

ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)



FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015

1(a). A statement of comprehensive income (for the Group) together with a comparative statement for the first quarter ended 31 March 2015.

Consolidated income statement

	Group		
	1Q15	1Q14	% Increase/ (Decrease)
(All figures in S\$'000)			
Revenue	89,393	199,170	(55%)
Cost of sales	(73,008)	(165,551)	(56%)
Gross profit	16,385	33,619	
	18%	17%	
Other income	4,355	791	NM
Foreign exchange differences	2,363	(104)	NM
Selling and marketing costs	(227)	(114)	99%
General and administrative costs	(11,308)	(14,166)	(20%)
Other operating costs	(2,692)	(3,206)	(16%)
Finance costs	(101)	(286)	(65%)
Share of results from associated companies	(43)	(270)	(84%)
Profit before tax	8,732	16,264	
Taxation	(1,407)	(2,599)	(46%)
Profit after tax	7,325	13,665	
Profit attributable to:			
Owners of the company	7,071	14,354	(51%)
Non-controlling interests	254	(689)	NM
	7,325	13,665	

* NM denotes Not Meaningful

Consolidated statement of comprehensive income

(All figures in S\$'000)	Group		
	1Q15	1Q14	% Increase/ (Decrease)
Profit after tax	7,325	13,665	
Other comprehensive (loss)/income			
Net fair value gain on cash flow hedges	-	188	NM
Foreign currency translation movement	(1,610)	(347)	NM
Other comprehensive (loss)/income for the period	(1,610)	(159)	
Total comprehensive income for the period	5,715	13,506	
Total comprehensive income attributable to:			
Owners of the company	10,635	13,654	(22%)
Non-controlling interests	(4,920)	(148)	NM
	5,715	13,506	

* NM denotes Not Meaningful

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

	Group	
	1Q15	1Q14
(a) Other income		
Interest income	81	166
Gain on disposal of other investments	3,000	-
Gain/(loss) on disposal of property, plant and equipment	93	(93)
(b) Foreign exchange differences		
Foreign exchange gain/(loss)	3,222	(126)
Unrealised fair value (loss)/gain on foreign currency contracts	(859)	230
(c) Other operating costs		
Amortisation of intangible assets	(166)	(329)
Depreciation of property, plant and equipment	(2,526)	(2,861)
(d) Finance costs		
Amortisation of prepaid loan appraisal fees	(61)	(56)
Interest expense	(40)	(230)

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-15	31-Dec-14	31-Mar-15	31-Dec-14
Non-current assets				
Property, plant and equipment	47,095	48,389	8,335	8,582
Intangible assets	1,094	1,199	746	851
Investments				
Subsidiary companies	-	-	50,326	50,326
Associated companies	8,986	8,593	5,963	5,963
Others	27,508	26,484	895	895
Deferred tax assets	1,036	1,052	-	-
Other receivables	6,687	6,785	6,687	6,785
Prepaid loan appraisal fees	263	311	-	-
Current assets				
Gross amount due from customers for contract work-in-progress	24,144	13,248	19,575	8,390
Inventories	4,222	3,808	519	568
Prepaid operating expenses	988	249	505	9
Downpayments made to suppliers	3,493	5,703	1,046	2,958
Trade and other receivables	157,056	185,504	240,048	260,454
Foreign currency contracts	73	238	73	238
Cash and short-term deposits	115,187	157,057	46,842	57,205
	305,163	365,807	308,608	329,822
Current liabilities				
Income tax payable	14,511	15,829	5,296	5,113
Loans and borrowings	2,507	2,269	-	-
Gross amount due to customers for contract work-in-progress	104,051	137,577	48,063	70,400
Trade and other payables	115,083	143,526	163,339	161,840
Downpayments from customers	15,602	18,727	9,190	11,175
Foreign currency contracts	2,092	1,398	2,092	1,398
	253,846	319,326	227,980	249,926
Net current assets	51,317	46,481	80,628	79,896
Non-current liabilities				
Deferred tax liabilities	2,097	2,150	1,314	1,314
Loans and borrowings	7,802	8,772	-	-
	9,899	10,922	1,314	1,314
Net assets	134,087	128,372	152,266	151,984
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	172,809	165,738	63,062	62,780
Other reserves	5,031	1,467	-	-
	267,044	256,409	152,266	151,984
Non-controlling interests	(132,957)	(128,037)	-	-
Total equity	134,087	128,372	152,266	151,984

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-15	
Secured	Unsecured
2,507	-

31-Dec-14	
Secured	Unsecured
2,269	-

Amount repayable after one year

31-Mar-15	
Secured	Unsecured
7,802	-

31-Dec-14	
Secured	Unsecured
8,772	-

Details of any collateral

Collateral for the \$10.3 million (31 December 2014: \$11.0 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	
	1Q15	1Q14
Operating activities		
Profit before tax	8,732	16,264
Adjustments for:		
Amortisation of intangible assets	166	329
Amortisation of prepaid loan appraisal fees	61	56
Depreciation of property, plant and equipment	2,526	2,861
Interest expense	40	230
Interest income	(81)	(166)
(Gain)/loss on disposal of property, plant and equipment	(93)	93
Gain on disposal of other investments	(3,000)	-
Share of results from associated companies	43	270
Unrealised fair value loss/(gain) on foreign currency contracts, net	859	(230)
Operating cash flows before changes in working capital	9,253	19,707
Increase in inventories	(389)	(700)
Decrease/(increase) in prepaid operating expenses, downpayments made to suppliers and receivables	39,117	(23,252)
(Decrease)/increase in gross amount due to customers for contract work-in-progress, net	(45,518)	18,745
Decrease in payables	(44,734)	(251)
Cash flows (used in)/from operations	(42,271)	14,249
Interest received	67	88
Interest paid	(40)	(230)
Income tax paid	(2,756)	(141)
Net cash flows (used in)/from operating activities	(45,000)	13,966

	Group	
	1Q15	1Q14
Investing activities		
Additions to intangible assets	(48)	(96)
Proceeds from disposal of other investments	3,000	-
Proceeds from disposal of property, plant and equipment	142	113
Purchase of property, plant and equipment	(417)	(1,031)
Net cash flows from/(used in) investing activities	2,677	(1,014)
Financing activities		
Repayment of bank loans and trade facilities, net	(1,176)	(10,263)
Repayment of finance lease obligations	(1)	(10)
Net cash flows used in financing activities	(1,177)	(10,273)
Net (decrease)/increase in cash and cash equivalents	(43,500)	2,679
Effect of exchange rate changes on cash and cash equivalents	1,630	74
Cash and cash equivalents at beginning of period	157,057	155,727
Cash and cash equivalents at end of the period	115,187	158,480

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	Share capital	Treasury shares	Retained earnings	Capital reserve	Statutory reserve	Foreign currency translation reserve	Hedging reserve	Total	Non-controlling interests	Total equity
At 1 January 2015	89,365	(161)	165,738	547	300	620	-	256,409	(128,037)	128,372
Total comprehensive income for the period	-	-	7,071	-	-	3,564	-	10,635	(4,920)	5,715
At 31 March 2015	89,365	(161)	172,809	547	300	4,184	-	267,044	(132,957)	134,087
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

Company	Share capital	Treasury shares	Retained earnings	Hedging reserve	Total equity
At 1 January 2015	89,365	(161)	62,780	-	151,984
Total comprehensive income for the period	-	-	282	-	282
At 31 March 2015	89,365	(161)	63,062	-	152,266
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

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 2015.

As at 31 March 2015, the Company has 336,000 (31 March 2014: 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 2015 is 567,518,000 (31 December 2014: 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	
	1Q15	1Q14
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)	1.2	2.5
On a fully diluted basis (in cents)	1.2	2.5
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	7,071	14,354
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-15	31-Dec-14	31-Mar-15	31-Dec-14
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	47.1	45.2	26.8	26.8

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 31 March 2015 (31 December 2014: 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.

2015 First Quarter (1Q15) Review

Revenue in 1Q15 dipped when compared with the same quarter last year as the Group reaches completion on some of its major projects.

Despite lower revenue, the Group managed to achieve a slightly better gross profit margin as it continues its productivity improvement efforts. Administrative costs decreased in line with revenue. Foreign exchange gain in the quarter was due to the appreciation of the United States Dollar.

Other operating costs declined due to decrease in depreciation expense as certain fixed assets were fully depreciated. Finance costs reduced with decreased borrowings. Share of results of associate improved this quarter as the Group disposed a loss-making associate, which runs a waste-to-energy plant, last year. Taxation is in line with profit.

Foreign currency translation movement is mainly attributable to the Group's investments in Thailand and 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. Movements in gross amount due from/(to) customers for contract work-in-progress is as a result of slower progress billings.

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

Cash and short-term deposits dipped due to working capital requirements and slower progress billings.

Trade and other payables declined 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.

No forecast or prospect statement was previously made.

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.

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

The outlook in the oil and gas industry is uncertain. However, the Group is actively developing its business in oil storage terminals 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 \$207 million.

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 2015.

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 2015 to be false or misleading in any material aspect.

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

12 May 2015