## SGXNet

## 'Financial Statements and Related' Announcement

## Issuer \& Securities

## Issuer/ Manager <br> ROTARY ENGINEERING LIMITED.

| Securities |  |  |
| :--- | :--- | :--- |
| Name | ISIN | Stock Code |
| ROTARY ENGINEERING LIMITED | SG1A43000730 | R07 |
| Stapled Security |  |  |
| No |  |  |

## Announcement Details

## Announcement Sub Title

Third Quarter Results

| Submitted By (Co./ Ind. Name) Designation <br> Toh Li Ping Angela <br> Company Secretary <br> Effective Date and Time of the event <br> Price Sensitivity <br> Yes <br> Description (Please provide a detailed <br> description of the event in the box below - <br> Refer to the Online help for the format) <br> Please see attached. Contact Details <br> 62309528 (Angela Toh) <br> Additional Details RELEASE TO SGX |
| :--- | :--- | :--- |
| For Financial Period Ended |
| 30/09/2017 |

## Attachments

For Public Dissemination
3QFY2017 Results_14November2017.pdf
I. Rotary - EY Report on Review of Interim Condensed FS.pdf
II. Rotary - Letter from IFA for 3Q 2017 Results.pdf

## ROTARY ENGINEERING LIMITED

## THIRD QUARTER AND NINE MONTHS FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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 2017.

## Consolidated income statement

|  | Group |  |  | Group |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| ( All figures in S\$'000) | 3Q17 | 3Q16 | \% <br> Increase/ <br> (Decrease) | $9 \mathrm{M17}$ | $9 \mathrm{M16}$ | \% <br> Increase/ <br> (Decrease) |
| Revenue Cost of sales | $\begin{gathered} 75,237 \\ (61,386) \\ \hline \end{gathered}$ | $\begin{array}{r} 52,649 \\ (39,085) \\ \hline \end{array}$ | 43\% $57 \%$ | $\begin{gathered} 197,673 \\ (155,307) \end{gathered}$ | $\begin{gathered} 169,046 \\ (128,885) \\ \hline \end{gathered}$ | $17 \%$ $21 \%$ |
| Gross profit | 13,851 | 13,564 |  | 42,366 | 40,161 |  |
|  | 18\% | 26\% |  | 21\% | 24\% |  |
| Other income Foreign exchange differences | 202 $(801)$ | 509 | (60\%) NM | 1,071 $(1,450)$ | 3,096 $(202)$ | (65\%) |
| Selling and marketing costs | (201) | (217) | (7\%) | (612) | (835) | (27\%) |
| General and administrative costs | $(9,540)$ | $(10,670)$ | (11\%) | $(29,933)$ | $(31,854)$ | (6\%) |
| Other operating costs | $(2,357)$ | $(3,315)$ | (29\%) | $(6,547)$ | $(7,091)$ | (8\%) |
| Finance income | 989 | 849 | 16\% | 3,224 | 2,572 | 25\% |
| Finance costs | (100) | (134) | (25\%) | (358) | (345) | 4\% |
| Share of results of associates | (71) | (146) | (51\%) | (287) | (55) | 422\% |
| Profit before tax | 1,972 | 1,417 |  | 7,474 | 5,447 |  |
| Income tax (expense)/credit | (380) | 6 | NM | (882) | (878) | 0\% |
| Profit after tax | 1,592 | 1,423 |  | 6,592 | 4,569 |  |
| Profit for the period attributable to: |  |  |  |  |  |  |
| Owners of the company | 1,582 | 1,227 | 29\% | 6,440 | 3,795 | 70\% |
| Non-controlling interests | 10 | 196 | (95\%) | 152 | 774 | (80\%) |
|  | 1,592 | 1,423 |  | 6,592 | 4,569 |  |

*NM denotes not meaningful

Consolidated statement of comprehensive income

|  | Group |  |  | Group |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| ( All figures in S\$'000) | 3Q17 | 3Q16 | \% Increase/ (Decrease) | $9 \mathrm{M17}$ | $9 \mathrm{M16}$ | $\%$ <br> Increase/ <br> (Decrease) |
| Profit after tax | 1,592 | 1,423 |  | 6,592 | 4,569 |  |
| Other comprehensive income <br> Foreign currency translation movement attributable to owners of the company | (634) | 780 | NM | $(1,524)$ | $(3,619)$ | (58\%) |
| Foreign currency translation movement attributable to noncontrolling interests | 75 | $(1,272)$ | NM | 345 | 4,903 | (93\%) |
| Other comprehensive income for the period | (559) | (492) |  | $(1,179)$ | 1,284 |  |
| Total comprehensive income for the period | 1,033 | 931 |  | 5,413 | 5,853 |  |
| Total comprehensive income attributable to: |  |  |  |  |  |  |
| Owners of the company | 948 | 2,007 | (53\%) | 4,916 | 176 | NM |
| Non-controlling interests | 85 | $(1,076)$ | NM | 497 | 5,677 | (91\%) |
|  | 1,033 | 931 |  | 5,413 | 5,853 |  |

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

|  | Group |  |  | Group |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| ( All figures in S\$'000) | 3Q17 | 3Q16 | \% <br> Increase/ <br> (Decrease) | $9 \mathrm{M17}$ | $9 \mathrm{M16}$ | \% <br> Increase/ <br> (Decrease) |
| (a) Other income <br> Gain on disposal of property, plant and equipment Government grants Sale of scrap | $\begin{array}{r} 5 \\ 36 \\ 84 \\ \hline \end{array}$ | $\begin{array}{r} 17 \\ 156 \\ 103 \\ \hline \end{array}$ | $\begin{aligned} & (71 \%) \\ & (77 \%) \\ & (18 \%) \\ & \hline \end{aligned}$ | $\begin{aligned} & 110 \\ & 322 \\ & 417 \\ & \hline \end{aligned}$ | $\begin{aligned} & 478 \\ & 867 \\ & 825 \\ & \hline \end{aligned}$ | $\begin{aligned} & (77 \%) \\ & (63 \%) \\ & (49 \%) \\ & \hline \end{aligned}$ |
| (b) Foreign exchange differences <br> Foreign exchange (loss)/gain Fair value (loss)/gain on foreign currency contracts, net | $\begin{aligned} & (366) \\ & (435) \end{aligned}$ | $\begin{gathered} 2,433 \\ (1,456) \end{gathered}$ | $\begin{gathered} \text { NM } \\ (70 \%) \end{gathered}$ | $\begin{gathered} (1,609) \\ 159 \end{gathered}$ | $\begin{gathered} (262) \\ 60 \end{gathered}$ | $\begin{aligned} & 514 \% \\ & 165 \% \end{aligned}$ |
| Net foreign exchange differences | (801) | 977 |  | $(1,450)$ | (202) |  |
| (c) Other operating costs <br> Allowance for doubtful debts Amortisation of intangible assets Bad debts written off Depreciation of property, plant and equipment <br> Fair value (loss)/gain on investment in debt securities, net Inventories written down Write back of allowance for doubtful debts | (54) <br> $(2,295)$ <br> (4) <br> (4) | $\begin{gathered} (79) \\ - \\ (3,258) \\ 22 \end{gathered}$ | $\begin{gathered} \text { NM } \\ (31 \%) \\ \text { NM } \\ (30 \%) \\ \text { NM } \\ \text { NM } \\ \text { NM } \end{gathered}$ | $\begin{array}{r} - \\ (184) \\ (56) \\ (6,838) \\ 93 \\ (12) \\ 450 \end{array}$ | $\begin{gathered} (194) \\ (252) \\ - \\ (7,094) \\ 40 \\ - \\ 409 \end{gathered}$ | $\begin{gathered} \text { NM } \\ (27 \%) \\ \text { NM } \\ (4 \%) \\ 132 \% \\ \text { NM } \\ 10 \% \end{gathered}$ |
| (d) Finance costs <br> Amortisation of prepaid loan appraisal fees Interest expense | (100) | (134) | $\begin{gathered} \text { NM } \\ (25 \%) \\ \hline \end{gathered}$ | (358) | $\begin{array}{r} (96) \\ (249) \\ \hline \end{array}$ | $\begin{array}{r} \text { NM } \\ 44 \% \\ \hline \end{array}$ |

*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)

## Non-current assets

Property, plant and equipment
Intangible assets
Investments
Subsidiaries
Associates
Others
Deferred tax assets

## Current assets

Gross amount due from customers for contract work-in-progress Inventories
Other investments
Prepaid operating expenses
Downpayments made to suppliers
Trade and other receivables
Foreign currency contracts
Cash and cash equivalents

## Current liabilities

Income tax payable Loans and borrowings
Gross amount due to customers for contract work-in-progress
Trade and other payables
Trust receipt payables
Downpayments from customers
Foreign currency contracts

## Net current assets

Non-current liabilities
Deferred tax liabilities
Loans and borrowings

## Net assets

## Equity attributable to owners of the Company

Share capital
Treasury shares
Retained earnings
Other reserves

## Non-controlling interests <br> Total equity

| Group |  |
| :---: | :---: |
| 30-Sep-17 | 31-Dec-16 |
| 66,578 | 64,897 |
| 293 | 244 |
| - | - |
| 20,608 | 22,027 |
| 31,830 | 29,270 |
| 1,086 | 747 |
| 120,395 | 117,185 |
| 47,332 | 26,427 |
| 5,605 | 6,527 |
| 6,007 | 9,201 |
| 870 | 743 |
| 13,167 | 1,654 |
| 73,535 | 105,829 |
| - | 140 |
| 90,033 | 86,021 |
| 236,549 | 236,542 |
| 10,270 | 9,656 |
| 6,599 | 6,332 |
| 14,170 | 22,270 |
| 107,905 | 130,487 |
| 10,265 | - |
| 32,875 | 5,353 |
| 255 | 465 |
| 182,339 | 174,563 |
| 54,210 | 61,979 |
| 1,521 | 1,906 |
| 9,339 | 14,888 |
| 10,860 | 16,794 |
| 163,745 | 162,370 |
| 89,365 | 89,365 |
| (161) | (161) |
| 200,771 | 197,169 |
| $(127,299)$ | $(125,775)$ |
| 162,676 | 160,598 |
| 1,069 | 1,772 |
| 163,745 | 162,370 |


| Company |  |
| :---: | :---: |
| 30-Sep-17 | 31-Dec-16 |
| 12,179 | 10,275 |
| 144 | 129 |
| 55,657 | 50,829 |
| 12,527 | 12,527 |
| 895 | 895 |
| - | - |
| 81,402 | 74,655 |
| 3,339 | 995 |
| 568 | 469 |
| 5,256 | 6,006 |
| 297 | 24 |
| 5,850 | 787 |
| 156,545 | 186,113 |
| - | 51 |
| 25,635 | 29,139 |
| 197,490 | 223,584 |
| 3,393 | 3,751 |
| 3,029 | 3,226 |
| 1,894 | 32,059 |
| 82,259 | 95,387 |
| 5,299 | - |
| 8,608 | 971 |
| 255 | 465 |
| 104,737 | 135,859 |
| 92,753 | 87,725 |
| 830 | 1,255 |
| 9,074 | 11,178 |
| 9,904 | 12,433 |
| 164,251 | 149,947 |
| 89,365 | 89,365 |
| (161) | (161) |
| 75,047 | 60,743 |
| - | - |
| 164,251 | 149,947 |
| - | - |
| 164,251 | 149,947 |

## 1(b)(ii). Aggregate amount Group's borrowings and debt securities.

## (All figures in $\mathbf{S} \mathbf{\$ \prime 0 0 0}$ unless stated)

Amount repayable in one year or less, or on demand

| 30-Sep-17 |  |
| :---: | ---: |
| Secured | Unsecured |
| 16,864 | - | | 31-Dec-16 |  |
| :---: | :---: |
| Secured | Unsecured |
| 6,332 | - |

## Amount repayable after one year

| 30-Sep-17 |  |
| :---: | :---: |
| Secured | Unsecured |
| 9,339 | - | | 31-Dec-16 |  |
| :---: | :---: |
| Secured | Unsecured |
| 14,888 | - |

## Details of any collateral

Collateral for $\$ 15.9$ million (31 December 2016: $\$ 21.2$ million) loans include mortgage over property, plant and equipment. Trust receipt payables of $\$ 10.3$ million (31 December 2016: nil) are secured over materials procured for the purpose of project execution.

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 $\mathbf{S} \mathbf{\$ 1 0 0 0 )}$

## Operating activities

Profit before tax

## Adjustments for :

Allowance for doubtful debts
Amortisation of intangible assets
Amortisation of prepaid loan appraisal fees
Bad debts written off
Depreciation of property, plant and equipment
Fair value loss/(gain) on foreign currency contracts, net
Fair value loss/(gain) on investment in debt
securities, net
Finance income
Gain on disposal of property, plant and equipment
Interest expense
Inventories written down
Write back of allowance for doubtful debts
Share of results of associates
Operating cash flows before changes in working capital
(Increase)/Decrease in:
Trade and other receivables, prepaid operating expenses and downpayments made to suppliers Inventories
(Decrease)/Increase in:
Trade and other payables and downpayments from customers
Gross amount due to customers for contract work-in-
progress, net

| Interest received | 89 <br> $(324)$ | 101 <br> Interest paid <br> $(134)$ <br> Income tax paid |
| :--- | ---: | :---: |
| Net cash flows from operating activities | $\mathbf{5 , 0 6 7}$ | $\mathbf{8 8 1}$ |


| Group |  |
| :---: | :---: |
| $9 \mathrm{M17}$ | $9 \mathrm{M16}$ |
| 7,474 | 5,447 |
| - | 194 |
| 184 | 252 |
| - | 96 |
| 56 | - |
| 6,838 | 7,094 |
| (159) | (60) |
| (93) | (40) |
| $(3,224)$ | $(2,572)$ |
| (110) | (478) |
| 358 | 249 |
| 12 | - |
| (450) | (409) |
| 287 | 55 |
| 11,173 | 9,828 |
| 21,545 | 13,112 |
| 863 | 219 |
| 6,152 | $(4,031)$ |
| $(28,607)$ | $(9,566)$ |
| 11,126 | 9,562 |
| 300 | 248 |
| $(1,004)$ | (249) |
| (545) | $(1,043)$ |
| 9,877 | 8,518 |

## Investing activities

Additions to intangible assets
Additional investment in associate
Proceeds from disposal of other investments
Proceeds from disposal of property, plant and equipment
Purchase of investment securities
Purchase of property, plant and equipment
Repayment of loan from other investment

## Net cash flows used in investing activities

Financing activities
Dividends paid:

- by the Company
- by subsidiaries to non-controlling interests

Proceeds from trust receipt payables
Proceeds from bank loans
Repayment of bank loans, net
Repayment of finance lease obligations, net

| Net cash flows from/(used in) financing activities | $\mathbf{8 , 4 0 8}$ | $\mathbf{( 1 , 3 3 1 )}$ |
| :--- | ---: | ---: |
| Net increase/(decrease) in cash and cash <br> equivalents | $\mathbf{8 , 0 3 6}$ | $\mathbf{( 1 , 8 5 0 )}$ |
| Effect of exchange rate changes on cash and cash <br> equivalents | $(407)$ | 97 |
| Cash and cash equivalents at beginning of <br> quarter/period | $\mathbf{8 2 , 4 0 4}$ | $\mathbf{9 9 , 8 0 0}$ |
| Cash and cash equivalents at end of the period | $\mathbf{9 0 , 0 3 3}$ | $\mathbf{9 8 , 0 4 7}$ |


| Group |  |
| :---: | :---: |
| $9 \mathrm{M17}$ | $9 \mathrm{M16}$ |
| $(233)$ - 759 683 - $(9,762)$ 2,119 | $\begin{gathered} (46) \\ (82) \\ - \\ 1,016 \\ (6,783) \\ (24,496) \end{gathered}$ |
| $(6,434)$ | (30,391) |
| $\begin{gathered} (2,838) \\ (1,200) \\ 10,265 \\ - \\ (4,431) \\ (62) \end{gathered}$ | $\begin{array}{r} (8,513) \\ (800) \\ - \\ 14,851 \\ (2,649) \\ (22) \\ \hline \end{array}$ |
| 1,734 | 2,867 |
| 5,177 | (19,006) |
| $(1,165)$ | $(1,162)$ |
| 86,021 | 118,215 |
| 90,033 | 98,047 |

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 |  |  |  |  |  |  |  | Noncontrolling interests | Total equity |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Share capital | Treasury shares | Retained earnings | Capital reserve | Statutory reserve | Foreign currency translation reserve | Premium paid on acquisition of noncontrolling interests | Total |  |  |
| 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 Other comprehensive income | - | - | 4,858 | - | - | - | - | 4,858 | 142 | 5,000 |
| Foreign currency translation | - | - | - | - | - | (890) | - | (890) | 270 | (620) |
| Total comprehensive income for the period | - | - | 4,858 | - | - | (890) | - | 3,968 | 412 | 4,380 |
| Contributions by and distributions toowners |  |  |  |  |  |  |  |  |  |  |
| Dividends on ordinary shares | - | - | $(2,838)$ | - | - | - | - | $(2,838)$ | - | $(2,838)$ |
| Dividends paid by subsidiaries to noncontrolling interests | - | - | - | - | - | - | - | - | $(1,200)$ | $(1,200)$ |
| Total contributions by and distributions to owners | - | - | $(2,838)$ | - | - | - | - | $(2,838)$ | $(1,200)$ | $(4,038)$ |
| At 30 June 2017 | 89,365 | (161) | 199,189 | 8,930 | 300 | 5,210 | $(141,105)$ | 161,728 | 984 | 162,712 |
| Profit for the period Other comprehensive income | - | - | 1,582 | - | - | - | - | 1,582 | 10 | 1,592 |
| Foreign currency translation | - | - | - | - | - | (634) | - | (634) | 75 | (559) |
| Total comprehensive income for the period | - | - | 1,582 | - | - | (634) | - | 948 | 85 | 1,033 |
| At 30 September 2017 | 89,365 | (161) | 200,771 | 8,930 | 300 | 4,576 | $(141,105)$ | 162,676 | 1,069 | 163,745 |

## (All figures in S\$’000)

Attributable to owners of the company

## Group

At 1 January 2016
Profit for the period
Other comprehensive income
Foreign currency translation
Total comprehensive income for the
period
Contributions by and distributions to owners
Dividends on ordinary shares
Dividends paid by subsidiaries to noncontrolling interests
Total contributions by and distributions to owners
At 30 June 2016
Profit for the period
Other comprehensive income
Foreign currency translation
Total comprehensive income for the period
Contributions from owners of the associate
Share of capital reserves in associate Total contributions from owners of the associate
At $\mathbf{3 0}$ September 2016

| Attributable to owners of the company |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Share capital | Treasury shares | Retained earnings | Capital reserve | Statutory reserve | Foreign currency translation reserve | Total | Noncontrolling interests | Total equity |
| 89,365 | (161) | 194,329 | 547 | 300 | 4,769 | 289,149 | $(136,068)$ | 153,081 |
| - | - | 2,568 | - | - | - | 2,568 | 578 | 3,146 |
| - | - | - | - | - | $(4,399)$ | $(4,399)$ | 6,175 | 1,776 |
| - | - | 2,568 | - | - | $(4,399)$ | $(1,831)$ | 6,753 | 4,922 |


| - | - | $(8,513)$ | - | - | - | $(8,513)$ | - | $(8,513)$ |
| ---: | ---: | ---: | ---: | :--- | :--- | :--- | ---: | ---: | ---: |
| - | - |  | - | - | - | - | $(800)$ | $(800)$ |
| - | - | $(8,513)$ | - | - | - | $(8,513)$ | $(800)$ | $(9,313)$ |
| 89,365 | $(161)$ | 188,384 | 547 | 300 | 370 | 278,805 | $(130,115)$ | 148,690 |
| - | - | 1,227 | - | - | - | 1,227 | 196 | 1,423 |
| - | - | - | - | - | 780 | 780 | $(1,272)$ | $(492)$ |
| - | - | 1,227 | - | - | 780 | 2,007 | $(1,076)$ | 931 |


| - | - | - | 8,370 | - | - | 8,370 | - | 8,370 |
| ---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | ---: |
| - | - | - | 8,370 | - | - | 8,370 | - | 8,370 |
| $\mathbf{8 9 , 3 6 5}$ | $\mathbf{( 1 6 1 )}$ | $\mathbf{1 8 9 , 6 1 1}$ | $\mathbf{8 , 9 1 7}$ | $\mathbf{3 0 0}$ | $\mathbf{1 , 1 5 0}$ | $\mathbf{2 8 9 , 1 8 2}$ | $\mathbf{( 1 3 1 , 1 9 1 )}$ | $\mathbf{1 5 7 , 9 9 1}$ |

## Company

At 1 January 2017
Profit for the period, representing total comprehensive income for the period

| Share <br> capital | Treasury <br> shares | Retained <br> earnings | Total equity |
| :---: | :---: | ---: | ---: |
| 89,365 | $(161)$ | 60,743 | 149,947 |
| - | - | 7,600 | 7,600 |

Contributions by and distributions to owners
Dividends on ordinary shares
Total transactions with owners in their capacity as owners
At 30 June 2017
Profit for the period, representing total comprehensive income for the period
At 30 September 2017

| - | - | $(2,838)$ | $(2,838)$ |
| ---: | ---: | ---: | ---: |
| - | - | $(2,838)$ | $(2,838)$ |
| 89,365 | $(161)$ | 65,505 | 154,709 |
| - | - | 9,542 | 9,542 |
| $\mathbf{8 9 , 3 6 5}$ | $\mathbf{( 1 6 1 )}$ | $\mathbf{7 5 , 0 4 7}$ | $\mathbf{1 6 4 , 2 5 1}$ |
| 89,365 | $(161)$ | 97,484 | 186,688 |
| - | - | 3,594 | 3,594 |
|  |  |  |  |
| - | - | $(8,513)$ | $(8,513)$ |
| $\mathbf{8 9 , 3 6 5}$ | $(161)$ | 92,565 | 181,769 |
| - | - | 7,622 | 7,622 |
| $\mathbf{8 9 , 3 6 5}$ | $\mathbf{( 1 6 1 )}$ | $\mathbf{1 0 0 , 1 8 7}$ | $\mathbf{1 8 9 , 3 9 1}$ |

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 September 2017.
As at 30 September 2017, the Company has 336,000 (30 September 2016: 336,000) ordinary shares of the Company by way of market purchases on the Singapore Exchange and held them as treasury shares. The number of treasury shares represented $0.06 \%$ (30 September 2016: $0.06 \%$ ) of the total number of issued shares, excluding treasury shares.

There are no subsidiary holdings as at 30 September 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 September 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.

The statements of financial position of the Group and the Company as at 30 September 2017, the statements of changes in equity of the Group and the Company, the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the nine-month financial period ended 30 September 2017, prepared in this result announcement are presented in accordance with Singapore Financial Reporting Standard 34 Interim Financial Reporting and have not been audited, but have been reviewed by the auditors of the Group, in accordance with Singapore Standards on review Engagement 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Certain financial information of this announcement has been extracted from the interim financial information for the financial period ended 30 September 2017.
3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Please refer to the attached independent auditors' review report for the nine months ended 30 September 2017.
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)

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) On a fully diluted basis (in cent)
Net profit attributable to ordinary shareholders for basic and diluted earnings per share

Weighted average number of ordinary shares applicable to basic and diluted earnings per share ('000)
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-17 | 31-Dec-16 | 30-Sep-17 | 31-Dec-16 |
| 28.7 | 28.3 | 28.9 | 26.4 |

The calculation of net asset value per ordinary share is based on $567,518,000$ shares as at 30 September 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 Third Quarter (3017) Review

Revenue in 3Q17 increased when compared with the same quarter last year, due to newly secured projects being executed in 2017. Gross profit margin for 3Q17 was lower at $18 \%$ compared to the same quarter last year. The higher gross profit margin in 3Q16 was due to closure of completed projects.

The Group recognised a net foreign exchange loss of S\$0.8M during 3Q17. This comprises an exchange loss which relates mainly to the depreciation of USD against SGD as at balance sheet date.

General and administrative costs were higher in 3Q16 due to higher professional fees incurred. Other operating costs decreased due to decline in depreciation expense as certain fixed assets were disposed in the prior year.

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 $\mathrm{S} \$ 0.6 \mathrm{M}$ 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.

## 2017 Nine Months (9M17) Review

Revenue in 9M17 increased when compared with the same period last year, due to newly secured projects being executed in the current period. Gross profit margin for the 9M17 was lower at $21 \%$ compared to the same period last year. The higher gross profit margin in 9M16 was due to closure of completed projects.

Other income was higher in 9M16 mainly contributed by a gain on disposal of an office building, higher wage credit grants received and sale of scrap.

General and administrative costs were higher in 9M16 due to higher professional fees incurred. Other operating costs in 9M17 decreased due to decline in depreciation expense as certain fixed assets were disposed in the prior year.

Finance income relates mainly to interest income from an investment loan.
The Group recognised a net foreign exchange loss of $\mathrm{S} \$ 1.5 \mathrm{M}$ during 9 M 17 . The exchange loss relates to the depreciation of USD against SGD as at balance sheet date, partially offset by the exchange gain of $\mathrm{S} \$ 0.2 \mathrm{M}$ 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\$1.5M 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\$0.3M 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 increased due to unbilled receivables from new projects being executed.

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

Trust receipt payables pertain to working capital facilities used for projects under execution.
Down payments 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 global economy, the Group's liquid storage terminal EPC business environment continues to remain challenging.

At the date of this announcement, the Group's order book, excluding maintenance, stands at S\$474.8M.

On 2 October 2017, OROCHEM PTE. LTD. (the "Offeror") and the Company, jointly announced that the Offeror had presented to the Company's Directors a formal proposal (the "Delisting Proposal") to seek the voluntary delisting of the Company (the "Delisting") from the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST") pursuant to Rules 1307 and 1309 of the listing manual of the SGX-ST.

Under the Delisting Proposal, DBS Bank Ltd will make, for and on behalf of the Offeror, an exit offer (the "Exit Offer") in cash, conditional on the approval of shareholders of the Company (the "Shareholders") for the Delisting being obtained, to acquire all the issued ordinary shares in the capital of the Company (the "Shares"), other than those held by the Company as treasury shares and those held, directly or indirectly, by the Offeror as at the date of the Exit Offer.

The Company has submitted an application in relation to the Delisting, which is subject to approval from the SGX-ST. The Board will update the Shareholders on the status of the Delisting in due course.

## 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 September 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 third quarter financial results for the period ended 30 September 2017 to be false or misleading in any material aspect.

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

14 November 2017

The Board of Directors
Rotary Engineering Limited
17 Tuas Avenue 20
Singapore 638828

## Report on Review of Interim Condensed Financial Statements

## Introduction

We have reviewed the accompanying interim condensed financial statements of Rotary Engineering Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 September 2017, and the related interim condensed statements of changes in equity of the Group and the Company and the interim condensed consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Singapore Financial Reporting Standard FRS 34 Interim Financial Reporting (FRS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

The interim condensed statements of changes in equity of the Group and the Company and the interim condensed consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the corresponding period from 1 January 2016 to 30 September 2016 included in these interim condensed consolidated financial statements are based on management financial information of the Group. We have not performed an audit or a review of this comparative financial information.

## Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Building a better

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with FRS 34.

Yours faithfully

## Erust + Young LLP

ERNST \& YOUNG LLP
Public Accountants and
Chartered Accountants
Singapore

# LETTER FROM IFA ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 

14 November 2017

Rotary Engineering Limited
No. 17 Tuas Avenue 20
Singapore 638828

Attention: The Board of Directors
PROPOSED VOLUNTARY DELISTING OF ROTARY ENGINEERING LIMITED. (THE
"COMPANY") FROM THE OFFICIAL LIST OF THE SINGAPORE EXCHANGE
SECURITIES TRADING LIMITED ("SGX-ST") PURSUANT TO RULES 1307 AND 1309
OF THE SGX-ST LISTING MANUAL ("DELISTING PROPOSAL")

1. On 14 November 2017, the directors of the Company ("Directors") announced the unaudited consolidated financial statements of the Company for the nine-month period ended 30 September 2017 (the "3Q17 Results"). We have examined the 3Q17 Results and have discussed the same with the management of the Company who are responsible for their preparation. We have also considered the report by Ernst \& Young LLP (the Company's auditor) dated 14 November 2017 on their review of the 3Q17 Results.
2. For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us by the Company. Saved as provided in this letter, we do not express any other opinion and views on the 3Q17 Results. The Board of Directors of the Company remains solely responsible for the 3Q17 Results.
3. Based on the above, we are of the opinion that the 3Q17 Results have been prepared by the Company after due and careful enquiry.
4. This letter is provided to the Board of Directors of the Company solely for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and not for any other purpose. We do not accept responsibility for any person(s), other than the Board of Directors of the Company, in respect of, arising out of, or in connection with this letter.

Yours faithfully,
For and on behalf of
Deloitte \& Touche Corporate Finance Pte Ltd


Koh Soon Bee
Executive Director

