148,341
Profit for the period	-	-	255	-	255	255
Other comprehensive income for the period	-	-	-	75	75	75
Issuance of new shares from conversion of warrants	320	-	-	-	-	320
Balance at 30/9/2014	93,249	2,344	53,450	(52)	55,742	148,991
Balance at 1/1/2013	50,317	2,344	166,909	-	169,253	219,570
Profit for the period	-	-	7,293	-	7,293	7,293
Other comprehensive income for the period	-	-	-	-	-	-
Issuance of new shares from conversion of warrants	36,520	-	-	-	-	36,520
Dividends on ordinary shares	-	-	(87,206)	-	(87,206)	(87,206)
Balance at 30/6/2013	86,837	2,344	86,996	-	89,340	176,177
Loss for the period	-	-	(856)	-	(856)	(856)
Other comprehensive income for the period	-	-	-	-	-	-
Issuance of new shares from conversion of warrants	13	-	-	-	-	13
Balance at 30/9/2013	86,850	2,344	86,140	-	88,484	175,334

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 2014, 32,781,600 warrants and 2,302,000 warrants were exercised at S\$0.185 and S\$0.145 each respectively by warrant holders to subscribe for a total of 35,083,600 new ordinary shares in the Company.

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

	Expiry Date	Exercise Price	No. of warrants	
			30 Sept 2014	30 Sept 2013
2012 Warrants	5 June 2015	S\$0.145 [^]	109,623,222	144,708,822

[^] 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 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. This reflects 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 September 2014, the Company's issued share capital was S\$93,249,011 (31 December 2013 – S\$86,850,625) comprising 907,224,444 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		9 months ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
(i) Basic earnings per share (in cents)	0.48	0.38	0.79	2.22
(ii) Diluted earnings per share (in cents)	0.45	0.33	0.74	1.89

- (i) Basic earnings per ordinary share for the financial period ended 30 September 2014 was calculated based on the weighted average number of ordinary shares in issue of 892,338,882 (30 September 2013 – 818,941,580).
- (ii) Earnings per share for the financial period ended 30 September 2014 on a fully diluted basis was calculated based on the weighted average number of ordinary shares issued during the period adjusted for the dilutive effect of 109,623,222 warrants (30 September 2013 – 144,708,822 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	
	30/9/2014	31/12/2013	30/9/2014	31/12/2013
Net Asset Value per ordinary share based on issued share capital at the end of the period (in cents)	22.9	27.5	16.4	21.6

Net asset value per ordinary share as at 30 September 2014 and 31 December 2013 was calculated based on the number of shares in issue of 907,224,444 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 3Q2014 was S\$21.1 million and is comparable to the corresponding quarter in 2013. Year-on-year, Group revenue decreased from S\$67.9 million to S\$57.4 million. This was due to lower progressive revenue recognition for existing projects.

As at the end of September 2014, the Group's net order book stood at US\$50 million. These orders are expected to be completed within the next 12 to 18 months.

Profitability

For 3Q2014, Group net profit improved from S\$3.6 million in 3Q2013 to S\$4.3 million, mainly due to a foreign exchange gain of S\$1.5 million from the strengthening of the US dollar against the Singapore dollar (3Q2013: exchange loss of S\$0.2 million). This was pared by a higher administrative expenses of S\$0.9 million primarily due to higher payroll cost and operating expenses from new subsidiaries and new premise.

For 9M2014, the Group reported a net profit of S\$7.0 million as compared to S\$9.4 million (excluding gain on disposal of Discovery Offshore S.A.) for the corresponding period in 2013, mainly due to higher administrative expenses of S\$2.2 million from new subsidiaries and premise.

Financial position & cash flow

Group shareholders' fund decreased from S\$239.8 million as at 31 December 2013 to S\$208.0 million as at 30 September 2014, due to the payment of dividends of S\$45.2 million to shareholders, which was ameliorated by proceeds from the conversion of warrants (S\$6.4 million) and retained profits for the period.

For the quarter and period ended 30 September 2014, the Group reported net operating cash outflows of S\$6.1 million and S\$8.2 million, respectively, due to higher working capital required for operations. However, the Group's cash and short-term deposits remain healthy at S\$148.7 million as at 30 September 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

With the recent drop in oil prices and the softening of charter rates, the Group remains cautiously optimistic of the long-term fundamentals of the oil and gas industry. Progress continues to be on course for the construction of Baker Engineering Pte. Ltd.'s state-of-the-art liftboat (a self-propelled multi-purpose jack-up). The Group continues to explore external opportunities (including strategic alliances) to provide additional avenues 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/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 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 2014 to be false or misleading.

BY ORDER OF THE BOARD

Nga Ko Nie
Company Secretary
29 October 2014