



# ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)

## SECOND QUARTER AND FIRST HALF-YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2013

1(a). A statement of comprehensive income (for the Group) together with a comparative statement for the second quarter and first half-year ended 30 June 2013

### Consolidated income statement

(All figures in S\$'000)	Group			Group		
	2Q13	2Q12	% Increase/ (Decrease)	1H13	1H12	% Increase/ (Decrease)
<b>Revenue</b>	126,210	111,368	13%	229,035	244,774	(6%)
Cost of sales	(111,189)	(117,276)	(5%)	(198,272)	(231,381)	(14%)
Gross profit/(loss)	15,021	(5,908)		30,763	13,393	
	12%	(5%)		13%	5%	
Other income	1,603	551	NM	2,728	2,593	5%
Selling and marketing costs	(325)	(485)	(33%)	(614)	(819)	(25%)
Administrative costs	(12,387)	(9,493)	30%	(22,500)	(25,780)	(13%)
Other operating costs	(4,097)	(4,001)	2%	(7,805)	(7,612)	3%
Finance costs	(312)	(665)	(53%)	(775)	(1,299)	(40%)
Share of results from associated companies	626	(1,067)	NM	63	(1,269)	NM
<b>Profit/(Loss) before tax</b>	129	(21,068)		1,860	(20,793)	
Taxation	(1,510)	112	NM	(2,370)	288	NM
<b>(Loss)/Profit after tax</b>	(1,381)	(20,956)		(510)	(20,505)	
<b>Profit/(Loss) attributable to:</b>						
Owners of the company	5,114	1,026	NM	7,638	4,185	83%
Non-controlling interests	(6,495)	(21,982)	70%	(8,148)	(24,690)	67%
	(1,381)	(20,956)		(510)	(20,505)	

\* NM denotes Not Meaningful

## Consolidated statement of comprehensive income

(All figures in S\$'000)	Group			Group		
	2Q13	2Q12	% Increase/ (Decrease)	1H13	1H12	% Increase/ (Decrease)
<b>(Loss)/Profit after tax</b>	(1,381)	(20,956)		(510)	(20,505)	
<b>Other comprehensive income</b>						
Net (loss)/gain on available-for-sale financial assets	(2,549)	142	NM	(15)	282	NM
Foreign currency translation movement	(5,310)	(1,028)	NM	(6,271)	(3,425)	83%
<b>Other comprehensive income for the period</b>	(7,859)	(886)		(6,286)	(3,143)	
<b>Total comprehensive income for the period</b>	(9,240)	(21,842)		(6,796)	(23,648)	
<b>Total comprehensive income attributable to:</b>						
Owners of the company	(608)	518	NM	4,799	2,130	125%
Non-controlling interests	(8,632)	(22,360)	61%	(11,595)	(25,778)	55%
	(9,240)	(21,842)		(6,796)	(23,648)	

\* NM denotes Not Meaningful

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

	Group		Group	
	2Q13	2Q12	1H13	1H12
<b>(a) Other income</b>				
Investment income	108	42	108	42
Interest income	188	248	378	496
Gain on disposal of associated companies	-	-	-	1,396
Gain on disposal of property, plant and equipment	2	119	19	215
<b>(b) Administrative costs</b>				
Foreign exchange gain/(loss)	806	2,065	1,088	(3,614)
Unrealised fair value (loss)/gain on foreign currency contracts	(691)	(308)	(1,250)	723
<b>(c) Other operating costs</b>				
(Allowance)/Write-back of allowance for doubtful debts	(107)	(39)	(83)	342
Inventories written down	(93)	(8)	(99)	(39)
Amortisation of intangible assets	(332)	(266)	(639)	(537)
Depreciation of property, plant and equipment	(3,565)	(3,688)	(6,984)	(7,378)
<b>(d) Finance costs</b>				
Amortisation of prepaid loan appraisal fees	(55)	(58)	(109)	(114)
Interest expense	(257)	(607)	(666)	(1,185)

**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	
	30-Jun-13	31-Dec-12	30-Jun-13	31-Dec-12
<b>Non-current assets</b>				
Property, plant and equipment	57,752	61,051	8,443	8,866
Intangible assets	2,532	2,754	2,325	2,476
Investments				
Subsidiary companies	-	-	54,089	54,089
Associated companies	3,134	2,189	6,586	5,699
Others	3,883	3,731	895	895
Deferred tax assets	360	480	-	-
Other receivables	9,588	8,990	9,588	8,990
Prepaid loan appraisal fees	646	730	-	-
<b>Current assets</b>				
Gross amount due from customers for contract work-in-progress	8,000	3,004	2,206	2,377
Inventories	5,687	5,402	-	-
Prepaid operating expenses	293	238	116	103
Downpayments made to suppliers	4,874	2,583	593	1
Trade and other receivables	245,354	199,689	145,370	114,729
Cash and short-term deposits	164,677	164,539	83,514	103,939
	428,885	375,455	231,799	221,149
<b>Current liabilities</b>				
Income tax payable	8,488	11,769	2,281	2,506
Loans and borrowings	63,906	72,039	17,758	26,877
Gross amount due to customers for contract work-in-progress	88,420	67,605	67,174	20,992
Trade and other payables	163,930	170,213	80,231	128,755
Downpayments from customers	66,968	9,665	43,284	4,332
Foreign currency contracts	1,302	52	1,302	52
	393,014	331,343	212,030	183,514
<b>Net current assets</b>	35,871	44,112	19,769	37,635
<b>Non-current liabilities</b>				
Deferred tax liabilities	2,021	2,345	1,375	1,375
Loans and borrowings	10,867	11,180	-	-
	12,888	13,525	1,375	1,375
<b>Net assets</b>	100,878	110,512	100,320	117,275
<b>Equity attributable to owners of the company</b>				
Share capital	89,365	89,365	89,365	89,365
Treasury shares	(161)	(161)	(161)	(161)
Retained earnings	111,070	106,270	11,116	28,071
Other reserves	(5,628)	(2,789)	-	-
	194,646	192,685	100,320	117,275
<b>Non-controlling interests</b>	(93,768)	(82,173)	-	-
<b>Total equity</b>	100,878	110,512	100,320	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**

30-Jun-13		31-Dec-12	
Secured	Unsecured	Secured	Unsecured
1,740	62,166	1,354	70,685

**Amount repayable after one year**

30-Jun-13		31-Dec-12	
Secured	Unsecured	Secured	Unsecured
10,867	-	11,180	-

**Details of any collateral**

Collateral for \$12.6 million (31 December 2012: \$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		Group	
	2Q13	2Q12	1H13	1H12
<b>Operating activities</b>				
Profit/(Loss) before tax	129	(21,068)	1,860	(20,793)
<b>Adjustments for :</b>				
Allowance/(write-back of allowance) for doubtful debts	107	39	83	(342)
Amortisation of intangible assets	332	266	639	537
Amortisation of prepaid loan appraisal fees	55	58	109	114
Depreciation of property, plant and equipment	3,565	3,688	6,984	7,378
Dividends from quoted investments	(108)	(42)	(108)	(42)
Unrealised fair value loss/(gain) on foreign currency contracts	691	308	1,250	(723)
Gain on disposal of associated companies	-	-	-	(1,396)
Gain on disposal of property, plant and equipment	(2)	(119)	(19)	(215)
Interest expense	257	607	666	1,185
Interest income	(188)	(248)	(378)	(496)
Inventories written down	93	8	99	39
Share of results from associated companies	(626)	1,067	(63)	1,269
<b>Operating cash flows before changes in working capital</b>	<b>4,305</b>	<b>(15,436)</b>	<b>11,122</b>	<b>(13,485)</b>
(Increase)/Decrease in receivables	(35,707)	33,514	(46,629)	98,108
Increase in inventories	(12)	(176)	(330)	(1,203)
Increase in gross amount due to customers for contract work-in-progress	18,971	6,389	15,465	3,503
(Decrease)/Increase in payables	(5,351)	(10,676)	42,651	(30,382)
<b>Cash flows (used in)/from operations</b>	<b>(17,794)</b>	<b>13,615</b>	<b>22,279</b>	<b>56,541</b>
Interest received	78	256	175	496
Interest paid	(257)	(607)	(666)	(1,185)
Income tax paid	(4,402)	(3,232)	(5,869)	(6,295)
<b>Net cash flows (used in)/from operating activities</b>	<b>(22,375)</b>	<b>10,032</b>	<b>15,919</b>	<b>49,557</b>

(All figures in S\$'000)	Group		Group	
	2Q13	2Q12	1H13	1H12
<b>Investing activities</b>				
Acquisition of shares of associated companies	(888)	-	(888)	-
Additions to intangible assets	(38)	-	(416)	-
Dividends from associated companies	473	-	473	480
Dividends from quoted investments	108	42	108	42
Proceeds from disposal of associated companies	-	-	-	2,045
Proceeds from disposal of property, plant and equipment	55	126	74	351
Purchase of investment securities	(167)	-	(167)	-
Purchase of property, plant and equipment	(964)	(797)	(2,570)	(2,433)
<b>Net cash flows (used in)/from investing activities</b>	<b>(1,421)</b>	<b>(629)</b>	<b>(3,386)</b>	<b>485</b>
<b>Financing activities</b>				
Repayment of bank loan and trade facilities, net	(10,012)	(7,308)	(10,526)	(17,437)
Purchase of treasury shares	-	(161)	-	(161)
Dividends paid:				
- by the Company	(2,838)	(11,347)	(2,838)	(11,347)
- by subsidiaries to non-controlling interests	-	(400)	-	(400)
Increase in pledged fixed deposits	-	2	-	-
(Decrease)/Increase in finance lease obligations	(10)	(15)	(20)	148
<b>Net cash flows used in financing activities</b>	<b>(12,860)</b>	<b>(19,229)</b>	<b>(13,384)</b>	<b>(29,197)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(36,656)</b>	<b>(9,826)</b>	<b>(851)</b>	<b>20,845</b>
Effect of exchange rate changes on cash and cash equivalents	(24)	1,285	991	(884)
<b>Cash and cash equivalents at beginning of quarter/period</b>	<b>201,245</b>	<b>145,286</b>	<b>164,425</b>	<b>116,784</b>
<b>Cash and cash equivalents at end of the period</b>	<b>164,565</b>	<b>136,745</b>	<b>164,565</b>	<b>136,745</b>

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)

<u>Group</u>	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
<b>At 31 March 2013</b>	<b>89,365</b>	<b>(161)</b>	<b>108,794</b>	<b>86</b>	<b>300</b>	<b>(5,316)</b>	<b>5,024</b>	<b>198,092</b>	<b>(85,136)</b>	<b>112,956</b>
Total comprehensive income for the period	-	-	5,114	-	-	(3,173)	(2,549)	(608)	(8,632)	(9,240)
Dividends paid	-	-	(2,838)	-	-	-	-	(2,838)	-	(2,838)
<b>At 30 June 2013</b>	<b>89,365</b>	<b>(161)</b>	<b>111,070</b>	<b>86</b>	<b>300</b>	<b>(8,489)</b>	<b>2,475</b>	<b>194,646</b>	<b>(93,768)</b>	<b>100,878</b>
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)
<b>At 31 March 2012</b>	<b>89,365</b>	<b>-</b>	<b>201,227</b>	<b>80</b>	<b>300</b>	<b>(3,429)</b>	<b>1,061</b>	<b>288,604</b>	<b>19,661</b>	<b>308,265</b>
Total comprehensive income for the period	-	-	1,026	-	-	(650)	142	518	(22,360)	(21,842)
Purchase of treasury shares	-	(161)	-	-	-	-	-	(161)	-	(161)
Dividends paid	-	-	(11,347)	-	-	-	-	(11,347)	-	(11,347)
<b>At 30 June 2012</b>	<b>89,365</b>	<b>(161)</b>	<b>190,906</b>	<b>80</b>	<b>300</b>	<b>(4,079)</b>	<b>1,203</b>	<b>277,614</b>	<b>(2,699)</b>	<b>274,915</b>

<u>Company</u>	<u>Share capital</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	<u>Total Equity</u>
At 1 January 2013	89,365	(161)	28,071	117,275
Total comprehensive income for the period	-	-	(13,098)	(13,098)
<b>At 31 March 2013</b>	<b>89,365</b>	<b>(161)</b>	<b>14,973</b>	<b>104,177</b>
Total comprehensive income for the period	-	-	(1,019)	(1,019)
Dividends paid	-	-	(2,838)	(2,838)
<b>At 30 June 2013</b>	<b>89,365</b>	<b>(161)</b>	<b>11,116</b>	<b>100,320</b>
At 1 January 2012	89,365	-	153,343	242,708
Total comprehensive income for the period	-	-	1,669	1,669
<b>At 31 March 2012</b>	<b>89,365</b>	<b>-</b>	<b>155,012</b>	<b>244,377</b>
Total comprehensive income for the period	-	-	24,968	24,968
Purchase of treasury shares	-	(161)	-	(161)
Dividends paid	-	-	(11,347)	(11,347)
<b>At 30 June 2012</b>	<b>89,365</b>	<b>(161)</b>	<b>168,633</b>	<b>257,837</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.**

There were no changes in the share capital of the Company as at 30 June 2013.

As at 30 June 2013, the Company has 336,000 (30 June 2012: 336,000) 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 end of 30 June 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.**

(In '000 unless stated)

	Group		Group	
	2Q13	2Q12	1H13	1H12
Earnings per ordinary share of the group for the period after deducting any provision for preference dividends:				
Based on weighted average number of ordinary shares in issue (in cents)	0.9	0.2	1.3	0.7
On a fully diluted basis (in cents)	0.9	0.2	1.3	0.7
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	5,114	1,026	7,638	4,185
Weighted average number of ordinary shares applicable to basic and diluted earnings per share	567,518	567,798	567,518	567,826

**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-Jun-13	31-Dec-12	30-Jun-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	34.3	34.0	17.7	20.7

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 30 June 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 Second Quarter (2Q13) Review**

Revenue for 2Q13 increased by 13% compared with the same quarter last year due to increased business activities from new projects wins since the beginning of this year.

Gross profit margin at 12%, mainly from contributions of new projects, were a significant improvement from the corresponding quarter last year where the Group were impacted by cost overruns from the construction phase of the SATORP project.

Increase in administrative costs was mainly attributed to foreign exchange gain recorded in the corresponding quarter last year. Other operating expenses remained stable. Finance costs decreased in line with borrowings. Share of associates' results included a gain of \$908,000 relating to an associate acquired at a discount to its net tangible assets.

Higher taxation relative to profits this quarter was due to losses on some overseas subsidiaries for which no deferred tax benefits has been recognized. Taxation was a credit in the same period last year due to the recognition of research and development tax incentives.

Net loss on available-for-sale financial assets was due to mark-to-market movements on quoted investment, TRC Construction Public Company Limited, a former associate, currently listed on the Stock Exchange of Thailand. Foreign currency translation movement was 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 joint venture company in Saudi Arabia.

Profit attributable to shareholders was higher at \$5.1 million as compared to \$1.0 million for the same period last year.

**2013 First Half (1H13) Review**

Revenue for 1H13 decreased slightly by 6% as compared to the same period last year mainly due to SATORP project as it progressed towards completion. This was offset by the commencement of new projects.

Gross profit margin at 13%, mainly from contributions of new projects, were a significant improvement from the corresponding period last year where the Group were impacted by cost overruns from the construction phase of the SATORP project.

Administrative costs were lower this period mainly due to foreign exchange loss recorded in the corresponding 1<sup>st</sup> half last year, reason being the foreign exchange gain in the 2<sup>nd</sup> quarter was outweighed by the loss in the 1<sup>st</sup> quarter. Other operating expenses remained stable. Finance costs decreased in line with borrowings. Share of associates' results included a gain of \$908,000 relating to an associate acquired at a discount to its net tangible assets.

Higher taxation relative to profits this period was due to losses on some overseas subsidiaries for which no deferred tax benefits has been recognized. Taxation was a credit in the same period last year due to the recognition of research and development tax incentives.

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 joint venture company in Saudi Arabia.

Profit attributable to shareholders improved to \$7.6 million as compared to \$4.2 million for the same period last year.

#### **Balance Sheet Review**

Property, plant and equipment decreased mainly due to depreciation. Investment in associates increased mainly due to additional investment in an associate.

- Gross amount due from customers for contract work-in-progress
- Gross amount due to customers for contract work-in-progress

These relate to contract accounting to record revenue and cost on accrual basis. These figures can be reconciled to the trade receivables and trade payables.

Increase in trade and other receivables was in line with increase in revenue. Downpayments made to suppliers increased due to downpayments on new projects. Income tax payable decreased due to payments made during the period. Downpayments from customers increased due to receipts from new projects.

Loans and borrowings were lower due to repayments.

#### **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.**

Business development activities are high with demand for oil and gas infrastructure remaining strong. The Group continues to actively develop its business through direct negotiations and bidding for projects in ASEAN and Gulf Cooperation Council countries. The setting up of a Representative Office in Oman would further expand our Middle East effort.

The Group remained resilient amidst keen competition, global financial and economic uncertainties. Despite the challenges, the Group has won about \$700 million worth of new contracts since the beginning of this year, bringing its total order book to \$1 billion as of today. Over 60% of this is attributed to projects in Singapore.

The Group is cautiously optimistic, underpinned by its strong order book.

**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 period ended 30 June 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 financial results for the period ended 30 June 2013 to be false or misleading.

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

6 August 2013