



ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)

THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

1(a). A statement of comprehensive income (for the Group) together with a comparative statement for the third quarter and nine months ended 30 September 2014.

Consolidated income statement

(All figures in S\$'000)	Group			Group		
	3Q14	3Q13	% Increase/ (Decrease)	9M14	9M13	% Increase/ (Decrease)
Revenue	172,023	184,489	(7%)	561,982	413,524	36%
Cost of sales	(143,006)	(165,109)	(13%)	(467,673)	(363,381)	29%
Gross profit	29,017	19,380		94,309	50,143	
	17%	11%		17%	12%	
Other income	506	2,572	(80%)	2,114	5,300	(60%)
Selling and marketing costs	(269)	(341)	(21%)	(588)	(955)	(38%)
Administrative costs	(14,857)	(13,945)	7%	(44,333)	(36,445)	22%
Other operating costs	(3,567)	(3,723)	(4%)	(10,606)	(11,528)	(8%)
Finance costs	(272)	(481)	(43%)	(809)	(1,256)	(36%)
Share of results from associated companies	27	(77)	NM	(115)	(14)	NM
Profit before tax	10,585	3,385		39,972	5,245	
Taxation	(2,001)	(3,359)	(40%)	(6,410)	(5,729)	12%
Profit/(Loss) after tax	8,584	26		33,562	(484)	
Profit/(Loss) attributable to:						
Owners of the company	10,885	7,928	37%	38,294	15,566	NM
Non-controlling interests	(2,301)	(7,902)	71%	(4,732)	(16,050)	71%
	8,584	26		33,562	(484)	

* NM denotes Not Meaningful

Consolidated statement of comprehensive income

(All figures in S\$'000)	Group			Group		
	3Q14	3Q13	% Increase/ (Decrease)	9M14	9M13	% Increase/ (Decrease)
Profit/(Loss) after tax	8,584	26		33,562	(484)	
Other comprehensive (loss)/income						
Net fair value gain on available-for-sale financial assets	-	110	NM	-	95	NM
Net fair value loss on cash flow hedges	(464)	-	NM	(222)	-	NM
Amount transferred from fair value adjustment reserve to income statement on disposal of available-for-sale financial assets	-	(877)	NM	-	(877)	NM
Foreign currency translation movement	299	3,474	(91%)	(100)	(2,797)	(96%)
Other comprehensive (loss)/income for the period	(165)	2,707		(322)	(3,579)	
Total comprehensive income/(loss) for the period	8,419	2,733		33,240	(4,063)	
Total comprehensive income/(loss) attributable to:						
Owners of the company	13,140	9,609	37%	38,648	14,408	NM
Non-controlling interests	(4,721)	(6,876)	31%	(5,408)	(18,471)	71%
	8,419	2,733		33,240	(4,063)	

* NM denotes Not Meaningful

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

	Group		Group	
	3Q14	3Q13	9M14	9M13
(a) Other income				
Investment income	-	-	-	108
Interest income	135	181	458	559
Gain/(Loss) on disposal of property, plant and equipment	-	344	(93)	363
Gain on disposal of available-for-sale financial assets	-	1,107	-	1,107
Loss on disposal of associated companies	-	(106)	-	(106)
(b) Administrative costs				
Foreign exchange gain/(loss)	1,870	(598)	317	490
Unrealised fair value (loss)/gain on foreign currency contracts	(1,460)	198	(342)	(1,052)
(c) Other operating costs				
Allowance for doubtful debts	(379)	(19)	(557)	(102)
Amortisation of intangible assets	(359)	(325)	(1,048)	(964)
Depreciation of property, plant and equipment	(2,829)	(3,159)	(8,574)	(10,143)
Inventories written down	-	(220)	(27)	(319)
(d) Finance costs				
Amortisation of prepaid loan appraisal fees	(57)	(56)	(167)	(165)
Interest expense	(215)	(425)	(642)	(1,091)

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-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
Non-current assets				
Property, plant and equipment	50,678	53,730	8,832	8,880
Intangible assets	1,514	2,074	1,139	1,874
Investments				
Subsidiary companies	-	-	52,020	56,759
Associated companies	3,049	3,529	5,963	5,963
Others	25,546	896	895	895
Deferred tax assets	566	498	-	-
Other receivables	8,571	8,538	8,571	8,538
Prepaid loan appraisal fees	359	533	-	-
Current assets				
Gross amount due from customers for contract work-in-progress*	16,298	41,778	1,787	15
Inventories	4,264	3,287	672	704
Prepaid operating expenses	1,119	312	875	164
Downpayments made to suppliers	7,730	15,620	3,868	7,545
Trade and other receivables*	169,503	144,914	191,517	137,003
Foreign currency contracts	10	234	10	234
Cash and short-term deposits	201,884	193,725	102,560	107,158
	400,808	399,870	301,289	252,823
Current liabilities				
Income tax payable	14,436	15,636	4,549	4,115
Loans and borrowings	40,948	50,202	-	10,133
Gross amount due to customers for contract work-in-progress*	143,925	93,195	56,736	64,145
Trade and other payables	134,555	141,871	179,854	102,781
Downpayments from customers	22,551	58,487	17,861	39,682
Foreign currency contracts	885	545	885	545
	357,300	359,936	259,885	221,401
Net current assets	43,508	39,934	41,404	31,422
Non-current liabilities				
Deferred tax liabilities	2,316	1,795	1,369	1,155
Loans and borrowings	8,454	9,563	-	-
	10,770	11,358	1,369	1,155
Net assets	123,021	98,374	117,455	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	153,948	124,167	28,406	23,905
Other reserves	(1,839)	(2,193)	(155)	67
	241,313	211,178	117,455	113,176
Non-controlling interests	(118,292)	(112,804)	-	-
Total equity	123,021	98,374	117,455	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 assets and net assets.

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-Sep-14		31-Dec-13	
Secured	Unsecured	Secured	Unsecured
40,948	-	40,069	10,133

Amount repayable after one year

30-Sep-14		31-Dec-13	
Secured	Unsecured	Secured	Unsecured
8,454	-	9,563	-

Details of any collateral

Collateral for \$49.4 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		Group	
	3Q14	3Q13	9M14	9M13
Operating activities				
Profit before tax	10,585	3,385	39,972	5,245
Adjustments for :				
Allowance for doubtful debts	379	19	557	102
Amortisation of intangible assets	359	325	1,048	964
Amortisation of prepaid loan appraisal fees	57	56	167	165
Depreciation of property, plant and equipment	2,829	3,159	8,574	10,143
Dividends from quoted investments	-	-	-	(108)
Gain on disposal of available-for-sale financial assets	-	(1,107)	-	(1,107)
(Gain)/Loss on disposal of property, plant and equipment	-	(344)	93	(363)
Interest expense	215	425	642	1,091
Interest income	(135)	(181)	(458)	(559)
Inventories written down	-	220	27	319
Loss on disposal of associated companies	-	106	-	106
Share of results from associated companies	(27)	77	115	14
Unrealised fair value loss/(gain) on foreign currency contracts	1,460	(198)	342	1,052
Operating cash flows before changes in working capital	15,722	5,942	51,079	17,064
Increase in prepaid operating expenses, downpayments made to suppliers and receivables	(18,214)	(24,534)	(20,808)	(71,163)
Decrease/(Increase) in inventories	1,595	(122)	(1,001)	(452)
Increase in gross amount due to customers for contract work-in-progress, net	43,500	51,845	76,046	67,310
(Decrease)/Increase in payables	(25,584)	(26,157)	(45,390)	16,494
Cash flows from operations	17,019	6,974	59,926	29,253
Interest received	42	46	213	221
Interest paid	(215)	(425)	(642)	(1,091)
Income tax paid	(3,137)	(1,397)	(7,103)	(7,266)
Net cash flows from operating activities	13,709	5,198	52,394	21,117

(All figures in S\$'000)

	Group		Group	
	3Q14	3Q13	9M14	9M13
Investing activities				
Acquisition of shares of associated companies	-	-	-	(888)
Additions to intangible assets	(152)	(110)	(501)	(526)
Dividends from associated companies	-	-	-	473
Dividends from quoted investments	-	-	-	108
Proceeds from disposal of associated companies	-	3,763	-	3,763
Proceeds from disposal of available-for-sale financial asset	-	1,306	-	1,306
Proceeds from disposal of property, plant and equipment	18	418	149	492
Proceeds from disposal of subsidiary	-	-	4,322	-
Purchase of other investments	(23,185)	-	(23,185)	(167)
Purchase of property, plant and equipment	(2,941)	(1,916)	(5,584)	(4,486)
Net cash flows (used in)/from investing activities	(26,260)	3,461	(24,799)	75
Financing activities				
Dividends paid:				
-by the Company	-	-	(8,513)	(2,838)
-by subsidiaries to non-controlling interests	(80)	-	(80)	-
Increase in pledged fixed deposits	-	-	-	(37,284)
Repayment of bank loans and trade facilities, net	(821)	(7,346)	(11,084)	(17,872)
Repayment of finance lease obligations	(92)	(9)	(112)	(29)
Net cash flows used in financing activities	(993)	(7,355)	(19,789)	(58,023)
Net (decrease)/increase in cash and cash equivalents	(13,544)	1,304	7,806	(36,831)
Effect of exchange rate changes on cash and cash equivalents	165	(329)	(418)	662
Cash and cash equivalents at beginning of quarter/period	176,494	127,281	155,727	164,425
Cash and cash equivalents at end of the period	163,115	128,256	163,115	128,256

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	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	-	-	27,409	-	-	(2,143)	-	242	25,508	(687)	24,821
Dividends paid	-	-	(8,513)	-	-	-	-	-	(8,513)	-	(8,513)
At 30 June 2014	89,365	(161)	143,063	560	300	(5,263)	-	309	228,173	(113,491)	114,682
Total comprehensive income for the period	-	-	10,885	-	-	2,719	-	(464)	13,140	(4,721)	8,419
Dividends paid	-	-	-	-	-	-	-	-	-	(80)	(80)
At 30 September 2014	89,365	(161)	153,948	560	300	(2,544)	-	(155)	241,313	(118,292)	123,021
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	-	-	7,638	-	-	(2,824)	(15)	-	4,799	(11,595)	(6,796)
Dividends paid	-	-	(2,838)	-	-	-	-	-	(2,838)	-	(2,838)
At 30 June 2013	89,365	(161)	111,070	86	300	(8,489)	2,475	-	194,646	(93,768)	100,878
Total comprehensive income for the period	-	-	7,928	-	-	2,448	(767)	-	9,609	(6,876)	2,733
At 30 September 2013	89,365	(161)	118,998	86	300	(6,041)	1,708	-	204,255	(100,644)	103,611

Company	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	-	-	11,072	242	11,314
Dividends paid	-	-	(8,513)	-	(8,513)
At 30 June 2014	89,365	(161)	26,464	309	115,977
Total comprehensive income for the period	-	-	1,942	(464)	1,478
At 30 September 2014	89,365	(161)	28,406	(155)	117,455
At 1 January 2013	89,365	(161)	28,071	-	117,275
Total comprehensive income for the period	-	-	(14,117)	-	(14,117)
Dividends paid	-	-	(2,838)	-	(2,838)
At 30 June 2013	89,365	(161)	11,116	-	100,320
Total comprehensive income for the period	-	-	4,241	-	4,241
At 30 September 2013	89,365	(161)	15,357	-	104,561

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 September 2014.

As at 30 September 2014, the Company has 336,000 (30 September 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 30 September 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		Group	
	3Q14	3Q13	9M14	9M13
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)	1.9	1.4	6.7	2.7
On a fully diluted basis (in cents)	1.9	1.4	6.7	2.7
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	10,885	7,928	38,294	15,566
Weighted average number of ordinary shares applicable to basic and diluted earnings per share	567,518	567,518	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	
	30-Sep-14	31-Dec-13	30-Sep-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	42.5	37.2	20.7	19.9

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 30 September 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 Third Quarter (3Q14) Review

The Group achieved a relatively stable revenue for 3Q14 when compared to the same quarter last year, as it focused on the execution of its current projects.

Gross profit margin increased significantly to 17% from 11% in the same quarter last year, as a result of smooth project execution and the Group's productivity improvement efforts.

Other income decreased this quarter mainly due to a one-off gain recorded in the same quarter last year on sale of quoted shares. Administrative costs, excluding foreign exchange, increased in line with overall increase in business activities. Foreign exchange gain is due to the appreciation of the United States Dollar.

Other operating expenses remained stable. Finance costs decreased in line with borrowings. Taxation is in line with profits.

Net fair value loss on cashflow hedges recorded in other comprehensive income is due to hedges taken on US Dollar contracts. Foreign currency translation movement is mainly attributable to the translation of the Group's investments in Saudi Arabia, United Arab Emirates and Thailand.

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

2014 Nine-Month (9M14) Review

Revenue for 9M14 increased by 36% compared with the same period last year due to increased business activities from the execution of its current projects.

Gross profit margin improved significantly to 17% from 12% the same period last year. This was mainly due to the smooth project execution and the Group's productivity improvement efforts.

Other income decreased this period mainly due to a one-off gain recorded in the same period last year on sale of quoted shares. Administrative costs increased in line with revenue. Other operating expenses remained stable. Finance costs decreased in line with borrowings. Taxation is in line with profits.

Net fair value loss on cashflow hedges recorded in other comprehensive income is due to hedges taken on US Dollar contracts. Foreign currency translation movement is mainly attributable to the translation of the Group's investments in Saudi Arabia, United Arab Emirates and Thailand.

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

Balance Sheet Review

Property, plant and equipment decreased mainly due to depreciation. Increase in other investments is due to an investment in an independent oil terminal in Indonesia. The terminal provides bulk storage for petroleum products and has secured a long-term contract that will ensure its optimal utilization. This investment is part of the Group's long term objective of making investments that will provide recurring income and create new EPC opportunities.

- 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 customer for contract work-in-progress declined due to higher billings. Gross amount due to customers for contract work-in-progress increased as a result of project accruals made on new projects.

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

Cash and short-term deposits increased due to better operating results, partially offset by the investment in Indonesia. 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.

In the light of current business activities, the Group expects to end the current financial year on significantly improved financial performance as compared to that of the previous year.

However, financial and economic uncertainties remain until signs of recovery in the United States become clearer. Short term oil price volatility and tight foreign labour market in Singapore will put pressure on margins. Competition is expected to remain keen.

The Group is focused on the execution of its current projects. At the date of this announcement, the Group's order book stands at \$303 million.

The long term fundamentals in the petroleum and petrochemical industry remain stable amid short term oil price volatility. As such, business development activities remain robust and the Group continues to actively develop its business through direct negotiations and bidding for projects in ASEAN and Gulf Cooperation Council countries.

Underpinned by a strong balance sheet and cash position, the Group is also seeking other business opportunities that complement its existing activities, so as to expand its sources of incomes and revenues in the longer term.

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 30 September 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 financial results for the period ended 30 September 2014 to be false or misleading.

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

11 November 2014