

ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)



FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017

1(a). A statement of comprehensive income (for the Group) together with a comparative statement for the first quarter ended 31 March 2017.

Consolidated income statement

(All figures in S\$'000)	Group		
	1Q17	1Q16	% Increase/ (Decrease)
Revenue	59,628	64,554	(8%)
Cost of sales	(44,921)	(53,038)	(15%)
Gross profit	14,707	11,516	
	25%	18%	
Other income	392	1,791	(78%)
Foreign exchange differences	(386)	(1,488)	(74%)
Selling and marketing costs	(174)	(329)	(47%)
General and administrative costs	(9,753)	(9,444)	3%
Other operating costs	(1,995)	(1,975)	1%
Finance income	1,247	919	36%
Finance costs	(126)	(136)	(7%)
Share of results of associates	(21)	(1)	NM
Profit before tax	3,891	853	
Income tax expense	(86)	(172)	(50%)
Profit after tax	3,805	681	
Profit for the period attributable to:			
Owners of the company	3,690	524	NM
Non-controlling interests	115	157	(27%)
	3,805	681	

*NM denotes not meaningful

Consolidated statement of comprehensive income

(All figures in S\$'000)	Group		
	1Q17	1Q16	% Increase/ (Decrease)
Profit after tax	3,805	681	
Other comprehensive income			
Foreign currency translation movement attributable to owners of the company	(773)	(4,117)	(81%)
Foreign currency translation movement attributable to non-controlling interests	191	6,040	(97%)
Other comprehensive income for the period	(582)	1,923	
Total comprehensive income for the period	3,223	2,604	
Total comprehensive income attributable to:			
Owners of the company	2,917	(3,593)	NM
Non-controlling interests	306	6,197	(95%)
	3,223	2,604	

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

(All figures in S\$'000)	Group		
	1Q17	1Q16	% Increase/ (Decrease)
(a) Other income			
Gain on disposal of property, plant and equipment	29	461	(94%)
Government grants	85	606	(86%)
Sale of scrap	205	548	(63%)
(b) Foreign exchange differences			
Foreign exchange loss	(924)	(4,323)	(79%)
Fair value gain on foreign currency contracts, net	538	2,835	(81%)
Net foreign exchange differences	(386)	(1,488)	
(c) Other operating costs			
Allowance for doubtful debts	-	(7)	NM
Amortisation of intangible assets	(70)	(99)	(29%)
Bad debts written off	(56)	-	NM
Depreciation of property, plant and equipment	(2,387)	(1,781)	34%
Fair value gain/(loss) on investment in debt securities, net	76	(88)	NM
Inventories written down	(8)	-	NM
Write back of allowance for doubtful debts	450	-	NM
(d) Finance costs			
Amortisation of prepaid loan appraisal fees	-	(62)	NM
Interest expense	(126)	(74)	70%

*NM denotes not meaningful

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-17	31-Dec-16	31-Mar-17	31-Dec-16
Non-current assets				
Property, plant and equipment	63,036	64,897	10,680	10,275
Intangible assets	299	244	132	129
Investments				
Subsidiaries	-	-	50,829	50,829
Associates	21,436	22,027	12,527	12,527
Others	32,750	29,270	895	895
Deferred tax assets	743	747	-	-
	118,264	117,185	75,063	74,655
Current assets				
Gross amount due from customers for contract work-in-progress	24,231	26,427	1,028	995
Inventories	6,406	6,527	640	469
Other investments	6,023	9,201	5,278	6,006
Prepaid operating expenses	1,482	743	910	24
Downpayments made to suppliers	2,883	1,654	1,386	787
Trade and other receivables	111,567	105,829	186,045	186,113
Foreign currency contracts	124	140	124	51
Cash and cash equivalents	66,169	86,021	16,970	29,139
	218,885	236,542	212,381	223,584
Current liabilities				
Income tax payable	9,661	9,656	3,336	3,751
Loans and borrowings	6,420	6,332	3,116	3,226
Gross amount due to customers for contract work-in-progress	23,478	22,270	25,317	32,059
Trade and other payables	114,473	130,487	95,447	95,387
Downpayments from customers	4,274	5,353	167	971
Foreign currency contracts	-	465	-	465
	158,306	174,563	127,383	135,859
Net current assets	60,579	61,979	84,998	87,725
Non-current liabilities				
Deferred tax liabilities	1,838	1,906	1,255	1,255
Loans and borrowings	12,612	14,888	10,816	11,178
	14,450	16,794	12,071	12,433
Net assets	164,393	162,370	147,990	149,947
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	200,859	197,169	58,786	60,743
Other reserves	(126,548)	(125,775)	-	-
	163,515	160,598	147,990	149,947
Non-controlling interests	878	1,772	-	-
Total equity	164,393	162,370	147,990	149,947

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-17		31-Dec-16	
Secured	Unsecured	Secured	Unsecured
6,420	-	6,332	-

Amount repayable after one year

31-Mar-17		31-Dec-16	
Secured	Unsecured	Secured	Unsecured
12,612	-	14,888	-

Details of any collateral

Collateral for \$19.0 million (31 December 2016: \$21.2 million) loans include mortgage over property, plant and equipment.

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	
	1Q17	1Q16
Operating activities		
Profit before tax	3,891	853
Adjustments for :		
Allowance for doubtful debts	-	7
Amortisation of intangible assets	70	99
Amortisation of prepaid loan appraisal fees	-	62
Bad debts written off	56	-
Depreciation of property, plant and equipment	2,387	1,781
Fair value gain on foreign currency contracts, net	(538)	(2,835)
Fair value (gain)/loss on investment in debt securities, net	(76)	88
Finance income	(1,247)	(919)
Gain on disposal of property, plant and equipment	(29)	(461)
Interest expense	126	74
Inventories written down	8	-
Write back of allowance for doubtful debts	(450)	-
Share of results from associates	21	1
Operating cash flows before changes in working capital	4,219	(1,250)
<i>(Increase)/Decrease in:</i>		
Prepaid operating expenses, downpayments made to suppliers and trade and other receivables	(9,977)	(2,068)
Inventories	90	433
<i>Increase/(Decrease) in:</i>		
Trade and other payables and downpayments from customers	(16,159)	(8,230)
Gross amount due to customers for contract work-in-progress, net	3,608	25,051
Cash flows (used in) / from operations	(18,219)	13,936
Interest received	127	29
Interest paid	(332)	(74)
Income tax paid	(179)	(530)
Net cash flows (used in) / from operating activities	(18,603)	13,361

(All figures in S\$'000)

	Group	
	1Q17	1Q16
Investing activities		
Additions to intangible assets	(125)	(2)
Proceeds from disposal of other investments	759	-
Proceeds from disposal of property, plant and equipment	556	987
Purchase of investment securities	-	(6,783)
Purchase of property, plant and equipment	(1,598)	(22,575)
Repayment of loan from other investment	2,119	-
Net cash flows from / (used in) investing activities	1,711	(28,373)
Financing activities		
Dividends paid:		
- by subsidiaries to non-controlling interests	(1,200)	(800)
Repayment of bank loans, net	(1,293)	(1,328)
Repayment of finance lease obligations	(12)	(9)
Net cash flows used in financing activities	(2,505)	(2,137)
Net decrease in cash and cash equivalents	(19,397)	(17,149)
Effect of exchange rate changes on cash and cash equivalents	(455)	(940)
Cash and cash equivalents at beginning of quarter/period	86,021	118,215
Cash and cash equivalents at end of the period	66,169	100,126

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	Premium paid on acquisition of non-controlling interest	Total	Non-controlling interests	Total equity
At 1 January 2017	89,365	(161)	197,169	8,930	300	6,100	(141,105)	160,598	1,772	162,370
Profit for the period	-	-	3,690	-	-	-	-	3,690	115	3,805
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	(773)	-	(773)	191	(582)
Total comprehensive income for the period	-	-	3,690	-	-	(773)	-	2,917	306	3,223
<u>Contributions by and distributions to owners</u>										
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(1,200)	(1,200)
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	(1,200)	(1,200)
At 31 March 2017	89,365	(161)	200,859	8,930	300	5,327	(141,105)	163,515	878	164,393

(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
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	-	(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

<u>Company</u>	Share capital	Treasury shares	Retained earnings	Total equity
At 1 January 2017	89,365	(161)	60,743	149,947
Loss for the year, representing total comprehensive income for the period	-	-	(1,957)	(1,957)
At 31 March 2017	89,365	(161)	58,786	147,990
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

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 2017.

As at 31 March 2017, the Company has 336,000 (31 March 2016: 336,000) ordinary shares of the company by way of market purchases on the Singapore Exchange and held them as treasury shares.

There are no subsidiary holdings as at 31 March 2017.

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 2017 is 567,518,000 (31 December 2016: 567,518,000).

1(d)(iv). A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Nil.

1(d)(v). A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company does not have any subsidiary that holds shares in the Company.

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 S\$'000 unless stated)

	Group	
	1Q17	1Q16
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 cent)	0.7	0.1
On a fully diluted basis (in cent)	0.7	0.1
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	3,690	524
Weighted average number of ordinary shares applicable to basic and diluted earnings per share ('000)	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-17	31-Dec-16	31-Mar-17	31-Dec-16
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the year reported on	28.8	28.3	26.1	26.4

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 31 March 2017 (31 December 2016: 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.**

2017 First Quarter (1Q17) Review

Revenue and Cost of sales in 1Q17 dipped by 8% and 15% respectively when compared with the same quarter last year as the Group reaches completion on its major projects.

Improvement in gross profit margin from 18% to 25% was contributed by cumulative productivity gains from major project closures and contingency provision written back.

Other income was lower in 1Q17 due to a gain in disposal of property of S\$0.5M and wage credit grants of S\$0.6M in 1Q16.

The Group recognised a net foreign exchange difference of S\$0.4M during 1Q17. This comprises an exchange loss which relates to the depreciation of USD against SGD as at balance sheet date, partially offset by the exchange gain of S\$0.5M from foreign currency contracts.

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 S\$0.8M 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 S\$0.2M 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.

Cash and cash equivalents declined due to operating needs requirements.

Trade and other payables decreased in line with business activities.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement was previously made.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group's liquid storage terminal EPC business environment remains challenging due to continued global economic and financial uncertainties.

With an adept management team, a skilled labour force and a proven track record, the Group is in a position to tap on the opportunities that arise whilst carefully managing its risks, capital and cash position.

A total of S\$310.3 million of contracts were secured since the end of the last quarter. At the date of this announcement, the Group's order book, excluding maintenance, stands at S\$435.9 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/ recommended for the financial period ended 31 March 2017.

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 2017.

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 2017 to be false or misleading in any material aspect.

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

9 May 2017