

ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)



FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2013

1(a). A statement of comprehensive income (for the Group) together with a comparative statement for the first quarter ended 31 March 2013.

Consolidated income statement

(All figures in S\$'000)	Group		
	1Q13	1Q12	% Increase/ (Decrease)
Revenue	102,825	133,406	(23%)
Cost of sales	(87,083)	(114,105)	(24%)
Gross profit	15,742	19,301	
	15%	14%	
Other income	1,125	2,042	(45%)
Selling and marketing costs	(289)	(334)	(13%)
Administrative costs	(10,113)	(16,287)	(38%)
Other operating costs	(3,708)	(3,611)	3%
Finance costs	(463)	(634)	(27%)
Share of results from associated companies	(563)	(202)	NM
Profit before tax	1,731	275	
Taxation	(860)	176	NM
Profit after tax	871	451	
Profit attributable to:			
Owners of the company	2,524	3,159	(20%)
Non-controlling interests	(1,653)	(2,708)	(39%)
	871	451	

* NM denotes Not Meaningful

Consolidated statement of comprehensive income

(All figures in S\$'000)	Group		
	1Q13	1Q12	% Increase/ (Decrease)
Profit after tax	871	451	
Other comprehensive income			
Net gain on available-for-sale financial assets	2,534	140	NM
Foreign currency translation movement	(961)	(2,397)	(60%)
Other comprehensive income for the period	1,573	(2,257)	
Total comprehensive income for the period	2,444	(1,806)	
Total comprehensive income attributable to:			
Owners of the company	5,407	1,612	NM
Non-controlling interests	(2,963)	(3,418)	(13%)
	2,444	(1,806)	

* NM denotes Not Meaningful

Profit after tax is stated after (charging)/crediting the following items:

	Group	
	1Q13	1Q12
(a) Other income		
Interest income	190	248
Gain on disposal of associated companies	-	1,396
Gain on disposal of property, plant and equipment	17	96
(b) Administrative costs		
Foreign exchange gain/(loss)	282	(5,679)
Unrealised fair value (loss)/gain on foreign currency contracts	(559)	1,031
(c) Other operating costs		
Write-back of allowance for doubtful debts	24	381
Inventories written down	(6)	(31)
Depreciation of property, plant and equipment	(3,419)	(3,690)
Amortisation of intangible assets	(307)	(271)
(d) Finance costs		
Amortisation of prepaid loan appraisal fees	(54)	(56)
Interest expense	(409)	(578)

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.

(All figures in S\$'000)

	Group		Company	
	31-Mar-13	31-Dec-12	31-Mar-13	31-Dec-12
Non-current assets				
Property, plant and equipment	59,930	61,051	8,604	8,866
Intangible assets	2,832	2,754	2,596	2,476
Investments				
Subsidiary companies	-	-	54,089	54,089
Associated companies	1,869	2,189	5,699	5,699
Others	6,264	3,731	895	895
Deferred tax assets	489	480	-	-
Other receivables	9,021	8,990	9,021	8,990
Prepaid loan appraisal fees	687	730	-	-
Current assets				
Gross amount due from customers for contract work-in-progress	3,782	3,004	2,033	2,377
Inventories	5,850	5,402	-	-
Prepaid operating expenses	627	238	219	103
Downpayments made to suppliers	3,704	2,583	-	1
Trade and other receivables	211,438	199,689	114,188	114,729
Cash and short-term deposits	201,347	164,539	134,012	103,939
	426,748	375,455	250,452	221,149
Current liabilities				
Income tax payable	11,345	11,769	2,281	2,506
Loans and borrowings	72,218	72,039	27,342	26,877
Gross amount due to customers for contract work-in-progress	65,151	67,605	41,949	20,992
Trade and other payables	161,772	170,213	107,234	128,755
Downpayments from customers	70,234	9,665	46,387	4,332
Foreign currency contracts	611	52	611	52
	381,331	331,343	225,804	183,514
Net current assets	45,417	44,112	24,648	37,635
Non-current liabilities				
Deferred tax liabilities	2,164	2,345	1,375	1,375
Loans and borrowings	11,389	11,180	-	-
	13,553	13,525	1,375	1,375
Net assets	112,956	110,512	104,177	117,275
Equity attributable to owners of the company				
Share capital	89,365	89,365	89,365	89,365
Treasury shares	(161)	(161)	(161)	(161)
Retained earnings	108,794	106,270	14,973	28,071
Other reserves	94	(2,789)	-	-
	198,092	192,685	104,177	117,275
Non-controlling interests	(85,136)	(82,173)	-	-
Total equity	112,956	110,512	104,177	117,275

1 (b) (ii) . Aggregate amount Group's borrowings and debt securities

(All figures in S\$'000 unless stated)

Amount repayable in one year or less, or on demand

31-Mar-13		31-Dec-12	
Secured	Unsecured	Secured	Unsecured
1,375	70,843	1,354	70,685

Amount repayable after one year

31-Mar-13		31-Dec-12	
Secured	Unsecured	Secured	Unsecured
11,389	-	11,180	-

Details of any collateral

Collateral for the S\$12.8 million (31 December 2012: S\$12.5 million) loan of a subsidiary includes mortgage over property, plant and equipment of the subsidiary and shareholders' guarantees.

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.

(All figures in S\$'000)	Group	
	1Q13	1Q12
Operating activities		
Profit before tax	1,731	275
Adjustments for:		
Write-back of allowance for doubtful debts	(24)	(381)
Amortisation of intangible assets	307	271
Amortisation of prepaid loan appraisal fees	54	56
Depreciation of property, plant and equipment	3,419	3,690
Gain on disposal of property, plant and equipment	(17)	(96)
Gain on disposal of associated companies	-	(1,396)
Interest expense	409	578
Interest income	(190)	(248)
Inventories written down	6	31
Unrealised fair value loss/(gain) on foreign currency contracts	559	(1,031)
Share of results from associated companies	563	202
Operating cash flows before changes in working capital	6,817	1,951
(Increase)/Decrease in receivables	(10,922)	64,594
Increase in inventories	(318)	(1,027)
Decrease in gross amount due to customers for contract work-in-progress	(3,506)	(2,886)
Increase/(Decrease) in payables	48,002	(19,706)
Cash flows from operations	40,073	42,926
Interest received	97	240
Interest paid	(409)	(578)
Income tax paid	(1,467)	(3,063)
Net cash flows from operating activities	38,294	39,525

	Group	
	1Q13	1Q12
Investing activities		
Additions to intangible assets	(378)	-
Dividend from associated companies	-	480
Purchase of property, plant and equipment	(1,606)	(1,636)
Proceeds from disposal of property, plant and equipment	19	225
Proceeds from disposal of associated companies	-	2,045
Net cash flows (used in)/from investing activities	(1,965)	1,114
Financing activities		
Repayment of bank loan and trade facilities, net	(514)	(10,129)
Increase in pledged fixed deposits	-	(2)
(Repayment of)/ Increase in finance lease obligations, net	(10)	163
Net cash flows used in financing activities	(524)	(9,968)
Net increase in cash and cash equivalents	35,805	30,671
Effect of exchange rate changes on cash and cash equivalents	1,015	(2,169)
Cash and cash equivalents at beginning of period	164,425	116,784
Cash and cash equivalents at end of the period	201,245	145,286

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.

(All figures in S\$'000)

Group	Attributable to owners of the company									
	Share capital	Treasury shares	Retained earnings	Capital reserve	Statutory reserve	Foreign currency translation reserve	Fair value adjustment reserve	Total	Non-controlling Interests	Total Equity
At 1 January 2013	89,365	(161)	106,270	86	300	(5,665)	2,490	192,685	(82,173)	110,512
Total Comprehensive income for the period	-	-	2,524	-	-	349	2,534	5,407	(2,963)	2,444
At 31 March 2013	89,365	(161)	108,794	86	300	(5,316)	5,024	198,092	(85,136)	112,956
At 1 January 2012	89,365	-	198,068	80	300	(1,742)	921	286,992	23,079	310,071
Total Comprehensive income for the period	-	-	3,159	-	-	(1,687)	140	1,612	(3,418)	(1,806)
At 31 March 2012	89,365	-	201,227	80	300	(3,429)	1,061	288,604	19,661	308,265

<u>Company</u>	Share capital	Treasury shares	Retained earnings	Total Equity
At 1 January 2013	89,365	(161)	28,071	117,275
Total comprehensive income for the period	-	-	(13,098)	(13,098)
At 31 March 2013	89,365	(161)	14,973	104,177
At 1 January 2012	89,365	-	153,343	242,708
Total comprehensive income for the period	-	-	1,669	1,669
At 31 March 2012	89,365	-	155,012	244,377

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.

There were no changes in the share capital of the Company as at 31 March 2013.

As at end of 31 March 2013, the Company has 336,000 (31 March 2012: nil) ordinary shares of the company by way of market purchases on the Singapore Exchange and held them as treasury shares.

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 immediate preceding year.

Total number of issued shares, excluding treasury shares, as at 31 March 2013 is 567,518,000 (31 December 2012: 567,518,000).

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.

Nil.

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

These figures have not been audited or reviewed.

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 Company had considered and consistently applied all applicable revised and new Singapore Financial Reporting Standards.

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.

See point 4 as above.

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

	Group	
	31-Mar-13	31-Mar-12
(In '000 unless stated)		
Earnings per ordinary share of the group for the year after deducting any provision for preference dividends:-		
Based on weighted average number of ordinary shares in issue (in cents)	0.4	0.6
On a fully diluted basis (in cents)	0.4	0.6
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	2,524	3,159
Weighted average number of ordinary shares applicable to basic and diluted earnings per share	567,518	567,854

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-Mar-13	31-Dec-12	31-Mar-13	31-Dec-12
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	34.9	34.0	18.4	20.7

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 31 March 2013 (31 December 2012: 567,518,000).

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.
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

2013 First Quarter (1Q13) Review

Revenue for 1Q13 was \$103 million as compared to \$133 million in the same corresponding period last year. Revenue was lower as the Group's new anchor projects have just commenced this quarter.

Gross margins remained stable at 15%. The Group continues to manage the SATORP issue and maintains its focus to complete the project expeditiously.

Administrative costs, excluding foreign exchange, decreased in line with revenue. Foreign exchange loss in 1Q13 was significantly lower as compared to 1Q12 due to reduced foreign exchange exposure and effective implementation of its foreign exchange management programme. Decrease in finance costs was in line with decline in borrowings. Higher taxation was due to losses on overseas subsidiaries this quarter and the recognition of R&D tax incentives in the previous corresponding quarter.

Net gain on available-for-sale financial assets was due to fair value gain on quoted investment, TRC Construction Public Company Limited, a former associated company, currently listed on the Stock Exchange of Thailand. Foreign currency translation movement is mainly attributable to the translation of the Group's investments in Thailand and Saudi Arabia.

Non-controlling interests movement mainly relates to the minority share of results of our subsidiary in Saudi Arabia.

Balance Sheet Review

Property, plant and equipment decreased due to depreciation offset by purchases during the quarter. Increase in other investments resulted from fair value gain of available-for-sale financial assets.

Cash and short-term deposits increased mainly due to downpayment received from new projects. Increase in trade and other receivables are in line with business activities as compared with 4Q12.

Trade and other payables decreased as the SATORP project progressed towards completion. Downpayments from customers increased due to receipts from new projects.

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

Not applicable.

10. A commentary at the date of 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.

Global financial and economic uncertainties will continue to put pressure on margins and profitability. Competition is expected to remain keen.

Notwithstanding, the Group is resilient and underpinned by its strong order book. The Group stays focused on its execution of current projects and business development activities remain high. It continues to actively develop its business through direct negotiations and bidding for projects in ASEAN, South Asia and Gulf Cooperation Council countries. It is also seeking related opportunities to complement its existing activities.

At the date of this announcement, the order book of the Group stands at \$756 million, half of which is attributed to projects outside Singapore.

11. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

(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/recommendeded for the financial period ended 31 March 2013.

13. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPT"), 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 Group does not have a shareholders' mandate for interested person transactions.

14. Negative confirmation

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to their attention, which may render the first quarter financial results for the period ended 31 March 2013 to be false or misleading.

**BY ORDER OF THE BOARD
TAN CHER LIANG
COMPANY SECRETARY**

8 May 2013