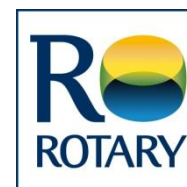


ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)



FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2014

1(a). A statement of comprehensive income (for the Group) together with a comparative statement for the first quarter ended 31 March 2014.

Consolidated income statement

(All figures in S\$'000)	Group		
	1Q14	1Q13	% Increase/ (Decrease)
Revenue	199,170	102,825	94%
Cost of sales	(165,551)	(87,083)	90%
Gross profit	33,619	15,742	
	17%	15%	
Other income	791	1,125	(30%)
Selling and marketing costs	(114)	(289)	(61%)
Administrative costs	(14,270)	(10,113)	41%
Other operating costs	(3,206)	(3,708)	(14%)
Finance costs	(286)	(463)	(38%)
Share of results from associated companies	(270)	(563)	(52%)
Profit before tax	16,264	1,731	
Taxation	(2,599)	(860)	NM
Profit after tax	13,665	871	
Profit attributable to:			
Owners of the company	14,354	2,524	NM
Non-controlling interests	(689)	(1,653)	58%
	13,665	871	

* NM denotes Not Meaningful

Consolidated statement of comprehensive income

	Group		
	1Q14	1Q13	% Increase/ (Decrease)
(All figures in S\$'000)			
Profit after tax	13,665	871	
Other comprehensive (loss)/income			
Net fair value gain on available-for-sale financial assets	-	2,534	NM
Net fair value gain on cash flow hedges	188	-	NM
Foreign currency translation movement	(347)	(961)	(64%)
Other comprehensive (loss)/income for the period	(159)	1,573	
Total comprehensive income for the period	13,506	2,444	
Total comprehensive income attributable to:			
Owners of the company	13,654	5,407	NM
Non-controlling interests	(148)	(2,963)	95%
	13,506	2,444	

* NM denotes Not Meaningful

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

	Group	
	1Q14	1Q13
(a) Other income		
Interest income	166	190
(Loss)/gain on disposal of property, plant and equipment	(93)	17
(b) Administrative costs		
Foreign exchange (loss)/gain	(126)	282
Unrealised fair value gain/(loss) on foreign currency contracts	230	(559)
(c) Other operating costs		
Amortisation of intangible assets	(329)	(307)
Depreciation of property, plant and equipment	(2,861)	(3,419)
Inventories written down	(16)	(6)
Write-back of allowance for doubtful debts	-	24
(d) Finance costs		
Amortisation of prepaid loan appraisal fees	(56)	(54)
Interest expense	(230)	(409)

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-14	31-Dec-13	31-Mar-14	31-Dec-13
Non-current assets				
Property, plant and equipment	51,926	53,730	8,838	8,880
Intangible assets	1,830	2,074	1,596	1,874
Investments				
Subsidiary companies	-	-	56,759	56,759
Associated companies	2,792	3,529	5,963	5,963
Others	896	896	895	895
Deferred tax assets	414	498	-	-
Other receivables	8,563	8,538	8,563	8,538
Prepaid loan appraisal fees	478	533	-	-
Current assets				
Gross amount due from customers for contract work-in-progress*	28,450	41,778	1,313	15
Inventories	3,985	3,287	977	704
Prepaid operating expenses	1,206	312	960	164
Downpayments made to suppliers	11,957	15,620	5,702	7,545
Trade and other receivables*	169,914	144,914	151,584	137,003
Foreign currency contracts	509	234	509	234
Cash and short-term deposits	196,325	193,725	85,672	107,158
	412,346	399,870	246,717	252,823
Current liabilities				
Income tax payable	17,583	15,636	4,750	4,115
Loans and borrowings	40,239	50,202	-	10,133
Gross amount due to customers for contract work-in-progress*	98,595	93,195	60,090	64,145
Trade and other payables	151,292	141,871	115,453	102,781
Downpayments from customers	48,036	58,487	33,590	39,682
Foreign currency contracts	402	545	402	545
	356,147	359,936	214,285	221,401
Net current assets	56,199	39,934	32,432	31,422
Non-current liabilities				
Deferred tax liabilities	2,167	1,795	1,392	1,155
Loans and borrowings	9,051	9,563	-	-
	11,218	11,358	1,392	1,155
Net assets	111,880	98,374	113,654	113,176
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	138,521	124,167	24,195	23,905
Other reserves	(2,893)	(2,193)	255	67
	224,832	211,178	113,654	113,176
Non-controlling interests	(112,952)	(112,804)	-	-
Total equity	111,880	98,374	113,654	113,176

*Prior year's figures have been reclassified to conform with current period's presentation. Accrued revenue in prior year was reclassified from "Trade and other receivables" to "Gross amounts due from/(to) customers for contract work in progress". The above reclassification has no impact to net current asset and net asset.

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-14	
Secured	Unsecured
40,239	-

31-Dec-13	
Secured	Unsecured
40,069	10,133

Amount repayable after one year

31-Mar-14	
Secured	Unsecured
9,051	-

31-Dec-13	
Secured	Unsecured
9,563	-

Details of any collateral

Collateral for the \$49.3 million (31 December 2013: \$49.6 million) loan of a subsidiary includes mortgage over property, plant and equipment of the subsidiary, pledged deposits 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	
	1Q14	1Q13
Operating activities		
Profit before tax	16,264	1,731
Adjustments for:		
Amortisation of intangible assets	329	307
Amortisation of prepaid loan appraisal fees	56	54
Depreciation of property, plant and equipment	2,861	3,419
Interest expense	230	409
Interest income	(166)	(190)
Inventories written down	16	6
Loss/(gain) on disposal of property, plant and equipment	93	(17)
Share of results from associated companies	270	563
Unrealised fair value (gain)/loss on foreign currency contracts, net	(230)	559
Write-back of allowance for doubtful debts	-	(24)
Operating cash flows before changes in working capital	19,723	6,817
Increase in prepaid operating expenses, downpayments made to suppliers and receivables	(23,252)	(10,922)
Increase in inventories	(716)	(318)
Increase/(decrease) in gross amount due to customers for contract work-in-progress, net	18,745	(3,506)
(Decrease)/increase in payables	(251)	48,002
Cash flows from operations	14,249	40,073
Interest received	88	97
Interest paid	(230)	(409)
Income tax paid	(141)	(1,467)
Net cash flows from operating activities	13,966	38,294

	Group	
	1Q14	1Q13
Investing activities		
Additions to intangible assets	(96)	(378)
Proceeds from disposal of property, plant and equipment	113	19
Purchase of property, plant and equipment	(1,031)	(1,606)
Net cash flows used in investing activities	(1,014)	(1,965)
Financing activities		
Increase in pledged fixed deposits	-	(37,284)
Repayment of bank loans and trade facilities, net	(10,263)	(514)
Repayment of finance lease obligations	(10)	(10)
Net cash flows used in financing activities	(10,273)	(37,808)
Net increase/(decrease) in cash and cash equivalents	2,679	(1,479)
Effect of exchange rate changes on cash and cash equivalents	74	1,015
Cash and cash equivalents at beginning of period	155,727	164,425
Cash and cash equivalents at end of the period	158,480	163,961

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	Hedging reserve	Total	Non-controlling interests	Total equity
At 1 January 2014	89,365	(161)	124,167	560	300	(3,120)	-	67	211,178	(112,804)	98,374
Total comprehensive income for the period	-	-	14,354	-	-	(888)	-	188	13,654	(148)	13,506
At 31 March 2014	89,365	(161)	138,521	560	300	(4,008)	-	255	224,832	(112,952)	111,880
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

<u>Company</u>	Share capital	Treasury shares	Retained earnings	Hedging reserve	Total equity
At 1 January 2014	89,365	(161)	23,905	67	113,176
Total comprehensive income for the period	-	-	290	188	478
At 31 March 2014	89,365	(161)	24,195	255	113,654
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

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 2014.

As at 31 March 2014, the Company has 336,000 (31 March 2013: 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 31 March 2014 is 567,518,000 (31 December 2013: 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	
	1Q14	1Q13
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)	2.5	0.4
On a fully diluted basis (in cents)	2.5	0.4
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	14,354	2,524
Weighted average number of ordinary shares applicable to basic and diluted earnings per share	567,518	567,518

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-14	31-Dec-13	31-Mar-14	31-Dec-13
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	39.6	37.2	20.0	19.9

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 31 March 2014 (31 December 2013: 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.

2014 First Quarter (1Q14) Review

Revenue in 1Q14 almost doubled that of the same quarter last year as the execution of current projects gained pace and momentum.

Gross margin percentage increased by 2% to 17%, contributed by productivity improvements efforts. Administrative costs increased in line with revenue. Other operating costs dipped due to decrease in depreciation expense as certain fixed assets were fully depreciated. Finance costs reduced with decline in borrowings. Taxation is in line with profit.

The fair value gain on available-for-sale financial assets recorded in 1Q13 was related to quoted investment, TRC Construction Public Company Limited, a former associated company listed on the Stock Exchange of Thailand. This investment had been fully disposed of by 4Q13.

Foreign currency translation movement is mainly attributable to the Group's investments in Thailand and Saudi Arabia.

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

Balance Sheet Review

- 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. Gross amount due from customers for contract work-in-progress decreased as a result of higher billings.

Trade and other receivables increased in line with revenue. Downpayments made to suppliers decreased on execution of on-going projects.

Cash and short-term deposits remained stable despite repayment of loans and borrowings.

Trade and other payables increased in line with business activities. Downpayments from customers decreased on execution of on-going 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.

As project execution gains momentum, barring unforeseen circumstances, the Group expects improvements in revenue and profitability this financial year.

The Group remains focussed on the execution of its current projects. On a longer term, the Group is constantly innovating work processes so as to improve productivity and manage rising costs.

Business development activities remain high with strong demand for oil and gas infrastructure in the period of relatively stable oil prices. The Group continues to actively develop its business through direct negotiations and bidding for projects in ASEAN and Gulf Cooperation Council countries. It also seeks related business opportunities to complement its existing activities.

At the date of this announcement, the Group's order book stands at \$535 million, of which over 70% is attributed to projects in 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 2014.

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 2014 to be false or misleading.

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

7 May 2014