

ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)



FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2016

1(a). A statement of comprehensive income (for the Group) together with a comparative statement for the first quarter ended 31 March 2016.

Consolidated income statement

(All figures in S\$'000)	Group		
	1Q16	1Q15	% Increase/ (Decrease)
Revenue	64,554	89,393	(28%)
Cost of sales	(53,038)	(73,008)	(27%)
Gross profit	11,516	16,385	
	18%	18%	
Other income	1,791	4,274	(58%)
Foreign exchange differences	(1,488)	2,363	NM
Selling and marketing costs	(329)	(227)	45%
General and administrative costs	(9,444)	(11,308)	(16%)
Other operating costs	(1,975)	(2,692)	(27%)
Finance income	919	81	1035%
Finance costs	(136)	(101)	35%
Share of results of associates	(1)	(43)	(98%)
Profit before tax	853	8,732	
Income tax expense	(172)	(1,407)	(88%)
Profit after tax	681	7,325	
Profit for the period attributable to:			
Owners of the company	524	7,071	(93%)
Non-controlling interests	157	254	(38%)
	681	7,325	

*NM denotes not meaningful

Consolidated statement of comprehensive income

(All figures in S\$'000)	Group		
	1Q16	1Q15	% Increase/ (Decrease)
Profit after tax	681	7,325	
Other comprehensive income/(loss)			
Foreign currency translation movement attributable to owners of the company	(4,117)	3,564	NM
Foreign currency translation movement attributable to non-controlling interests	6,040	(5,174)	NM
Other comprehensive income / (loss) for the period	1,923	(1,610)	
Total comprehensive income for the period	2,604	5,715	
Total comprehensive income attributable to:			
Owners of the company	(3,593)	10,635	NM
Non-controlling interests	6,197	(4,920)	NM
	2,604	5,715	

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

(All figures in S\$'000)	Group		
	1Q16	1Q15	% Increase/ (Decrease)
(a) Other income			
Gain on disposal of other investments	-	3,000	NM
Gain on disposal of property, plant and equipment	461	93	396%
Sale of scrap	548	820	(33%)
(b) Foreign exchange differences			
Foreign exchange (loss)/gain	(4,323)	3,222	NM
Fair value gain/(loss) on foreign currency contracts	2,835	(859)	NM
Net foreign exchange differences	(1,488)	2,363	
(c) Other operating costs			
Allowance for doubtful debts	(7)	-	NM
Amortisation of intangible assets	(99)	(166)	(40%)
Depreciation of property, plant and equipment	(1,781)	(2,526)	(29%)
Fair value loss on debt securities	(88)	-	NM
(d) Finance costs			
Amortisation of prepaid loan appraisal fees	(62)	(61)	2%
Interest expense	(74)	(40)	85%

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-16	31-Dec-15	31-Mar-16	31-Dec-15
Non-current assets				
Property, plant and equipment	62,651	43,040	8,435	8,707
Intangible assets	740	840	554	607
Investments				
Subsidiaries	-	-	50,879	50,879
Associates	13,603	14,218	12,527	12,527
Others	35,676	31,071	6,980	895
Deferred tax assets	530	1,022	-	-
Prepaid loan appraisal fees	35	96	-	-
	113,235	90,287	79,375	73,615
Current assets				
Gross amount due from customers for contract work-in-progress	15,472	23,784	722	5,209
Inventories	5,177	5,647	493	495
Other investments	698	-	-	-
Prepaid operating expenses	1,460	508	1,065	195
Downpayments made to suppliers	2,390	2,028	732	1,102
Trade and other receivables	110,292	109,367	229,558	214,658
Foreign currency contracts	2,496	-	2,496	-
Cash and short-term deposits	100,126	118,215	38,291	60,062
	238,111	259,549	273,357	281,721
Current liabilities				
Income tax payable	9,410	9,705	3,751	3,974
Loans and borrowings	2,798	2,804	45	50
Gross amount due to customers for contract work-in-progress	88,420	72,255	65,517	53,618
Trade and other payables	82,339	93,487	97,893	107,870
Downpayments from customers	7,025	9,393	2,753	1,449
Foreign currency contracts	-	339	-	339
	189,992	187,983	169,959	167,300
Net current assets	48,119	71,566	103,398	114,421
Non-current liabilities				
Deferred tax liabilities	1,460	2,020	1,255	1,255
Loans and borrowings	5,009	6,752	90	93
	6,469	8,772	1,345	1,348
Net assets	154,885	153,081	181,428	186,688
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	194,853	194,329	92,224	97,484
Other reserves	1,499	5,616	-	-
	285,556	289,149	181,428	186,688
Non-controlling interests	(130,671)	(136,068)	-	-
Total equity	154,885	153,081	181,428	186,688

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-16		31-Dec-15	
Secured	Unsecured	Secured	Unsecured
2,798	-	2,804	-

Amount repayable after one year

31-Mar-16		31-Dec-15	
Secured	Unsecured	Secured	Unsecured
5,009	-	6,752	-

Details of any collateral

Collateral for \$7.8 million (31 December 2015: \$9.6 million) loans include mortgage over property, plant and equipment, shareholders' guarantees and finance leases.

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	
	1Q16	1Q15
Operating activities		
Profit before tax	853	8,732
Adjustments for :		
Allowance for doubtful debts	7	-
Amortisation of intangible assets	99	166
Amortisation of prepaid loan appraisal fees	62	61
Depreciation of property, plant and equipment	1,781	2,526
Fair value (gain)/loss on foreign currency contracts, net	(2,835)	859
Fair value loss on debts securities, net	88	-
Finance income	(919)	(81)
Gain on disposal of property, plant and equipment	(461)	(93)
Gain on disposal of other investments	-	(3,000)
Interest expense	74	40
Share of results from associates	1	43
Operating cash flows before changes in working capital	(1,250)	9,253
<i>(Increase)/Decrease in:</i>		
Prepaid operating expenses, downpayments made to suppliers and trade and other receivables	(2,068)	39,117
Inventories	433	(389)
<i>Increase/(Decrease) in:</i>		
Trade and other payables and downpayments from customers	(8,230)	(44,734)
Gross amount due to customers for contract work-in-progress, net	25,051	(45,518)
Cash flows from/(used in) operations	13,936	(42,271)
Interest received	29	67
Interest paid	(74)	(40)
Income tax paid	(530)	(2,756)
Net cash flows from/(used in) operating activities	13,361	(45,000)
Investing activities		
Additions to intangible assets	(2)	(48)
Proceeds from disposal of other investments	-	3,000
Proceeds from disposal of property, plant and equipment	987	142
Purchase of investment securities	(6,783)	-
Purchase of property, plant and equipment	(22,575)	(417)
Net cash flows (used in)/from investing activities	(28,373)	2,677
Financing activities		
Dividends paid:		
- by subsidiaries to non-controlling interests	(800)	-
Repayment of bank loans and trade facilities, net	(1,328)	(1,176)
Repayment of finance lease obligations	(9)	(1)
Net cash flows used in financing activities	(2,137)	(1,177)
Net decrease in cash and cash equivalents	(17,149)	(43,500)
Effect of exchange rate changes on cash and cash equivalents	(940)	1,630
Cash and cash equivalents at beginning of quarter/period	118,215	157,057
Cash and cash equivalents at end of the period	100,126	115,187

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							Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Retained earnings	Capital reserve	Statutory reserve	Foreign currency translation reserve				
At 1 January 2016	89,365	(161)	194,329	547	300	4,769	289,149	(136,068)	153,081	
Profit for the period	-	-	524	-	-	-	524	157	681	
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	(4,117)	(4,117)	6,040	1,923	
Other comprehensive income for the period	-	-	-	-	-	(4,117)	(4,117)	6,040	1,923	
Total comprehensive income for the period	-	-	524	-	-	(4,117)	(3,593)	6,197	2,604	
<u>Contributions by and distributions to owners</u>										
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(800)	(800)	
Total contributions by and distributions to owners	-	-	-	-	-	-	-	(800)	(800)	
At 31 March 2016	89,365	(161)	194,853	547	300	652	285,556	(130,671)	154,885	
At 1 January 2015	89,365	(161)	165,738	547	300	620	256,409	(128,037)	128,372	
Profit for the period	-	-	7,071	-	-	-	7,071	254	7,325	
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	3,564	3,564	(5,174)	(1,610)	
Other comprehensive income for the period	-	-	-	-	-	3,564	3,564	(5,174)	(1,610)	
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	

<u>Company</u>	Share capital	Treasury shares	Retained earnings	Hedging reserve	Total equity
At 1 January 2016	89,365	(161)	97,484	-	186,688
Loss for the year, representing total comprehensive income for the period	-	-	(5,260)	-	(5,260)
At 31 March 2016	89,365	(161)	92,224	-	181,428
At 1 January 2015	89,365	(161)	62,780	-	151,984
Profit for the year, representing total comprehensive income for the period	-	-	282	-	282
At 31 March 2015	89,365	(161)	63,062	-	152,266

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 2016.

As at 31 March 2016, the Company has 336,000 (31 March 2015: 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 2016 is 567,518,000 (31 December 2015: 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	
	1Q16	1Q15
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)	0.1	1.2
On a fully diluted basis (in cents)	0.1	1.2
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	524	7,071
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-16	31-Dec-15	31-Mar-16	31-Dec-15
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the year reported on	50.3	50.9	32.0	32.9

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 31 March 2016 (31 December 2015: 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.

2016 First Quarter (1Q16) Review

Revenue and Cost of sales in 1Q16 dipped by 28% and 27% respectively when compared with the same quarter last year as the Group reaches completion on some of its major projects. Gross profit margin remains consistent at 18%.

Other income was higher in 1Q15 due to a gain in disposal of other investment of \$3.0M. Administrative expenses and other operating expenses reduced in line with reduction in revenue.

Finance income in 1Q16 relates mainly to interest income from an investment loan.

The Group recognised a net foreign exchange loss of \$1.5M during 1Q16. The exchange loss relates to the depreciation of USD against SGD as at balance sheet date, partially offset by the exchange gain of \$2.8M from foreign currency contracts.

Income tax expense decreased by 88% due to lower profit contribution from subsidiaries.

Foreign currency translation movement attributable to owners of the company mainly relates to the translation of the Group's subsidiaries in Thailand, Saudi Arabia and United Arab Emirates. This amounted to a loss of \$4.1M for the year as reflected in the other comprehensive income.

Foreign currency translation movement attributable to non-controlling interests mainly relates to the translation of the Group's subsidiary in Saudi Arabia. This amounted to a gain of \$6.0M for the year 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 customers for contract work-in-progress decreased due to higher billings. Gross amount due to customers for contract work-in-progress increased as a result of project accruals made on current projects.

Cash and short-term deposits declined due to the acquisition of a vessel in 1Q16.

Trade and other payables decreased in line with business activities. Downpayments from customers decreased in line with closure of major 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.

Faced with the global downturn in the oil and gas sector, the Group is witnessing fewer EPC projects in the marketplace. Henceforth, the Group is focusing on smaller single discipline projects. The Group remains vigilant, constantly innovating work processes so as to improve productivity and reduce costs.

The global oil and gas industry continues to experience significant challenges in light of the continued volatility in oil and gas prices. The market outlook for the Group remains challenging with the continued tightening of capital spending in the oil and gas industry.

The Group continues to place high focus on operational excellence and accordingly, other operating and administrative costs have been trimmed in line with revenue. The Group also seeks opportunities to diversify its business and complete the integrated value chain.

At the date of this announcement, the Group's order book, excluding maintenance, stands at \$118 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/recommended, a statement to that effect.

No dividend has been declared/ recommended for the financial period ended 31 March 2016.

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. There was no IPT with amount exceeding \$100,000 each for the period ended 31 March 2016.

14. Confirmation pursuant to Rule 720(1)

The Group has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1).

15. 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 2016 to be false or misleading in any material aspect.

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

6 May 2016