

ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)



THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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 2016.

Consolidated income statement

(All figures in S\$'000)	Group			Group		
	3Q16	3Q15	% Increase/ (Decrease)	9M16	9M15	% Increase/ (Decrease)
Revenue	52,649	60,325	(13%)	169,046	217,098	(22%)
Cost of sales	(39,085)	(46,839)	(17%)	(128,885)	(170,314)	(24%)
Gross profit	13,564	13,486		40,161	46,784	
	26%	22%		24%	22%	
Other income	509	1,933	(74%)	3,096	6,888	(55%)
Foreign exchange differences	977	5,161	(81%)	(202)	7,605	NM
Selling and marketing costs	(217)	(301)	(28%)	(835)	(732)	14%
General and administrative costs	(10,670)	(11,241)	(5%)	(31,854)	(32,373)	(2%)
Other operating costs	(3,315)	(2,375)	40%	(7,091)	(7,722)	(8%)
Finance income	849	34	NM	2,572	298	NM
Finance costs	(134)	(102)	31%	(345)	(313)	10%
Share of results of associates	(146)	(234)	(38%)	(55)	(471)	(88%)
Profit before tax	1,417	6,361		5,447	19,964	
Income tax credit/(expense)	6	(892)	NM	(878)	(2,945)	(70%)
Profit after tax	1,423	5,469		4,569	17,019	
Profit/(Loss) for the period attributable to:						
Owners of the company	1,227	6,342	(81%)	3,795	17,116	(78%)
Non-controlling interests	196	(873)	NM	774	(97)	NM
	1,423	5,469		4,569	17,019	

*NM denotes Not Meaningful

Consolidated statement of comprehensive income

(All figures in S\$'000)	Group			Group		
	3Q16	3Q15	% Increase/ (Decrease)	9M16	9M15	% Increase/ (Decrease)
Profit after tax	1,423	5,469		4,569	17,019	
Other comprehensive income						
Foreign currency translation movement attributable to owners of the company	780	3,018	(74%)	(3,619)	3,946	NM
Foreign currency translation movement attributable to non-controlling interests	(1,272)	(7,892)	(84%)	4,903	(10,457)	NM
Other comprehensive income for the period	(492)	(4,874)		1,284	(6,511)	
Total comprehensive income for the period	931	595		5,853	10,508	
Total comprehensive income attributable to:						
Owners of the company	2,007	9,360	(79%)	176	21,062	(99%)
Non-controlling interests	(1,076)	(8,765)	(88%)	5,677	(10,554)	NM
	931	595		5,853	10,508	

*NM denotes Not Meaningful

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

(All figures in S\$'000)	Group			Group		
	3Q16	3Q15	% Increase/ (Decrease)	9M16	9M15	% Increase/ (Decrease)
(a) Other income						
Gain on disposal of other investments	-	-	NM	-	3,000	NM
Gain on disposal of property, plant and equipment	17	-	NM	478	160	199%
Sale of scrap	103	448	(77%)	825	1,749	(53%)
Government grants	156	306	(49%)	867	694	25%
(b) Foreign exchange differences						
Foreign exchange gain/(loss)	2,433	8,426	(71%)	(262)	9,383	NM
Fair value (loss)/gain on foreign currency contracts, net	(1,456)	(3,265)	(55%)	60	(1,778)	NM
Net foreign exchange differences	977	5,161		(202)	7,605	
(c) Other operating costs						
Allowance for doubtful debts	-	-	NM	(194)	-	NM
Write-back of allowance for doubtful debts	-	4	NM	409	4	NM
Amortisation of intangible assets	(79)	(146)	(46%)	(252)	(472)	(46%)
Depreciation of property, plant and equipment	(3,258)	(2,198)	48%	(7,094)	(7,160)	(1%)
Fair value gain on debt securities, net	22	-	NM	40	-	NM
Impairment loss on plant and equipment	-	(29)	NM	-	(29)	NM
Inventories written down	-	(6)	NM	-	(65)	NM
(d) Finance costs						
Amortisation of prepaid loan appraisal fees	-	(63)	NM	(96)	(183)	(48%)
Interest expense	(134)	(39)	244%	(249)	(130)	92%

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-16	31-Dec-15	30-Sep-16	31-Dec-15
Non-current assets				
Property, plant and equipment	59,863	43,040	9,345	8,707
Intangible assets	279	840	138	607
Investments				
Subsidiaries	-	-	50,879	50,879
Associates	21,480	14,218	12,527	12,527
Others	30,028	31,071	895	895
Deferred tax assets	937	1,022	-	-
Prepaid loan appraisal fees	-	96	-	-
	112,587	90,287	73,784	73,615
Current assets				
Gross amount due from customers for contract work-in-progress	28,916	23,784	13,597	5,209
Inventories	5,401	5,647	473	495
Other investments	6,739	-	6,020	-
Prepaid operating expenses	936	508	276	195
Downpayments made to suppliers	2,247	2,028	769	1,102
Trade and other receivables	101,224	109,367	211,277	214,658
Cash and short-term deposits	98,047	118,215	41,709	60,062
	243,510	259,549	274,121	281,721
Current liabilities				
Income tax payable	9,532	9,705	3,751	3,974
Loans and borrowings	5,989	2,804	3,050	50
Gross amount due to customers for contract work-in-progress	67,344	72,255	39,974	53,618
Trade and other payables	93,333	93,487	96,313	107,870
Downpayments from customers	4,133	9,393	1,821	1,449
Foreign currency contracts	279	339	271	339
	180,610	187,983	145,180	167,300
Net current assets	62,900	71,566	128,941	114,421
Non-current liabilities				
Deferred tax liabilities	1,915	2,020	1,255	1,255
Loans and borrowings	15,581	6,752	12,079	93
	17,496	8,772	13,334	1,348
Net assets	157,991	153,081	189,391	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	189,611	194,329	100,187	97,484
Other reserves	10,367	5,616	-	-
	289,182	289,149	189,391	186,688
Non-controlling interests	(131,191)	(136,068)	-	-
Total equity	157,991	153,081	189,391	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-Sep-16		31-Dec-15	
Secured	Unsecured	Secured	Unsecured
5,989	-	2,804	-

Amount repayable after one year

30-Sep-16		31-Dec-15	
Secured	Unsecured	Secured	Unsecured
15,581	-	6,752	-

Details of any collateral

Collateral for \$21.6 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	
	3Q16	3Q15	9M16	9M15
Operating activities				
Profit before tax	1,417	6,361	5,447	19,964
Adjustments for :				
Allowance for doubtful debts	-	-	194	-
Amortisation of intangible assets	79	146	252	472
Amortisation of prepaid loan appraisal fees	-	63	96	183
Depreciation of property, plant and equipment	3,258	2,198	7,094	7,160
Fair value loss/(gain) on foreign currency contracts, net	1,456	3,265	(60)	1,778
Fair value gain on debt securities, net	(22)	-	(40)	-
Finance income	(849)	(34)	(2,572)	(298)
Gain on disposal of property, plant and equipment	(17)	-	(478)	(160)
Gain on disposal of other investments	-	-	-	(3,000)
Impairment loss on plant and equipment	-	29	-	29
Interest expense	134	39	249	130
Inventories written down	-	6	-	65
Write-back of allowance for doubtful debts	-	(4)	(409)	(4)
Share of results from associates	146	234	55	471
Operating cash flows before changes in working capital	5,602	12,303	9,828	26,790
<i>Decrease/(Increase) in:</i>				
Prepaid operating expenses, downpayments made to suppliers and trade and other receivables	9,598	56,488	13,112	103,308
Inventories	(121)	(1,062)	219	(1,662)
<i>Increase/(Decrease) in:</i>				
Trade and other payables and downpayments from customers	13,041	(31,664)	(4,031)	(82,768)
Gross amount due to customers for contract work-in-progress, net	(27,027)	(743)	(9,566)	(47,873)
Cash flows from/(used in) operations	1,093	35,322	9,562	(2,205)
Interest received	101	34	248	298
Interest paid	(134)	(39)	(249)	(130)
Income tax paid	(179)	(3,240)	(1,043)	(9,123)
Net cash flows from/(used in) operating activities	881	32,077	8,518	(11,160)

(All figures in S\$'000)

	Group		Group	
	3Q16	3Q15	9M16	9M15
Investing activities				
Additions to intangible assets	(39)	(5)	(46)	(87)
Acquisition of interest in associate	-	-	(82)	-
Dividend from associates	-	943	-	943
Proceeds from disposal of other investments	-	-	-	3,000
Proceeds from disposal of property, plant and equipment	29	48	1,016	219
Purchase of investment securities	-	-	(6,783)	-
Purchase of property, plant and equipment	(1,390)	(1,072)	(24,496)	(1,838)
Net cash flows (used in)/from investing activities	(1,400)	(86)	(30,391)	2,237
Financing activities				
Dividend paid:				
- by the Company	-	-	(8,513)	(14,188)
- by subsidiaries to non-controlling interests	-	(80)	(800)	(1,280)
Proceeds from bank loans	-	-	14,851	-
Repayment of bank loans	(1,321)	(1,265)	(2,649)	(2,441)
Repayment of finance lease obligations	(10)	(1)	(22)	(2)
Net cash (used in)/flows from financing activities	(1,331)	(1,346)	2,867	(17,911)
Net (decrease)/increase in cash and cash equivalents	(1,850)	30,645	(19,006)	(26,834)
Effect of exchange rate changes on cash and cash equivalents	97	1,256	(1,162)	1,461
Cash and cash equivalents at beginning of quarter/period	99,800	99,783	118,215	157,057
Cash and cash equivalents at end of the period	98,047	131,684	98,047	131,684

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	-	-	2,568	-	-	-	2,568	578	3,146
<u>Other comprehensive income for the period</u>									
Foreign currency translation	-	-	-	-	-	(4,399)	(4,399)	6,175	1,776
Total comprehensive income for the period	-	-	2,568	-	-	(4,399)	(1,831)	6,753	4,922
<u>Contributions by and distributions to owners</u>									
Dividend on ordinary shares	-	-	(8,513)	-	-	-	(8,513)	-	(8,513)
Dividend paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(800)	(800)
Total contributions by and distributions to owners	-	-	(8,513)	-	-	-	(8,513)	(800)	(9,313)
At 30 June 2016	89,365	(161)	188,384	547	300	370	278,805	(130,115)	148,690
Profit for the period	-	-	1,227	-	-	-	1,227	196	1,423
<u>Other comprehensive income for the period</u>									
Foreign currency translation	-	-	-	-	-	780	780	(1,272)	(492)
Total comprehensive income for the period	-	-	1,227	-	-	780	2,007	(1,076)	931
<u>Contributions from owners of the associate</u>									
Share of capital reserves in associate	-	-	-	8,370	-	-	8,370	-	8,370
Total contributions from owners of the associate	-	-	-	8,370	-	-	8,370	-	8,370
At 30 September 2016	89,365	(161)	189,611	8,917	300	1,150	289,182	(131,191)	157,991

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	-	-	10,774	-	-	-	10,774	776	11,550
<u>Other comprehensive income for the period</u>									
Foreign currency translation	-	-	-	-	-	928	928	(2,565)	(1,637)
Total comprehensive income for the period	-	-	10,774	-	-	928	11,702	(1,789)	9,913
<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
Profit for the period	-	-	6,342	-	-	-	6,342	(873)	5,469
<u>Other comprehensive income for the period</u>									
Foreign currency translation	-	-	-	-	-	3,018	3,018	(7,892)	(4,874)
Total comprehensive income for the period	-	-	6,342	-	-	3,018	9,360	(8,765)	595
<u>Contributions by and distributions to owners</u>									
Dividend paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(80)	(80)
Total contributions by and distributions to owners	-	-	-	-	-	-	-	(80)	(80)
At 30 September 2015	89,365	(161)	168,666	547	300	4,566	263,283	(139,871)	123,412

<u>Company</u>	Share capital	Treasury shares	Retained earnings	Total equity
At 1 January 2016	89,365	(161)	97,484	186,688
Profit for the year, representing total comprehensive income for the period	-	-	3,594	3,594
<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
Profit for the year, representing total comprehensive income for the period	-	-	7,622	7,622
At 30 September 2016	89,365	(161)	100,187	189,391
At 1 January 2015	89,365	(161)	62,780	151,984
Profit for the year, representing total comprehensive income for the period	-	-	24,472	24,472
<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
Profit for the year, representing total comprehensive income for the period	-	-	2,885	2,885
At 30 September 2015	89,365	(161)	75,949	165,153

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 2016.

As at 30 September 2016, the Company has 336,000 (30 September 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 September 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	
	3Q16	3Q15	9M16	9M15
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)	0.2	1.1	0.7	3.0
On a fully diluted basis (in cents)	0.2	1.1	0.7	3.0
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	1,227	6,342	3,795	17,116
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.**

Net asset value per ordinary share (in cents) based on issued share capital as at the end of the year reported on

Group		Company	
30-Sep-16	31-Dec-15	30-Sep-16	31-Dec-15
51.0	50.9	33.4	32.9

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 30 September 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 Third Quarter (3Q16) Review

Revenue and Cost of sales in 3Q16 dipped by 13% and 17% respectively when compared with the same quarter last year as the Group reaches completion on major projects. Gross profit margin increased slightly from 22% to 26% due to productivity improvement efforts.

Administrative expenses decreased in line with the decrease in revenue. Other operating costs increased due to the depreciation of the newly acquired vessel in FY2016.

Finance income in 3Q16 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 gain of \$0.8M 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 loss of \$1.3M for the quarter as reflected in the other comprehensive income.

2016 Nine Months (9M16) Review

Revenue and Cost of sales in 9M16 dipped by 22% and 24% respectively when compared with the same period last year as the Group reaches completion on major projects. Gross profit margin increased slightly from 22% to 24%.

Other income was higher in 9M15 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 9M16 relates mainly to interest income from an investment loan.

The Group recognised a net foreign exchange loss of \$0.2M during 9M16. The exchange loss relates to the depreciation of USD against SGD as at balance sheet date.

Income tax expense decreased by 70% 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 \$3.6M 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 \$4.9M 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 due to completion of major projects.

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.

Other reserves increased mainly due to the share of capital reserves in associate.

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 continues to seek for investment opportunities so as to diversify its business and complete the integrated value chain. In the meantime, the Group will also focus on executing smaller single discipline projects. To remain vigilant in the competitive environment, the Group is working towards efficiency and operational optimization.

The market outlook for the Group remains challenging with the continued tightening of capital spending in the oil and gas industry. Notwithstanding the difficult market conditions, the Group won contracts worth S\$64.0 million between June and September 2016. At the date of this announcement, the Group's order book, excluding maintenance, stands at S\$153.9 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 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 30 September 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 September 2016 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD
TOH LI PING, ANGELA
COMPANY SECRETARY**

8 November 2016