



# ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)

## THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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 2013.

### Consolidated income statement

(All figures in S\$'000)	Group			Group		
	3Q13	3Q12	% Increase/ (Decrease)	9M13	9M12	% Increase/ (Decrease)
<b>Revenue</b>	184,489	115,352	60%	413,524	360,126	15%
Cost of sales	(165,109)	(216,361)	(24%)	(363,381)	(447,742)	(19%)
Gross profit/(loss)	19,380	(101,009)		50,143	(87,616)	
	11%	(88%)		12%	(24%)	
Other income	2,572	766	NM	5,300	3,359	58%
Selling and marketing costs	(341)	(498)	(32%)	(955)	(1,317)	(27%)
Administrative costs	(13,945)	(8,623)	62%	(36,445)	(34,403)	6%
Other operating costs	(3,723)	(15,938)	(77%)	(11,528)	(23,550)	(51%)
Finance costs	(481)	(987)	(51%)	(1,256)	(2,286)	(45%)
Share of results from associated companies	(77)	(355)	78%	(14)	(1,624)	99%
<b>Profit/(loss) before tax</b>	3,385	(126,644)		5,245	(147,437)	
Taxation	(3,359)	(1,957)	72%	(5,729)	(1,669)	NM
<b>Profit/(loss) after tax</b>	26	(128,601)		(484)	(149,106)	
<b>Profit/(loss) attributable to:</b>						
Owners of the company	7,928	(66,192)	NM	15,566	(62,007)	NM
Non-controlling interests	(7,902)	(62,409)	87%	(16,050)	(87,099)	82%
	26	(128,601)		(484)	(149,106)	

\* NM denotes Not Meaningful

## Consolidated statement of comprehensive income

(All figures in S\$'000)	Group			Group		
	3Q13	3Q12	% Increase/ (Decrease)	9M13	9M12	% Increase/ (Decrease)
<b>Profit/(loss) after tax</b>	26	(128,601)		(484)	(149,106)	
<b>Other comprehensive income</b>						
Net fair value gain on available-for-sale financial assets	110	409	(73%)	95	691	(86%)
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	3,474	(136)	NM	(2,797)	(3,561)	(21%)
<b>Other comprehensive income for the period</b>	2,707	273		(3,579)	(2,870)	
<b>Total comprehensive income for the period</b>	2,733	(128,328)		(4,063)	(151,976)	
<b>Total comprehensive income attributable to:</b>						
Owners of the company	9,609	(67,664)	NM	14,408	(65,534)	NM
Non-controlling interests	(6,876)	(60,664)	89%	(18,471)	(86,442)	79%
	2,733	(128,328)		(4,063)	(151,976)	

\* NM denotes Not Meaningful

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

	Group		Group	
	3Q13	3Q12	9M13	9M12
<b>(a) Other income</b>				
Investment income	-	-	108	42
Interest income	181	246	559	742
(Loss)/gain on disposal of associated companies	(106)	-	(106)	1,396
Gain on disposal of property, plant and equipment	344	20	363	235
Gain on disposal of available-for-sale financial asset	1,107	-	1,107	-
<b>(b) Administrative costs</b>				
Foreign exchange (loss)/gain	(598)	(3,706)	490	(7,320)
Unrealised fair value gain/(loss) on foreign currency contracts	198	2,045	(1,052)	2,768
<b>(c) Other operating costs</b>				
(Allowance)/write-back of allowance for doubtful debts	(19)	7	(102)	349
Inventories written down	(220)	(4)	(319)	(43)
Amortisation of intangible assets	(325)	(264)	(964)	(801)
Depreciation of property, plant and equipment	(3,159)	(3,677)	(10,143)	(11,055)
Impairment loss on investment in associated companies	-	(7,500)	-	(7,500)
Impairment loss on advances to associated companies	-	(4,500)	-	(4,500)
<b>(d) Finance costs</b>				
Amortisation of prepaid loan appraisal fees	(56)	(52)	(165)	(166)
Interest expense	(425)	(935)	(1,091)	(2,120)

**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-13	31-Dec-12	30-Sep-13	31-Dec-12
<b>Non-current assets</b>				
Property, plant and equipment	55,391	61,051	8,900	8,866
Intangible assets	2,303	2,754	2,075	2,476
Investments				
Subsidiary companies	-	-	54,089	54,089
Associated companies	1,323	2,189	5,963	5,699
Others	2,916	3,731	895	895
Deferred tax assets	243	480	-	-
Other receivables	8,000	8,990	8,000	8,990
Prepaid loan appraisal fees	585	730	-	-
<b>Current assets</b>				
Gross amount due from customers for contract work-in-progress	5,341	3,004	1,253	2,377
Inventories	5,545	5,402	602	-
Prepaid operating expenses	348	238	88	103
Downpayments made to suppliers	9,369	2,583	2,612	1
Trade and other receivables	266,799	199,689	174,829	114,729
Cash and short-term deposits	165,627	164,539	94,894	103,939
	453,029	375,455	274,278	221,149
<b>Current liabilities</b>				
Income tax payable	10,346	11,769	2,272	2,506
Loans and borrowings	57,387	72,039	17,602	26,877
Gross amount due to customers for contract work-in-progress	137,398	67,605	108,949	20,992
Trade and other payables	149,015	170,213	86,308	128,755
Downpayments from customers	53,378	9,665	32,029	4,332
Foreign currency contracts	1,104	52	1,104	52
	408,628	331,343	248,264	183,514
<b>Net current assets</b>	44,401	44,112	26,014	37,635
<b>Non-current liabilities</b>				
Deferred tax liabilities	2,046	2,345	1,375	1,375
Loans and borrowings	9,505	11,180	-	-
	11,551	13,525	1,375	1,375
<b>Net assets</b>	103,611	110,512	104,561	117,275
<b>Equity attributable to owners of the company</b>				
Share capital	89,365	89,365	89,365	89,365
Treasury shares	(161)	(161)	(161)	(161)
Retained earnings	118,998	106,270	15,357	28,071
Other reserves	(3,947)	(2,789)	-	-
	204,255	192,685	104,561	117,275
<b>Non-controlling interests</b>	(100,644)	(82,173)	-	-
<b>Total equity</b>	103,611	110,512	104,561	117,275

**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-13		31-Dec-12	
Secured	Unsecured	Secured	Unsecured
2,060	55,327	1,354	70,685

**Amount repayable after one year**

30-Sep-13		31-Dec-12	
Secured	Unsecured	Secured	Unsecured
9,505	-	11,180	-

**Details of any collateral**

Collateral for \$11.6 million (31 December 2012: \$12.5 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	
	3Q13	3Q12	9M13	9M12
<b>Operating activities</b>				
Profit/(loss) before tax	3,385	(126,644)	5,245	(147,437)
<b>Adjustments for :</b>				
Allowance/(write-back of allowance) for doubtful debts	19	(7)	102	(349)
Amortisation of intangible assets	325	264	964	801
Amortisation of prepaid loan appraisal fees	56	52	165	166
Depreciation of property, plant and equipment	3,159	3,677	10,143	11,055
Dividends from quoted investments	-	-	(108)	(42)
Unrealised fair value (gain)/loss on foreign currency contracts	(198)	(2,045)	1,052	(2,768)
Loss/(gain) on disposal of associated companies	106	-	106	(1,396)
Gain on disposal of available-for-sale financial asset	(1,107)	-	(1,107)	-
Gain on disposal of property, plant and equipment	(344)	(20)	(363)	(235)
Impairment loss on advances to associated companies	-	4,500	-	4,500
Impairment loss on investment in associated companies	-	7,500	-	7,500
Interest expense	425	935	1,091	2,120
Interest income	(181)	(246)	(559)	(742)
Inventories written down	220	4	319	43
Share of results from associated companies	77	355	14	1,624
<b>Operating cash flows before changes in working capital</b>	<b>5,942</b>	<b>(111,675)</b>	<b>17,064</b>	<b>(125,160)</b>
(Increase)/decrease in receivables	(24,534)	41,204	(71,163)	139,312
(Increase)/decrease in inventories	(122)	112	(452)	(1,091)
Increase in gross amount due to customers for contract work-in-progress	51,845	72,806	67,310	76,309
(Decrease)/increase in payables	(26,157)	5,710	16,494	(24,672)
<b>Cash flows from operations</b>	<b>6,974</b>	<b>8,157</b>	<b>29,253</b>	<b>64,698</b>
Interest received	46	246	221	742
Interest paid	(425)	(935)	(1,091)	(2,120)
Income tax paid	(1,397)	873	(7,266)	(5,422)
<b>Net cash flows from operating activities</b>	<b>5,198</b>	<b>8,341</b>	<b>21,117</b>	<b>57,898</b>

(All figures in S\$'000)	Group		Group	
	3Q13	3Q12	9M13	9M12
<b>Investing activities</b>				
Acquisition of shares of associated companies	-	-	(888)	-
Additions to intangible assets	(110)	(391)	(526)	(391)
Dividends from associated companies	-	-	473	480
Dividends from quoted investments	-	-	108	42
Proceeds from disposal of associated companies	3,763	-	3,763	2,045
Proceeds from disposal of available-for-sale financial asset	1,306	-	1,306	-
Proceeds from disposal of property, plant and equipment	418	122	492	473
Purchase of investment securities	-	-	(167)	-
Purchase of property, plant and equipment	(1,916)	(1,598)	(4,486)	(4,031)
<b>Net cash flows from/(used in) investing activities</b>	<b>3,461</b>	<b>(1,867)</b>	<b>75</b>	<b>(1,382)</b>
<b>Financing activities</b>				
(Repayment of)/proceeds from bank loans and trade facilities, net	(7,346)	2,158	(17,872)	(15,279)
Purchase of treasury shares	-	-	-	(161)
Dividends paid:				
- by the Company	-	-	(2,838)	(11,347)
- by subsidiaries to non-controlling interests	-	(1,200)	-	(1,600)
(Decrease)/increase in finance lease obligations	(9)	(11)	(29)	137
<b>Net cash flows (used in)/from financing activities</b>	<b>(7,355)</b>	<b>947</b>	<b>(20,739)</b>	<b>(28,250)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,304</b>	<b>7,421</b>	<b>453</b>	<b>28,266</b>
Effect of exchange rate changes on cash and cash equivalents	(329)	(487)	662	(1,371)
<b>Cash and cash equivalents at beginning of quarter/period</b>	<b>164,565</b>	<b>136,745</b>	<b>164,425</b>	<b>116,784</b>
<b>Cash and cash equivalents at end of the period</b>	<b>165,540</b>	<b>143,679</b>	<b>165,540</b>	<b>143,679</b>

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	Total	Non-controlling Interests	Total Equity
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)
<b>At 30 June 2013</b>	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
<b>At 30 September 2013</b>	89,365	(161)	118,998	86	300	(6,041)	1,708	204,255	(100,644)	103,611
At 1 January 2012	89,365	-	198,068	80	300	(1,742)	921	286,992	23,079	310,071
Total Comprehensive income for the period	-	-	4,185	-	-	(2,337)	282	2,130	(25,778)	(23,648)
Purchase of treasury shares	-	(161)	-	-	-	-	-	(161)	-	(161)
Dividends paid	-	-	(11,347)	-	-	-	-	(11,347)	-	(11,347)
<b>At 30 June 2012</b>	89,365	(161)	190,906	80	300	(4,079)	1,203	277,614	(2,699)	274,915
Total Comprehensive income for the period	-	-	(66,192)	-	-	(1,881)	409	(67,664)	(60,664)	(128,328)
Dividends paid	-	-	-	-	-	-	-	-	(1,600)	(1,600)
<b>At 30 September 2012</b>	89,365	(161)	124,714	80	300	(5,960)	1,612	209,950	(64,963)	144,987



<u>Company</u>	<u>Share capital</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	<u>Total Equity</u>
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)
<b>At 30 June 2013</b>	<b>89,365</b>	<b>(161)</b>	<b>11,116</b>	<b>100,320</b>
Total comprehensive income for the period	-	-	4,241	4,241
<b>At 30 September 2013</b>	<b>89,365</b>	<b>(161)</b>	<b>15,357</b>	<b>104,561</b>
At 1 January 2012	89,365	-	153,343	242,708
Total comprehensive income for the period	-	-	26,637	26,637
Purchase of treasury shares	-	(161)	-	(161)
Dividends paid	-	-	(11,347)	(11,347)
<b>At 30 June 2012</b>	<b>89,365</b>	<b>(161)</b>	<b>168,633</b>	<b>257,837</b>
Total comprehensive income for the period	-	-	(82,996)	(82,996)
<b>At 30 September 2012</b>	<b>89,365</b>	<b>(161)</b>	<b>85,637</b>	<b>174,841</b>

**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 2013.

As at 30 September 2013, the Company has 336,000 (30 September 2012: 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 end of 30 September 2013 is 567,518,000 (31 December 2012: 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	
	3Q13	3Q12	9M13	9M12
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)	1.4	(11.7)	2.7	(10.9)
On a fully diluted basis (in cents)	1.4	(11.7)	2.7	(10.9)
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	7,928	(66,192)	15,566	(62,007)
Weighted average number of ordinary shares applicable to basic and diluted earnings per share	567,518	567,518	567,518	567,723

- 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-13	31-Dec-12	30-Sep-13	31-Dec-12
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	36.0	34.0	18.4	20.7

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 30 September 2013 (31 December 2012: 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.**

#### **2013 Third Quarter (3Q13) Review**

Revenue in 3Q13 increased by 60% compared with the same quarter last year due to increased business activities from the execution of a series of project wins since the beginning of this year.

Gross profit margin at 11%, mainly from contributions from new projects, was a significant improvement from the same quarter last year where the group was impacted by cost overruns from the construction phase of the SATORP project.

Increase in other income was mainly due to gain on sale of quoted shares, TRC Construction Public Company Limited, a former associated company which is currently listed on the Stock Exchange of Thailand.

Administrative costs, excluding foreign exchange, increased in line with revenue. Foreign exchange loss was lower in 3Q13 as compared with the corresponding quarter last year due to reduced foreign exchange exposure and hedges taken up.

Other operating expenses were much lower this quarter due to an impairment made in the same period last year on the investment in and advances to an associate. Finance costs decreased in line with borrowings. Higher taxation relative to profits this quarter was due to losses on some overseas subsidiaries for which no deferred tax benefit has been recognized.

Foreign currency translation movement is mainly attributable to the translation of the Group's investments in Saudi Arabia resulting from the fluctuations of the Saudi Riyal (pegged to US Dollar) against the Singapore Dollar. Non-controlling interests movement mainly relates to the minority share of results of our joint venture company in Saudi Arabia.

#### **2013 Nine-Month (9M13) Review**

Revenue for 9M13 increased by 15% compared with the same period last year due to increased business activities from the execution of a series of project wins since the beginning of this year.

Gross profit margin at 12%, was a significant improvement from the same period last year where the group was impacted by cost overruns from the construction phase of the SATORP project.

Increase in other income was mainly due to gain on sale of quoted shares, TRC Construction Public Company Limited, a former associated company which is currently listed on the Stock Exchange of Thailand.

Administrative costs, excluding foreign exchange, increased in line with revenue. Foreign exchange loss was lower in 9M13 as compared with the corresponding period last year due to reduced foreign exchange exposure and hedges taken up.

Other operating expenses were lower this period due to an impairment made in the same period last year on the investment in and advances to an associate. Finance costs decreased in line with borrowings.

Share of results from associates improved this period mainly due to gain recognised on acquisition of an associate at a discount to its net tangible asset. This is offset by losses resulting from the low level of operations at a waste-to-energy plant.

Higher taxation relative to profits this period was due to losses on some overseas subsidiaries for which no deferred tax benefit has been recognized.

Foreign currency translation movement is mainly attributable to the translation of the Group's investments in Saudi Arabia resulting from the fluctuations of the Saudi Riyal (pegged to US Dollar) against the Singapore Dollar. 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. Investment in associates decreased mainly due to disposal of an associate.

- 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 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 increased on new projects undertaken.

Trade and other payables declined as SATORP project progressed towards completion. Downpayments from customers increased due to receipts from new projects. Foreign currency contracts relate to unrealised fair value adjustments on hedges undertaken. Loans and borrowings were lower due to repayments.

Non-controlling interest movement is due mainly to the minority shareholders accounting for their share of loss on the joint venture company in Saudi Arabia as a result of the SATORP project.

### **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.**

Global financial and economic uncertainties and slowing growth in the region continues to put pressure on margins and profitability. Competition is expected to remain keen.

The Group remains focused on the execution of its current projects. The longer term focus is to manage its rising costs. The Group is constantly looking for ways to innovate current work processes so as to improve productivity and enhance operational efficiencies.

Business development activities remain high with strong demand for oil and gas infrastructure. The Group continues to actively develop its business through direct negotiations and bidding for projects in ASEAN and Gulf Cooperation Council countries. The Group has set up an Oman

representative office and a subsidiary in Myanmar to tap on the business opportunities of storage infrastructure in both countries.

The Group remains cautiously optimistic amid global uncertainties, underpinned by its strong order book, which stands at \$847 million at the date of this announcement. Over 60% of the order book is attributed to projects in Singapore.

**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 quarter ended 30 September 2013.

**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 2013 to be false or misleading.

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

13 November 2013