



ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)

SECOND QUARTER AND FIRST HALF-YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2015

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 2015.

Consolidated income statement

(All figures in S\$'000)	Group			Group		
	2Q15	2Q14	% Increase/ (Decrease)	1H15	1H14	% Increase/ (Decrease)
Revenue	67,380	190,789	(65%)	156,773	389,959	(60%)
Cost of sales	(50,467)	(159,116)	(68%)	(123,475)	(324,667)	(62%)
Gross profit	16,913	31,673		33,298	65,292	
	25%	17%		21%	17%	
Other income	864	817	6%	5,219	1,608	NM
Foreign exchange differences	81	(539)	NM	2,444	(435)	NM
Selling and marketing costs	(204)	(205)	0%	(431)	(319)	35%
Administrative costs	(9,824)	(14,667)	(33%)	(21,132)	(29,041)	(27%)
Other operating costs	(2,655)	(3,833)	(31%)	(5,347)	(7,039)	(24%)
Finance costs	(110)	(251)	(56%)	(211)	(537)	(61%)
Share of results from associated companies	(194)	128	NM	(237)	(142)	67%
Profit before tax	4,871	13,123		13,603	29,387	
Taxation	(646)	(1,810)	(64%)	(2,053)	(4,409)	(53%)
Profit after tax	4,225	11,313		11,550	24,978	
Profit attributable to:						
Owners of the company	3,703	13,055	(72%)	10,774	27,409	(61%)
Non-controlling interests	522	(1,742)	NM	776	(2,431)	NM
	4,225	11,313		11,550	24,978	

NM denotes Not Meaningful

Consolidated statement of comprehensive income

(All figures in S\$'000)	Group			Group		
	2Q15	2Q14	% Increase/ (Decrease)	1H15	1H14	% Increase/ (Decrease)
Profit after tax	4,225	11,313		11,550	24,978	
Other comprehensive income/(loss)						
Net fair value gain on cash flow hedges	-	54	NM	-	242	NM
Foreign currency translation movement attributable to owners of the company	(2,636)	(1,255)	NM	928	(2,143)	NM
Foreign currency translation movement attributable to non-controlling interest	2,609	1,203	NM	(2,565)	1,744	NM
Other comprehensive income/(loss) for the period	(27)	2		(1,637)	(157)	
Total comprehensive income/(loss) for the period	4,198	11,315		9,913	24,821	
Total comprehensive income attributable to:						
Owners of the company	1,067	11,854	(91%)	11,702	25,508	(54%)
Non-controlling interests	3,131	(539)	NM	(1,789)	(687)	NM
	4,198	11,315		9,913	24,821	

NM denotes Not Meaningful

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

	Group		Group	
	2Q15	2Q14	1H15	1H14
(a) Other income				
Interest income	183	157	264	323
Gain on disposal of other investments	-	-	3,000	-
Gain/(Loss) on disposal of property, plant and equipment	67	-	160	(93)
(b) Foreign exchange differences				
Foreign exchange (loss)/gain	(2,265)	(1,427)	957	(1,553)
Unrealised fair value gain on foreign currency contracts	2,346	888	1,487	1,118
(c) Other operating costs				
Allowance for doubtful debts	-	(178)	-	(178)
Amortisation of intangible assets	(160)	(360)	(326)	(689)
Depreciation of property, plant and equipment	(2,436)	(2,884)	(4,962)	(5,745)
Inventories written down	(59)	(11)	(59)	(27)
(d) Finance costs				
Amortisation of prepaid loan appraisal fees	(59)	(54)	(120)	(110)
Interest expense	(51)	(197)	(91)	(427)

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-15	31-Dec-14	30-Jun-15	31-Dec-14
Non-current assets				
Property, plant and equipment	44,306	48,389	8,051	8,582
Intangible assets	955	1,199	646	851
Investments				
Subsidiary companies	-	-	50,326	50,326
Associated companies	8,465	8,593	5,963	5,963
Others	26,972	26,484	895	895
Deferred tax assets	914	1,052	-	-
Other receivables	-	6,785	-	6,785
Prepaid loan appraisal fees	206	311	-	-
Current assets				
Gross amount due from customers for contract work-in-progress	14,492	13,248	6,164	8,390
Inventories	4,362	3,808	514	568
Prepaid operating expenses	667	249	451	9
Downpayments made to suppliers	2,727	5,703	1,093	2,958
Trade and other receivables	151,804	185,504	251,505	260,454
Foreign currency contracts	665	238	665	238
Cash and short-term deposits	99,783	157,057	40,533	57,205
	274,500	365,807	300,925	329,822
Current liabilities				
Income tax payable	12,013	15,829	4,541	5,113
Loans and borrowings	2,457	2,269	-	-
Gross amount due to customers for contract work-in-progress	92,081	137,577	54,198	70,400
Trade and other payables	105,690	143,526	139,860	161,840
Downpayments from customers	11,151	18,727	4,285	11,175
Foreign currency contracts	338	1,398	338	1,398
	223,730	319,326	203,222	249,926
Net current assets	50,770	46,481	97,703	79,896
Non-current liabilities				
Deferred tax liabilities	2,044	2,150	1,316	1,314
Loans and borrowings	7,647	8,772	-	-
	9,691	10,922	1,316	1,314
Net assets	122,897	128,372	162,268	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	162,324	165,738	73,064	62,780
Other reserves	2,395	1,467	-	-
	253,923	256,409	162,268	151,984
Non-controlling interests	(131,026)	(128,037)	-	-
Total equity	122,897	128,372	162,268	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

30-Jun-15		31-Dec-14	
Secured	Unsecured	Secured	Unsecured
2,457	-	2,269	-

Amount repayable after one year

30-Jun-15		31-Dec-14	
Secured	Unsecured	Secured	Unsecured
7,647	-	8,772	-

Details of any collateral

Collateral for \$10.1 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		Group	
	2Q15	2Q14	1H15	1H14
Operating activities				
Profit before tax	4,871	13,123	13,603	29,387
Adjustments for :				
Allowance for doubtful debts	-	178	-	178
Amortisation of intangible assets	160	360	326	689
Amortisation of prepaid loan appraisal fees	59	54	120	110
Depreciation of property, plant and equipment	2,436	2,884	4,962	5,745
(Gain)/Loss on disposal of property, plant and equipment	(67)	-	(160)	93
Gain on disposal of other investments	-	-	(3,000)	-
Interest expense	51	197	91	427
Interest income	(183)	(157)	(264)	(323)
Inventories written down	59	11	59	27
Unrealised fair value gain on foreign currency contracts, net	(2,346)	(888)	(1,487)	(1,118)
Share of results from associated companies	194	(128)	237	142
Operating cash flows before changes in working capital	5,234	15,634	14,487	35,357
Decrease in payables	(6,370)	(19,555)	(51,104)	(19,806)
(Decrease)/Increase in gross amount due to customers for contract work-in-progress, net	(1,612)	13,801	(47,130)	32,546
Decrease/(Increase) in prepaid operating expenses, downpayments made to suppliers and receivables	7,703	20,658	46,820	(2,594)
Increase in inventories	(211)	(1,880)	(600)	(2,596)
Cash flows from/(used in) operations	4,744	28,658	(37,527)	42,907
Interest received	197	83	264	171
Interest paid	(51)	(197)	(91)	(427)
Income tax paid	(3,127)	(3,825)	(5,883)	(3,966)
Net cash flows from/(used in) operating activities	1,763	24,719	(43,237)	38,685

(All figures in S\$'000)	Group		Group	
	2Q15	2Q14	1H15	1H14
Investing activities				
Additions to intangible assets	(34)	(253)	(82)	(349)
Proceeds from disposal of other investments	-	-	3,000	-
Proceeds from disposal of property, plant and equipment	29	18	171	131
Proceeds from disposal of subsidiary	-	4,322	-	4,322
Purchase of property, plant and equipment	(349)	(1,612)	(766)	(2,643)
Net cash flows (used in)/from investing activities	(354)	2,475	2,323	1,461
Financing activities				
Dividends paid:				
- by the Company	(14,188)	(8,513)	(14,188)	(8,513)
- by subsidiaries to non-controlling interests	(1,200)	-	(1,200)	-
Repayment of bank loans and trade facilities, net	-	-	(1,176)	(10,263)
Repayment of finance lease obligations	-	(10)	(1)	(20)
Net cash flows used in financing activities	(15,388)	(8,523)	(16,565)	(18,796)
Net (decrease)/increase in cash and cash equivalents	(13,979)	18,671	(57,479)	21,350
Effect of exchange rate changes on cash and cash equivalents	(1,425)	(657)	205	(583)
Cash and cash equivalents at beginning of quarter/period	115,187	158,480	157,057	155,727
Cash and cash equivalents at end of the period	99,783	176,494	99,783	176,494

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	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
Total comprehensive income for the period	-	-	3,703	-	-	(2,636)	-	1,067	3,131	4,198
Dividends paid	-	-	(14,188)	-	-	-	-	(14,188)	(1,200)	(15,388)
At 30 June 2015	89,365	(161)	162,324	547	300	1,548	-	253,923	(131,026)	122,897
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
Total comprehensive income for the period	-	-	13,055	-	-	(1,255)	54	11,854	(539)	11,315
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

<u>Company</u>	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
Total comprehensive income for the period	-	-	24,190	-	24,190
Dividends paid	-	-	(14,188)	-	(14,188)
At 30 June 2015	89,365	(161)	73,064	-	162,268
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
Total comprehensive income for the period	-	-	10,782	54	10,836
Dividends paid	-	-	(8,513)	-	(8,513)
At 30 June 2014	89,365	(161)	26,464	309	115,977

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 2015.

As at 30 June 2015, the Company has 336,000 (30 June 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 30 June 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		Group	
	2Q15	2Q14	1H15	1H14
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)	0.7	2.3	1.9	4.8
On a fully diluted basis (in cents)	0.7	2.3	1.9	4.8
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	3,703	13,055	10,774	27,409
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-Jun-15	31-Dec-14	30-Jun-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	44.7	45.2	28.6	26.8

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 30 June 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 Second Quarter (2Q15) Review

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

This dip was cushioned with a significantly improved gross profit margin of 25% when compared to 17% in the same quarter last year, on project closures and the Group's continued productivity improvement efforts.

Other income remained stable. Administrative cost decreased in line with revenue. Other operating expenses reduced due to decline in depreciation expense as certain fixed assets were fully depreciated. Foreign exchange impact was minimal this quarter despite the depreciation of the US Dollar due to effective hedges undertaken. Finance cost decreased in line with borrowings. Taxation is in line with profits.

Foreign currency translation movement attributable to owners of the company mainly relate to the translation of the Group's investments in Thailand, Saudi Arabia and United Arab Emirates.

Foreign currency translation movement attributable to non-controlling interests mainly relate to the translation of the Group's investments in Saudi Arabia.

2015 First Half (1H15) Review

Revenue for 1H15 dipped when compared with the same period last year as the Group reaches completion on some of its major projects. This dip was cushioned by an improvement in the gross profit margin due to project closures and the Group's continued productivity improvement efforts.

The increase in other income was mainly due to the gain on disposal of other investments. Administrative costs decreased in line with revenue. Other operating expenses reduced due to decline in depreciation expense as certain fixed assets were fully depreciated.

The foreign exchange gain was due to the appreciation of the US dollar and effective hedges taken up. Finance costs dipped with decrease in borrowings. Taxation is in line with profits.

Foreign currency translation movement attributable to owners of the company mainly relate to the translation of the Group's investments in Thailand, Saudi Arabia and United Arab Emirates.

Foreign currency translation movement attributable to non-controlling interests mainly relate to the translation of the Group's investments 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/(to) customers for contract work-in-progress decreased as some of its major projects reach completion.

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 declined due to working capital requirements.

Trade and other payables decreased 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 steep oil price correction in recent history has caused concerns in the global economy and particularly those in the oil and gas industry. Protracted weakness in oil prices may affect the Group's business as competition for projects becomes keener. Coupled with a tight foreign labour market in Singapore, the Group would also face pressure on its margins and profitability.

In view of the current uncertainty of the macro business environment, the Group has placed greater focus in managing its costs and accordingly, other operating and administrative costs has been trimmed in line with revenue. The Group has taken the opportunity to consolidate its position and look out for investment in businesses that complement its existing activities.

The Group continues to actively seek business opportunities through direct negotiations and bidding for projects in ASEAN and Gulf Cooperation Council countries. At the date of this announcement, the Group's order book stands at S\$162 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 30 June 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 financial results for the period ended 30 June 2015 to be false or misleading.

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

4 August 2015