

ROTARY ENGINEERING LIMITED

(Company Registration No. 198000255E)



SECOND QUARTER AND FIRST HALF-YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2017

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 2017.

Consolidated income statement

(All figures in S\$'000)	Group			Group		
	2Q17	2Q16	% Increase/ (Decrease)	1H17	1H16	% Increase/ (Decrease)
Revenue	62,808	51,843	21%	122,436	116,397	5%
Cost of sales	(49,000)	(36,762)	33%	(93,921)	(89,800)	5%
Gross profit	13,808	15,081		28,515	26,597	
Other income	477	796	(40%)	869	2,587	(66%)
Foreign exchange differences	(263)	309	NM	(649)	(1,179)	(45%)
Selling and marketing costs	(237)	(289)	(18%)	(411)	(618)	(33%)
General and administrative costs	(10,640)	(11,740)	(9%)	(20,393)	(21,184)	(4%)
Other operating costs	(2,195)	(1,801)	22%	(4,190)	(3,776)	11%
Finance income	988	804	23%	2,235	1,723	30%
Finance costs	(132)	(75)	76%	(258)	(211)	22%
Share of results of associates	(195)	92	NM	(216)	91	NM
Profit before tax	1,611	3,177		5,502	4,030	
Income tax expense	(416)	(712)	(42%)	(502)	(884)	(43%)
Profit after tax	1,195	2,465		5,000	3,146	
Profit for the period attributable to:						
Owners of the company	1,168	2,044	(43%)	4,858	2,568	89%
Non-controlling interests	27	421	(94%)	142	578	(75%)
	1,195	2,465		5,000	3,146	

*NM denotes not meaningful

Consolidated statement of comprehensive income

(All figures in S\$'000)	Group			Group		
	2Q17	2Q16	% Increase/ (Decrease)	1H17	1H16	% Increase/ (Decrease)
Profit after tax	1,195	2,465		5,000	3,146	
Other comprehensive income						
Foreign currency translation movement attributable to owners of the company	(117)	(282)	(59%)	(890)	(4,399)	(80%)
Foreign currency translation movement attributable to non-controlling interests	79	135	(41%)	270	6,175	(96%)
Other comprehensive income for the period	(38)	(147)		(620)	1,776	
Total comprehensive income for the period	1,157	2,318		4,380	4,922	
Total comprehensive income attributable to:						
Owners of the company	1,051	1,762	(40%)	3,968	(1,831)	NM
Non-controlling interests	106	556	(81%)	412	6,753	(94%)
	1,157	2,318		4,380	4,922	

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

(All figures in S\$'000)	Group			Group		
	2Q17	2Q16	% Increase/ (Decrease)	1H17	1H16	% Increase/ (Decrease)
(a) Other income						
Gain on disposal of property, plant and equipment	76	-	NM	105	461	(77%)
Government grants	201	105	91%	286	711	(60%)
Sale of scrap	128	174	(26%)	333	722	(54%)
(b) Foreign exchange differences						
Foreign exchange (loss)/gain	(319)	1,628	NM	(1,243)	(2,695)	(54%)
Fair value gain/(loss) on foreign currency contracts, net	56	(1,319)	NM	594	1,516	(61%)
Net foreign exchange differences	(263)	309		(649)	(1,179)	
(c) Other operating costs						
Allowance for doubtful debts	-	(187)	NM	-	(194)	NM
Amortisation of intangible assets	(60)	(74)	(19%)	(130)	(173)	(25%)
Bad debts written off	-	-	NM	(56)	-	NM
Depreciation of property, plant and equipment	(2,156)	(2,055)	5%	(4,543)	(3,836)	18%
Fair value gain on investment in debt securities, net	21	106	(81%)	97	18	437%
Inventories written down	-	-	NM	(8)	-	NM
Write back of allowance for doubtful debts	-	409	NM	450	409	10%
(d) Finance costs						
Amortisation of prepaid loan appraisal fees	-	(34)	NM	-	(96)	NM
Interest expense	(132)	(41)	223%	(258)	(115)	124%

*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	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
Non-current assets				
Property, plant and equipment	63,477	64,897	11,493	10,275
Intangible assets	306	244	148	129
Investments				
Subsidiaries	-	-	55,657	50,829
Associates	21,297	22,027	12,527	12,527
Others	32,277	29,270	895	895
Deferred tax assets	759	747	-	-
	118,116	117,185	80,720	74,655
Current assets				
Gross amount due from customers for contract work-in-progress	35,693	26,427	3,919	995
Inventories	6,157	6,527	598	469
Other investments	6,026	9,201	5,281	6,006
Prepaid operating expenses	2,088	743	746	24
Downpayments made to suppliers	3,326	1,654	1,641	787
Trade and other receivables	78,511	105,829	158,311	186,113
Foreign currency contracts	181	140	181	51
Cash and cash equivalents	82,404	86,021	21,922	29,139
	214,386	236,542	192,599	223,584
Current liabilities				
Income tax payable	9,927	9,656	3,036	3,751
Loans and borrowings	6,354	6,332	3,064	3,226
Gross amount due to customers for contract work-in-progress	17,493	22,270	12,962	32,059
Trade and other payables	96,666	130,487	89,147	95,387
Downpayments from customers	26,442	5,353	7	971
Foreign currency contracts	-	465	-	465
	156,882	174,563	108,216	135,859
Net current assets	57,504	61,979	84,383	87,725
Non-current liabilities				
Deferred tax liabilities	1,893	1,906	1,255	1,255
Loans and borrowings	11,015	14,888	9,139	11,178
	12,908	16,794	10,394	12,433
Net assets	162,712	162,370	154,709	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	199,189	197,169	65,505	60,743
Other reserves	(126,665)	(125,775)	-	-
	161,728	160,598	154,709	149,947
Non-controlling interests	984	1,772	-	-
Total equity	162,712	162,370	154,709	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

30-Jun-17		31-Dec-16	
Secured	Unsecured	Secured	Unsecured
6,354	-	6,332	-

Amount repayable after one year

30-Jun-17		31-Dec-16	
Secured	Unsecured	Secured	Unsecured
11,015	-	14,888	-

Details of any collateral

Collateral for \$17.4 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		Group	
	2Q17	2Q16	1H17	1H16
Operating activities				
Profit before tax	1,611	3,177	5,502	4,030
Adjustments for :				
Allowance for doubtful debts	-	187	-	194
Amortisation of intangible assets	60	74	130	173
Amortisation of prepaid loan appraisal fees	-	34	-	96
Bad debts written off	-	-	56	-
Depreciation of property, plant and equipment	2,156	2,055	4,543	3,836
Fair value (gain)/loss on foreign currency contracts, net	(56)	1,319	(594)	(1,516)
Fair value gain on investment in debt securities, net	(21)	(106)	(97)	(18)
Finance income	(988)	(804)	(2,235)	(1,723)
Gain on disposal of property, plant and equipment	(76)	-	(105)	(461)
Interest expense	132	41	258	115
Inventories written down	-	-	8	-
Write back of allowance for doubtful debts	-	(409)	(450)	(409)
Share of results from associates	195	(92)	216	(91)
Operating cash flows before changes in working capital	3,013	5,476	7,232	4,226
<i>Decrease/(Increase) in:</i>				
Trade and other receivables, prepaid operating expenses and downpayments made to suppliers	33,111	5,582	23,134	3,514
Inventories	236	(93)	326	340
<i>Increase/(Decrease) in:</i>				
Trade and other payables and downpayments from customers	4,783	(8,842)	(11,376)	(17,072)
Gross amount due to customers for contract work-in-progress, net	(17,340)	(7,590)	(13,732)	17,461
Cash flows from / (used in) operations	23,803	(5,467)	5,584	8,469
Interest received	84	118	211	147
Interest paid	(348)	(41)	(680)	(115)
Income tax paid	(126)	(334)	(305)	(864)
Net cash flows from / (used in) operating activities	23,413	(5,724)	4,810	7,637

(All figures in S\$'000)

	Group		Group	
	2Q17	2Q16	1H17	1H16
Investing activities				
Additions to intangible assets	(69)	(5)	(194)	(7)
Additional investment in associate	-	(82)	-	(82)
Proceeds from disposal of other investments	-	-	759	-
Proceeds from disposal of property, plant and equipment	70	-	626	987
Purchase of investment securities	-	-	-	(6,783)
Purchase of property, plant and equipment	(2,707)	(531)	(4,305)	(23,106)
Repayment of loan from other investment	-	-	2,119	-
Net cash flows used in investing activities	(2,706)	(618)	(995)	(28,991)
Financing activities				
Dividends paid:				
- by the Company	(2,838)	(8,513)	(2,838)	(8,513)
- by subsidiaries to non-controlling interests	-	-	(1,200)	(800)
Proceeds from bank loans	-	14,851	-	14,851
Repayment of bank loans, net	(1,310)	-	(2,603)	(1,328)
Repayment of finance lease obligations, net	(21)	(3)	(33)	(12)
Net cash flows (used in) / from financing activities	(4,169)	6,335	(6,674)	4,198
Net increase / (decrease) in cash and cash equivalents	16,538	(7)	(2,859)	(17,156)
Effect of exchange rate changes on cash and cash equivalents	(303)	(319)	(758)	(1,259)
Cash and cash equivalents at beginning of quarter/period	66,169	100,126	86,021	118,215
Cash and cash equivalents at end of the period	82,404	99,800	82,404	99,800

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)

	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 interests	Total	Non-controlling interests	Total equity
Group										
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
Profit for the period	-	-	1,168	-	-	-	-	1,168	27	1,195
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	(117)	-	(117)	79	(38)
Total comprehensive income for the period	-	-	1,168	-	-	(117)	-	1,051	106	1,157
<u>Contributions by and distributions to owners</u>										
Dividends on ordinary shares	-	-	(2,838)	-	-	-	-	(2,838)	-	(2,838)
Total contributions by and distributions to owners	-	-	(2,838)	-	-	-	-	(2,838)	-	(2,838)
At 30 June 2017	89,365	(161)	199,189	8,930	300	5,210	(141,105)	161,728	984	162,712

(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	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
Profit for the period	-	-	2,044	-	-	-	2,044	421	2,465
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	-	(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>									
Dividends 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

<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 period, representing total comprehensive income for the period	-	-	(1,957)	(1,957)
At 31 March 2017	89,365	(161)	58,786	147,990
Profit for the period, representing total comprehensive income for the period	-	-	9,557	9,557
<u>Contributions by and distributions to owners</u>				
Dividends on ordinary shares	-	-	(2,838)	(2,838)
Total transactions with owners in their capacity as owners	-	-	(2,838)	(2,838)
At 30 June 2017	89,365	(161)	65,505	154,709
At 1 January 2016	89,365	(161)	97,484	186,688
Loss for the period, 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 period, representing total comprehensive income for the period	-	-	8,854	8,854
<u>Contributions by and distributions to owners</u>				
Dividends 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

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 30 June 2017.

As at 30 June 2017, the Company has 336,000 (30 June 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 30 June 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 30 June 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.

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		Group	
	2Q17	2Q16	1H17	1H16
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)	0.2	0.4	0.9	0.5
On a fully diluted basis (in cent)	0.2	0.4	0.9	0.5
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	1,168	2,044	4,858	2,568
Weighted average number of ordinary shares applicable to basic and diluted earnings per share ('000)	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-17	31-Dec-16	30-Jun-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	28.5	28.3	27.3	26.4

The calculation of net asset value per ordinary share is based on 567,518,000 shares as at 30 June 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 Second Quarter (2Q17) Review

Revenue in 2Q17 increased when compared with the same quarter last year, contributed by newly secured projects being executed in the current quarter. In 2Q16, profit was higher as the Group reached completion on major projects.

The Group recognised a net foreign exchange loss of S\$0.3M during 2Q17. 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\$0.1M from foreign currency contracts.

2017 First Half (1H17) Review

Revenue in 1H17 increased when compared with the same period last year, contributed by newly secured projects being executed in the current period.

Other income was higher in 1H16 contributed by a gain on disposal of an office building, higher wage credit grants received and sale of scrap. Other operating expenses increased in 1H17 due to depreciation of a vessel that was purchased in 2Q16.

Finance income relates mainly to interest income from an investment loan.

The Group recognised a net foreign exchange loss of S\$0.6M during 1H17. The exchange loss relates to the depreciation of USD against SGD as at balance sheet date, partially offset by the exchange gain of S\$0.6M from foreign currency contracts.

Lower income tax expense was due to lower profit contribution from subsidiaries.

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.

Trade and other receivables decreased due to collections received from customers of projects that were completed.

Downpayments from customers increased due to advances received from new 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.

Amidst continued uncertainty in the macro economy, the Group's liquid storage terminal EPC business environment remains challenging.

Against the backdrop of current business conditions, the Group will continue to strengthen and optimise its talent pool, pursue operational excellence in executing projects and prudently manage financial resources to preserve financial flexibility.

At the date of this announcement, the Group's order book, excluding maintenance, stands at S\$463.2M.

11. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/ recommended for the financial period ended 30 June 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.

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 2017 to be false or misleading in any material aspect.

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

8 August 2017