

ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)



SECOND QUARTER AND FIRST HALF-YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2016

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 2016.

Consolidated income statement

| (All figures in S\$'000) | Group | | | Group | | |
|---|--------------|--------------|------------------------|--------------|---------------|------------------------|
| | 2Q16 | 2Q15 | % Increase/ (Decrease) | 1H16 | 1H15 | % Increase/ (Decrease) |
| Revenue | 51,843 | 67,380 | (23%) | 116,397 | 156,773 | (26%) |
| Cost of sales | (36,762) | (50,467) | (27%) | (89,800) | (123,475) | (27%) |
| Gross profit | 15,081 | 16,913 | | 26,597 | 33,298 | |
| | 29% | 25% | | 23% | 21% | |
| Other income | 796 | 681 | 17% | 2,587 | 4,955 | (48%) |
| Foreign exchange differences | 309 | 81 | 281% | (1,179) | 2,444 | NM |
| Selling and marketing costs | (289) | (204) | 42% | (618) | (431) | 43% |
| General and administrative costs | (11,740) | (9,824) | 20% | (21,184) | (21,132) | 0% |
| Other operating costs | (1,801) | (2,655) | (32%) | (3,776) | (5,347) | (29%) |
| Finance income | 804 | 183 | 339% | 1,723 | 264 | 553% |
| Finance costs | (75) | (110) | (32%) | (211) | (211) | 0% |
| Share of results of associates | 92 | (194) | NM | 91 | (237) | NM |
| Profit before tax | 3,177 | 4,871 | | 4,030 | 13,603 | |
| Income tax expense | (712) | (646) | 10% | (884) | (2,053) | (57%) |
| Profit after tax | 2,465 | 4,225 | | 3,146 | 11,550 | |
| Profit for the period attributable to: | | | | | | |
| Owners of the company | 2,044 | 3,703 | (45%) | 2,568 | 10,774 | (76%) |
| Non-controlling interests | 421 | 522 | (19%) | 578 | 776 | (26%) |
| | 2,465 | 4,225 | | 3,146 | 11,550 | |

*NM denotes Not Meaningful

Consolidated statement of comprehensive income

| (All figures in S\$'000) | Group | | | Group | | |
|---|-------|---------|------------------------|---------|---------|------------------------|
| | 2Q16 | 2Q15 | % Increase/ (Decrease) | 1H16 | 1H15 | % Increase/ (Decrease) |
| Profit after tax | 2,465 | 4,225 | | 3,146 | 11,550 | |
| Other comprehensive income/(loss) | | | | | | |
| Foreign currency translation movement attributable to owners of the company | (282) | (2,636) | (89%) | (4,399) | 928 | NM |
| Foreign currency translation movement attributable to non-controlling interests | 135 | 2,609 | (95%) | 6,175 | (2,565) | NM |
| Other comprehensive income/(loss) for the period | (147) | (27) | | 1,776 | (1,637) | |
| Total comprehensive income for the period | 2,318 | 4,198 | | 4,922 | 9,913 | |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the company | 1,762 | 1,067 | 65% | (1,831) | 11,702 | NM |
| Non-controlling interests | 556 | 3,131 | (82%) | 6,753 | (1,789) | NM |
| | 2,318 | 4,198 | | 4,922 | 9,913 | |

*NM denotes Not Meaningful

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

| (All figures in S\$'000) | Group | | | Group | | |
|---|---------|---------|------------------------|---------|---------|------------------------|
| | 2Q16 | 2Q15 | % Increase/ (Decrease) | 1H16 | 1H15 | % Increase/ (Decrease) |
| (a) Other income | | | | | | |
| Gain on disposal of other investments | - | - | NM | - | 3,000 | NM |
| Gain on disposal of property, plant and equipment | - | 67 | NM | 461 | 160 | 188% |
| Sale of scrap | 174 | 481 | (64%) | 722 | 1,301 | (45%) |
| Government grants | 41 | 16 | 156% | 711 | 388 | 83% |
| (b) Foreign exchange differences | | | | | | |
| Foreign exchange gain/(loss) | 1,628 | (2,265) | NM | (2,695) | 957 | NM |
| Fair value (loss)/gain on foreign currency contracts, net | (1,319) | 2,346 | NM | 1,516 | 1,487 | 2% |
| Net foreign exchange differences | 309 | 81 | | (1,179) | 2,444 | |
| (c) Other operating costs | | | | | | |
| Allowance for doubtful debts | (187) | - | NM | (194) | - | NM |
| Write-back of allowance for doubtful debts | 409 | - | NM | 409 | - | NM |
| Amortisation of intangible assets | (74) | (160) | (54%) | (173) | (326) | (47%) |
| Depreciation of property, plant and equipment | (2,055) | (2,436) | (16%) | (3,836) | (4,962) | (23%) |
| Fair value gain on debt securities, net | 106 | - | NM | 18 | - | NM |
| Inventories written down | - | (59) | NM | - | (59) | NM |
| (d) Finance costs | | | | | | |
| Amortisation of prepaid loan appraisal fees | (34) | (59) | (42%) | (96) | (120) | (20%) |
| Interest expense | (41) | (51) | (20%) | (115) | (91) | 26% |

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-16 | 31-Dec-15 | 30-Jun-16 | 31-Dec-15 |
| Non-current assets | | | | |
| Property, plant and equipment | 61,478 | 43,040 | 8,581 | 8,707 |
| Intangible assets | 315 | 840 | 170 | 607 |
| Investments | | | | |
| Subsidiaries | - | - | 50,879 | 50,879 |
| Associates | 13,717 | 14,218 | 12,527 | 12,527 |
| Others | 29,702 | 31,071 | 895 | 895 |
| Deferred tax assets | 960 | 1,022 | - | - |
| Prepaid loan appraisal fees | - | 96 | - | - |
| | 106,172 | 90,287 | 73,052 | 73,615 |
| Current assets | | | | |
| Gross amount due from customers for contract work-in-progress | 17,433 | 23,784 | 757 | 5,209 |
| Inventories | 5,269 | 5,647 | 712 | 495 |
| Other investments | 6,685 | - | 5,988 | - |
| Prepaid operating expenses | 1,175 | 508 | 536 | 195 |
| Downpayments made to suppliers | 2,043 | 2,028 | 725 | 1,102 |
| Trade and other receivables | 109,750 | 109,367 | 232,612 | 214,658 |
| Foreign currency contracts | 1,355 | - | 1,355 | - |
| Cash and short-term deposits | 99,800 | 118,215 | 33,784 | 60,062 |
| | 243,510 | 259,549 | 276,469 | 281,721 |
| Current liabilities | | | | |
| Income tax payable | 9,738 | 9,705 | 3,751 | 3,974 |
| Loans and borrowings | 5,777 | 2,804 | 3,015 | 50 |
| Gross amount due to customers for contract work-in-progress | 82,770 | 72,255 | 53,319 | 53,618 |
| Trade and other payables | 78,732 | 93,487 | 91,899 | 107,870 |
| Downpayments from customers | 4,994 | 9,393 | 2,378 | 1,449 |
| Foreign currency contracts | 178 | 339 | 178 | 339 |
| | 182,189 | 187,983 | 154,540 | 167,300 |
| Net current assets | 61,321 | 71,566 | 121,929 | 114,421 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 1,932 | 2,020 | 1,255 | 1,255 |
| Loans and borrowings | 16,871 | 6,752 | 11,957 | 93 |
| | 18,803 | 8,772 | 13,212 | 1,348 |
| Net assets | 148,690 | 153,081 | 181,769 | 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 | 188,384 | 194,329 | 92,565 | 97,484 |
| Other reserves | 1,217 | 5,616 | - | - |
| | 278,805 | 289,149 | 181,769 | 186,688 |
| Non-controlling interests | (130,115) | (136,068) | - | - |
| Total equity | 148,690 | 153,081 | 181,769 | 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

| 30-Jun-16 | | 31-Dec-15 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| 5,777 | - | 2,804 | - |

Amount repayable after one year

| 30-Jun-16 | | 31-Dec-15 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| 16,871 | - | 6,752 | - |

Details of any collateral

Collateral for \$22.6 million (31 December 2015: \$9.6 million) loans include mortgage over property, plant and equipment, bankers' 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 | | Group | |
|--|----------------|--------------|--------------|-----------------|
| | 2Q16 | 2Q15 | 1H16 | 1H15 |
| Operating activities | | | | |
| Profit before tax | 3,177 | 4,871 | 4,030 | 13,603 |
| Adjustments for : | | | | |
| Allowance for doubtful debts | 187 | - | 194 | - |
| Amortisation of intangible assets | 74 | 160 | 173 | 326 |
| Amortisation of prepaid loan appraisal fees | 34 | 59 | 96 | 120 |
| Depreciation of property, plant and equipment | 2,055 | 2,436 | 3,836 | 4,962 |
| Fair value loss/(gain) on foreign currency contracts, net | 1,319 | (2,346) | (1,516) | (1,487) |
| Fair value gain on debts securities, net | (106) | - | (18) | - |
| Finance income | (804) | (183) | (1,723) | (264) |
| Gain on disposal of property, plant and equipment | - | (67) | (461) | (160) |
| Gain on disposal of other investments | - | - | - | (3,000) |
| Interest expense | 41 | 51 | 115 | 91 |
| Inventories written down | - | 59 | - | 59 |
| Write back of allowance for doubtful debts | (409) | - | (409) | - |
| Share of results from associates | (92) | 194 | (91) | 237 |
| Operating cash flows before changes in working capital | 5,476 | 5,234 | 4,226 | 14,487 |
| <i>(Increase)/Decrease in:</i> | | | | |
| Prepaid operating expenses, downpayments made to suppliers and trade and other receivables | 5,582 | 7,703 | 3,514 | 46,820 |
| Inventories | (93) | (211) | 340 | (600) |
| <i>Increase/(Decrease) in:</i> | | | | |
| Trade and other payables and downpayments from customers | (8,842) | (6,370) | (17,072) | (51,104) |
| Gross amount due to customers for contract work-in-progress, net | (7,590) | (1,612) | 17,461 | (47,130) |
| Cash flows (used in)/from operations | (5,467) | 4,744 | 8,469 | (37,527) |
| Interest received | 118 | 197 | 147 | 264 |
| Interest paid | (41) | (51) | (115) | (91) |
| Income tax paid | (334) | (3,127) | (864) | (5,883) |
| Net cash flows (used in)/from operating activities | (5,724) | 1,763 | 7,637 | (43,237) |

(All figures in S\$'000)

| | Group | | Group | |
|---|----------------|-----------------|-----------------|-----------------|
| | 2Q16 | 2Q15 | 1H16 | 1H15 |
| Investing activities | | | | |
| Additions to intangible assets | (5) | (34) | (7) | (82) |
| Acquisition of interest in associate | (82) | - | (82) | - |
| Proceeds from disposal of other investments | - | - | - | 3,000 |
| Proceeds from disposal of property, plant and equipment | - | 29 | 987 | 171 |
| Purchase of investment securities | - | - | (6,783) | - |
| Purchase of property, plant and equipment | (531) | (349) | (23,106) | (766) |
| Net cash flows (used in)/from investing activities | (618) | (354) | (28,991) | 2,323 |
| Financing activities | | | | |
| Dividend paid: | | | | |
| - by the Company | (8,513) | (14,188) | (8,513) | (14,188) |
| - by subsidiaries to non-controlling interests | - | (1,200) | (800) | (1,200) |
| Proceeds from bank loans | 14,851 | - | 14,851 | - |
| Repayment of bank loans | - | - | (1,328) | (1,176) |
| Repayment of finance lease obligations | (3) | - | (12) | (1) |
| Net cash flows from/(used in) financing activities | 6,335 | (15,388) | 4,198 | (16,565) |
| Net decrease in cash and cash equivalents | (7) | (13,979) | (17,156) | (57,479) |
| Effect of exchange rate changes on cash and cash equivalents | (319) | (1,425) | (1,259) | 205 |
| Cash and cash equivalents at beginning of quarter/period | 100,126 | 115,187 | 118,215 | 157,057 |
| Cash and cash equivalents at end of the period | 99,800 | 99,783 | 99,800 | 99,783 |

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 | Total | Non-controlling interests | Total equity |
| 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 |
| 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> | | | | | | | | | |
| Dividend 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 |
| Profit for the period | - | - | 2,044 | - | - | - | 2,044 | 421 | 2,465 |
| Other comprehensive income for the period | - | - | - | - | - | (282) | (282) | 135 | (147) |
| Total comprehensive income for the period | - | - | 2,044 | - | - | (282) | 1,762 | 556 | 2,318 |
| <u>Contributions by and distributions to owners</u> | | | | | | | | | |
| Dividend on ordinary shares | - | - | (8,513) | - | - | - | (8,513) | - | (8,513) |
| Total contributions by and distributions to owners | - | - | (8,513) | - | - | - | (8,513) | - | (8,513) |
| At 30 June 2016 | 89,365 | (161) | 188,384 | 547 | 300 | 370 | 278,805 | (130,115) | 148,690 |

(All figures in S\$'000)

Attributable to owners of the company

| Group | Share capital | Treasury shares | Retained earnings | Capital reserve | Statutory reserve | Foreign currency translation 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 |
| Profit for the period | - | - | 7,071 | - | - | - | 7,071 | 254 | 7,325 |
| 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 |
| Total contributions by and distributions to owners | - | - | - | - | - | - | - | - | - |
| At 31 March 2015 | 89,365 | (161) | 172,809 | 547 | 300 | 4,184 | 267,044 | (132,957) | 134,087 |
| Profit for the period | - | - | 3,703 | - | - | - | 3,703 | 522 | 4,225 |
| Other comprehensive income for the period | - | - | - | - | - | (2,636) | (2,636) | 2,609 | (27) |
| Total comprehensive income for the period | - | - | 3,703 | - | - | (2,636) | 1,067 | 3,131 | 4,198 |
| <u>Contributions by and distributions to owners</u> | | | | | | | | | |
| Dividend on ordinary shares | - | - | (14,188) | - | - | - | (14,188) | - | (14,188) |
| Dividend paid by subsidiaries to non-controlling interests | - | - | - | - | - | - | - | (1,200) | (1,200) |
| Total contributions by and distributions to owners | - | - | (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 |

| <u>Company</u> | Share capital | Treasury shares | Retained earnings | 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 |
| Profit for the year, representing total comprehensive income for the period | - | - | 8,854 | 8,854 |
| <u>Contributions by and distributions to owners</u> | | | | |
| Dividend on ordinary shares | - | - | (8,513) | (8,513) |
| Total transactions with owners in their capacity as owners | - | - | (8,513) | (8,513) |
| At 30 June 2016 | 89,365 | (161) | 92,565 | 181,769 |
| 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 |
| Profit for the year, representing total comprehensive income for the period | - | - | 24,190 | 24,190 |
| <u>Contributions by and distributions to owners</u> | | | | |
| Dividend on ordinary shares | - | - | (14,188) | (14,188) |
| Total transactions with owners in their capacity as owners | - | - | (14,188) | (14,188) |
| At 30 June 2015 | 89,365 | (161) | 73,064 | 162,268 |

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 2016.

As at 30 June 2016, the Company has 336,000 (30 June 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 30 June 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 | | Group | |
|---|---------|---------|---------|---------|
| | 2Q16 | 2Q15 | 1H16 | 1H15 |
| Earnings per ordinary share of the group for the period after deducting any provision for preference dividend: Based on weighted average number of ordinary shares in issue (in cents) | 0.4 | 0.7 | 0.5 | 1.9 |
| On a fully diluted basis (in cents) | 0.4 | 0.7 | 0.5 | 1.9 |
| Net profit attributable to ordinary shareholders for basic and diluted earnings per share | 2,044 | 3,703 | 2,568 | 10,774 |
| 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-16 | 31-Dec-15 | 30-Jun-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 | 49.1 | 50.9 | 32.0 | 32.9 |

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 30 June 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 Second Quarter (2Q16) Review

Revenue and Cost of sales in 2Q16 dipped by 23% and 27% respectively when compared with the same quarter last year as the Group reaches completion on major projects. Gross profit margin increased slightly from 25% to 29% due to productivity improvement efforts.

Administrative expenses increased due to upkeep and maintenance costs of a vessel. Other operating expenses reduced in line with the decrease in revenue.

Finance income in 2Q16 relates mainly to interest income from an investment loan.

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 \$0.3M for the quarter 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 \$0.1M for the quarter as reflected in the other comprehensive income.

2016 First Half (1H16) Review

Revenue and Cost of sales in 1H16 dipped by 26% and 27% respectively when compared with the same period last year as the Group reaches completion on major projects. Gross profit margin increased slightly from 21% to 23%.

Other income was higher in 1H15 due to a gain in disposal of other investment of \$3.0M. Other operating expenses reduced in line with reduction in revenue.

Finance income in 1H16 relates mainly to interest income from an investment loan.

The Group recognised a net foreign exchange loss of \$1.2M during 1H16. The exchange loss relates to the depreciation of USD against SGD as at balance sheet date, partially offset by the exchange gain of \$1.5M from foreign currency contracts.

Income tax expense decreased by 57% 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 \$4.4M for the period 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 \$6.2M 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 customers for contract work-in-progress decreased due to completion of major projects. Gross amount due to customers for contract work-in-progress increased as a result of project billings.

Property, plant and equipment increased mainly due to the acquisition of a vessel in 1H16.

Other investments under current assets relate mainly to fair value of bond investments.

Cash and short-term deposits decreased due to payment of dividend to shareholders for FY15 as well as working capital requirements.

Loans and borrowings increased due to loan obtained to finance the newly acquired vessel as mentioned above.

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.

The global oil and gas industry continues to experience significant challenges with the volatility in oil prices. The Group also seeks opportunities to diversify its business and complete the integrated value chain. In the meantime, the Group will focus on executing smaller single discipline projects. To remain vigilant in the competitive environment, the Group is working towards costs and operational optimization.

The market outlook for the Group remains challenging with the continued tightening of capital spending in the oil and gas industry. At the date of this announcement, the Group's order book, excluding maintenance, stands at \$89.8 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/ recommended for the financial period ended 30 June 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 were no IPT with amount exceeding \$100,000 each for the period ended 30 June 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 second quarter financial results for the period ended 30 June 2016 to be false or misleading in any material aspect.

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

4 August 2016