



ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)

THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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 2015.

Consolidated income statement

(All figures in S\$'000)	Group			Group		
	3Q15	3Q14	% Increase/ (Decrease)	9M15	9M14	% Increase/ (Decrease)
Revenue	60,325	172,023	(65%)	217,098	561,982	(61%)
Cost of sales	(46,839)	(143,006)	(67%)	(170,314)	(467,673)	(64%)
Gross profit	13,486	29,017		46,784	94,309	
	22%	17%		22%	17%	
Other income	1,967	506	NM	7,186	2,114	NM
Foreign exchange differences	5,161	410	NM	7,605	(25)	NM
Selling and marketing costs	(301)	(269)	12%	(732)	(588)	24%
Administrative costs	(11,241)	(15,267)	(26%)	(32,373)	(44,308)	(27%)
Other operating costs	(2,375)	(3,567)	(33%)	(7,722)	(10,606)	(27%)
Finance costs	(102)	(272)	(63%)	(313)	(809)	(61%)
Share of results from associated companies	(234)	27	NM	(471)	(115)	NM
Profit before tax	6,361	10,585		19,964	39,972	
Taxation	(892)	(2,001)	(55%)	(2,945)	(6,410)	(54%)
Profit after tax	5,469	8,584		17,019	33,562	
Profit attributable to:						
Owners of the company	6,342	10,885	(42%)	17,116	38,294	(55%)
Non-controlling interests	(873)	(2,301)	(62%)	(97)	(4,732)	(98%)
	5,469	8,584		17,019	33,562	

* NM denotes Not Meaningful

Consolidated statement of comprehensive income

(All figures in S\$'000)	Group			Group		
	3Q15	3Q14	% Increase/ (Decrease)	9M15	9M14	% Increase/ (Decrease)
Profit after tax	5,469	8,584		17,019	33,562	
Other comprehensive income/(loss)						
Net fair value loss on cash flow hedges	-	(464)	NM	-	(222)	NM
Foreign currency translation movement attributable to owners of the company	3,018	2,719	11%	3,946	576	NM
Foreign currency translation movement attributable to non-controlling interest	(7,892)	(2,420)	NM	(10,457)	(676)	NM
Other comprehensive income/(loss) for the period	(4,874)	(165)		(6,511)	(322)	
Total comprehensive income/(loss) for the period	595	8,419		10,508	33,240	
Total comprehensive income attributable to:						
Owners of the company	9,360	13,140	(29%)	21,062	38,648	(46%)
Non-controlling interests	(8,765)	(4,721)	86%	(10,554)	(5,408)	95%
	595	8,419		10,508	33,240	

* NM denotes Not Meaningful

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

	Group		Group	
	3Q15	3Q14	9M15	9M14
(a) Other income				
Gain on disposal of other investments	-	-	3,000	-
Gain/(Loss) on disposal of property, plant and equipment	-	-	160	(93)
Interest income	34	135	298	458
Investment income	965	-	965	-
(b) Foreign exchange differences				
Foreign exchange gain	8,426	1,870	9,383	317
Unrealised fair value loss on foreign currency contracts	(3,265)	(1,460)	(1,778)	(342)
Net foreign exchange differences	5,161	410	7,605	(25)
(c) Other operating costs				
Allowance for doubtful debts	-	(379)	-	(557)
Amortisation of intangible assets	(146)	(359)	(472)	(1,048)
Depreciation of property, plant and equipment	(2,198)	(2,829)	(7,160)	(8,574)
Impairment loss on plant and equipment	(29)	-	(29)	-
Inventories written down	(6)	-	(65)	(27)
Write back of allowance for doubtful debts	4	-	4	-
(d) Finance costs				
Amortisation of prepaid loan appraisal fees	(63)	(57)	(183)	(167)
Interest expense	(39)	(215)	(130)	(642)

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-15	31-Dec-14	30-Sep-15	31-Dec-14
Non-current assets				
Property, plant and equipment	43,718	48,389	7,768	8,582
Intangible assets	814	1,199	543	851
Investments				
Subsidiary companies	-	-	50,326	50,326
Associated companies	7,564	8,593	5,963	5,963
Others	28,505	26,484	895	895
Deferred tax assets	843	1,052	-	-
Other receivables	-	6,785	-	6,785
Prepaid loan appraisal fees	153	311	-	-
Current assets				
Gross amount due from customers for contract work-in-progress	24,384	13,248	6,056	8,390
Inventories	5,456	3,808	584	568
Prepaid operating expenses	1,948	249	1,790	9
Downpayments made to suppliers	1,670	5,703	777	2,958
Trade and other receivables	107,366	185,504	210,411	260,454
Foreign currency contracts	-	238	-	238
Cash and short-term deposits	131,684	157,057	74,009	57,205
	272,508	365,807	293,627	329,822
Current liabilities				
Income tax payable	9,661	15,829	3,961	5,113
Loans and borrowings	2,752	2,269	-	-
Gross amount due to customers for contract work-in-progress	102,837	137,577	45,308	70,400
Trade and other payables	93,252	143,526	138,023	161,840
Downpayments from customers	10,520	18,727	2,484	11,175
Foreign currency contracts	2,938	1,398	2,938	1,398
	221,960	319,326	192,714	249,926
Net current assets	50,548	46,481	100,913	79,896
Non-current liabilities				
Deferred tax liabilities	2,010	2,150	1,255	1,314
Loans and borrowings	6,723	8,772	-	-
	8,733	10,922	1,255	1,314
Net assets	123,412	128,372	165,153	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	168,666	165,738	75,949	62,780
Other reserves	5,413	1,467	-	-
	263,283	256,409	165,153	151,984
Non-controlling interests	(139,871)	(128,037)	-	-
Total equity	123,412	128,372	165,153	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-Sep-15		31-Dec-14	
Secured	Unsecured	Secured	Unsecured
2,752	-	2,269	-

Amount repayable after one year

30-Sep-15		31-Dec-14	
Secured	Unsecured	Secured	Unsecured
6,723	-	8,772	-

Details of any collateral

Collateral for \$9.5 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	
	3Q15	3Q14	9M15	9M14
Operating activities				
Profit before tax	6,361	10,585	19,964	39,972
Adjustments for :				
Allowance for doubtful debts	-	379	-	557
Amortisation of intangible assets	146	359	472	1,048
Amortisation of prepaid loan appraisal fees	63	57	183	167
Depreciation of property, plant and equipment	2,198	2,829	7,160	8,574
(Gain)/Loss on disposal of property, plant and equipment	-	-	(160)	93
Gain on disposal of other investments	-	-	(3,000)	-
Impairment loss on plant and equipment	29	-	29	-
Interest expense	39	215	130	642
Interest income	(34)	(135)	(298)	(458)
Inventories written down	6	-	65	27
Unrealised fair value loss on foreign currency contracts	3,265	1,460	1,778	342
Write back of allowance for doubtful debts	(4)	-	(4)	-
Share of results from associated companies	234	(27)	471	115
Operating cash flows before changes in working capital	12,303	15,722	26,790	51,079
Decrease in payables	(31,664)	(25,584)	(82,768)	(45,390)
(Decrease)/Increase in gross amount due to customers for contract work-in-progress, net	(743)	43,500	(47,873)	76,046
Decrease/(Increase) in prepaid operating expenses, downpayments made to suppliers and receivables	56,488	(18,214)	103,308	(20,808)
(Increase)/Decrease in inventories	(1,062)	1,595	(1,662)	(1,001)
Cash flows from/(used in) operations	35,322	17,019	(2,205)	59,926
Interest received	34	42	298	213
Interest paid	(39)	(215)	(130)	(642)
Income tax paid	(3,240)	(3,137)	(9,123)	(7,103)
Net cash flows from/(used in) operating activities	32,077	13,709	(11,160)	52,394

(All figures in S\$'000)	Group		Group	
	3Q15	3Q14	9M15	9M14
Investing activities				
Additions to intangible assets	(5)	(152)	(87)	(501)
Dividends from associated companies	943	-	943	-
Proceeds from disposal of other investments	-	-	3,000	-
Proceeds from disposal of property, plant and equipment	48	18	219	149
Proceeds from disposal of subsidiary	-	-	-	4,322
Purchase of other investments	-	(23,185)	-	(23,185)
Purchase of property, plant and equipment	(1,072)	(2,941)	(1,838)	(5,584)
Net cash flows (used in)/from investing activities	(86)	(26,260)	2,237	(24,799)
Financing activities				
Dividends paid:				
- by the Company	-	-	(14,188)	(8,513)
- by subsidiaries to non-controlling interests	(80)	(80)	(1,280)	(80)
Repayment of bank loans and trade facilities, net	(1,265)	(821)	(2,441)	(11,084)
Repayment of finance lease obligations	(1)	(92)	(2)	(112)
Net cash flows used in financing activities	(1,346)	(993)	(17,911)	(19,789)
Net increase/ (decrease) in cash and cash equivalents	30,645	(13,544)	(26,834)	7,806
Effect of exchange rate changes on cash and cash equivalents	1,256	165	1,461	(418)
Cash and cash equivalents at beginning of quarter/period	99,783	176,494	157,057	155,727
Cash and cash equivalents at end of the period	131,684	163,115	131,684	163,115

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	-	-	10,774	-	-	928	-	11,702	(1,789)	9,913
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
Total comprehensive income for the period	-	-	6,342	-	-	3,018	-	9,360	(8,765)	595
Dividends paid	-	-	-	-	-	-	-	-	(80)	(80)
At 30 September 2015	89,365	(161)	168,666	547	300	4,566	-	263,283	(139,871)	123,412
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

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	-	-	24,472	-	24,472
Dividends paid	-	-	(14,188)	-	(14,188)
At 30 June 2015	89,365	(161)	73,064	-	162,268
Total comprehensive income for the period	-	-	2,885	-	2,885
At 30 September 2015	89,365	(161)	75,949	-	165,153
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

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 2015.

As at 30 September 2015, the Company has 336,000 (30 September 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 September 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	
	3Q15	3Q14	9M15	9M14
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)	1.1	1.9	3.0	6.7
On a fully diluted basis (in cents)	1.1	1.9	3.0	6.7
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	6,342	10,885	17,116	38,294
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-15	31-Dec-14	30-Sep-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	46.4	45.2	29.1	26.8

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 30 September 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 Third Quarter (3Q15) 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.

Gross profit margin for the current quarter comes in higher at 22% compared to 17% in the same quarter last year. The improvement is partly contributed by productivity improvement effort and project closures.

Increase in other income mainly relates to increase in scrap sales and other investment income received during the quarter.

Administrative cost decreased in line with revenue. Other operating expenses reduced mainly due to decline in depreciation expense as certain fixed assets were fully depreciated. Foreign exchange gain due to appreciation of the United States Dollar, amounting to S\$5.2m contributed to the Group's net profit of S\$5.5m. 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. This amounted to a gain of S\$3.0m for the quarter as reflected in the other comprehensive income.

Foreign currency translation movement attributable to non-controlling interests mainly relate to the translation of the Group's investments in Saudi Arabia. This amounted to a loss of S\$7.9m for the quarter as reflected in the other comprehensive income.

2015 Nine-Month (9M15) Review

Revenue for 9M15 dipped when compared with the same period last year as the Group reaches completion on some of its major projects.

Gross profit margin for the 9M15 comes in higher at 22% compared to 17% in the same period last year. The improvement is contributed by productivity improvement effort and project closures.

Increase in other income mainly relates to gain on disposal of other investments and other investment income received during the period.

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 United States Dollar, amounting to S\$7.6m contributed to the Group's net profit of S\$17.0m. 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. This amounted to a gain of S\$3.9m for the period as reflected in the other comprehensive income.

Foreign currency translation movement attributable to non-controlling interests mainly relate to the translation of the Group's investments in Saudi Arabia. This amounted to a loss of S\$10.5m for the period as reflected in the other comprehensive income.

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 tandem 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 global economic environment remains challenging for the oil and gas industry as oil price remains depressed. The market outlook for the Group business continues to be challenging with the continued tightening of capital spending in the oil and gas industry.

Locally, projects remains competitive. The foreign labour market in Singapore continues to remain tight. The Group may face continued pressure on its margins and profitability.

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\$144 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 September 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 September 2015 to be false or misleading in any material aspect.

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

4 November 2015