



ROTARY ENGINEERING LIMITED
(Company Registration No. 198000255E)

THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2009 FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

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 2009

(All figures in S\$'000)	Group			Group		
	3Q09	3Q08	% Increase/ (Decrease)	9M09	9M08	% Increase/ (Decrease)
Revenue	108,783	118,345	(8%)	404,854	370,031	9%
Cost of Sales	(81,198)	(90,317)	(10%)	(320,125)	(291,614)	10%
Gross profit	27,585	28,028		84,729	78,417	
	25%	24%		21%	21%	
Other revenue	373	1,004	(63%)	1,076	3,212	(67%)
Administrative costs	(10,262)	(12,610)	(19%)	(30,273)	(30,034)	1%
Other operating costs	(3,397)	(1,885)	80%	(17,607)	(5,638)	212%
Finance costs	(11)	(916)	(99%)	(189)	(1,943)	(90%)
Share of results from associates	(753)	412	NM	(1,509)	362	NM
Profit before income tax	13,535	14,033		36,227	44,376	
Taxation	(2,819)	(3,932)	(28%)	(7,717)	(10,575)	(27%)
Profit after tax	10,716	10,101		28,510	33,801	
Other comprehensive income						
Net gain on fair value of available-for-sale financial assets	1,294	-	NM	1,697	1,590	7%
Foreign currency translation	(441)	2,293	NM	50	497	(90%)
Other comprehensive income for the period	853	2,293		1,747	2,087	
Total comprehensive income for the period	11,569	12,394		30,257	35,888	
Profit attributable to:						
Owners of the Parent	10,726	9,667	11%	28,081	31,613	(11%)
Minority interests	(10)	434	NM	429	2,188	(80%)
	10,716	10,101		28,510	33,801	
Total comprehensive income attributable to:						
Owners of the Parent	11,503	11,515	(0%)	30,176	33,349	(10%)
Minority interests	66	879	(92%)	81	2,539	(97%)
	11,569	12,394		30,257	35,888	

* NM denotes Not Meaningful

Profit from operating activities included the followings:	Group		Group	
	3Q09	3Q08	9M09	9M08
(a) Other revenue				
Gain on disposal of other investments	230	-	230	-
Gain/(Loss) on disposal of property, plant and equipment	10	(36)	81	17
Investment income	1	-	62	229
Interest income	79	466	612	1,393
(b) Administrative costs				
Foreign exchange (loss)/gain	(555)	553	164	(200)
(c) Other operating costs				
Provisions for doubtful debts	(152)	(129)	(8,175)	(457)
Bad debts written off	(162)	-	(173)	-
Provisions for obsolete inventories	(115)	-	(295)	-
Inventories written off	-	-	(546)	-
Impairment loss on associates	-	-	(200)	-
Depreciation of property, plant and equipment	(2,628)	(1,674)	(7,471)	(4,894)
Amortisation of intangible assets	(340)	(84)	(747)	(289)

1(b)(i). A balance sheet (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-09	31-Dec-08	30-Sep-09	31-Dec-08
Non-current assets				
Property, plant and equipment	74,883	65,710	16,917	14,551
Intangible assets	2,778	2,098	1,090	385
Investments				
Subsidiary companies	-	-	59,321	58,684
Associated companies	22,441	23,903	22,362	22,562
Deferred tax assets	869	220	615	-
Other investments	2,092	6,255	946	5,526
Current assets				
Gross amount due from customers for contract work in progress	5,952	16,454	2,271	7,620
Inventories	4,747	5,653	-	-
Prepaid operating expenses	606	309	407	56
Downpayments to suppliers	1,304	4,470	-	-
Income tax recoverable	488	574	-	-
Trade and other receivables	141,973	165,880	112,542	120,909
Other investments	-	6,848	-	-
Cash and cash equivalents	145,838	157,774	69,835	101,008
	300,908	357,962	185,055	229,593
Current liabilities				
Income tax payable	10,852	13,849	1,561	3,025
Loans and borrowings	15,897	8,056	186	153
Gross amount due to customers for contract work in progress	48,899	68,861	48,743	69,112
Trade and other payables	92,839	119,771	78,862	82,338
Downpayments from customers	3,217	27,274	1,002	15,808
	171,704	237,811	130,354	170,436
Net current assets	129,204	120,151	54,701	59,157
Non-current liabilities				
Deferred tax liabilities	520	1,476	-	778
Loans and borrowings	168	477	113	288
Other payables	-	-	700	3,781
	688	1,953	813	4,847
Net assets	231,579	216,384	155,139	156,018
Equity attributable to equity holders of the parent				
Share capital	89,362	89,362	89,362	89,362
Retained earnings	131,664	116,643	65,777	67,936
Other reserves	571	(1,522)	-	(1,280)
	221,597	204,483	155,139	156,018
Minority interests	9,982	11,901	-	-
Total Equity	231,579	216,384	155,139	156,018

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

Amount repayable in one year or less, or on demand

30-Sep-09	
Secured	Unsecured
524	15,373

31-Dec-08	
Secured	Unsecured
375	7,681

Amount repayable after one year

30-Sep-09	
Secured	Unsecured
168	-

31-Dec-08	
Secured	Unsecured
477	-

Details of any collateral

Nil.

1(c). A cash flow statement (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	
	3Q09	3Q08	9M09	9M08
Operating activities				
Profit before tax	13,535	14,033	36,227	44,376
Adjustments for :				
Provisions for doubtful debts	152	129	8,175	457
Provisions for obsolete inventories	115	-	295	-
Amortisation of intangible assets	340	84	747	289
Bad debts written off	162	-	173	-
Inventories written off	-	-	546	-
Depreciation of property, plant and equipment	2,628	1,674	7,471	4,894
Fair value changes on derivative financial instruments	-	(587)	-	(658)
Impairment loss on associates	-	-	200	-
Investment income	(1)	-	(62)	(229)
Interest expense	11	916	189	1,943
Interest income	(79)	(466)	(612)	(1,393)
Gain on disposal of other investments	(230)	-	(230)	-
(Gain)/Loss on disposal of property, plant and equipment	(10)	36	(81)	(17)
Negative goodwill written off	-	147	-	130
Preliminary expenses written off	-	-	-	248
Share of results from associates	753	(412)	1,509	(362)
Currency realignment	(278)	1,572	23	202
Operating cashflows before changes in working capital	17,098	17,126	54,570	49,880
Decrease/(Increase) in receivables	28,030	10,033	18,002	(28,672)
(Increase)/Decrease in inventories	(382)	(662)	65	(692)
Decrease in gross amount due to customers for contract work in progress	(27,084)	(25,044)	(9,460)	(856)
Increase/(Decrease) in payables	5,268	22,318	(51,286)	11,863
Cashflows generated from operations	22,930	23,771	11,891	31,523
Interest received	78	480	605	1,463
Interest paid	(11)	(916)	(189)	(1,943)
Income tax paid	(3,135)	(5,355)	(12,233)	(16,509)
Net cashflows generated from operating activities	19,862	17,980	74	14,534
Investing activities				
Increase in investment of associated companies	-	-	-	(1,454)
Subscription of right shares in associated companies	-	-	-	(1,633)
Acquisition of subsidiary, net of cash acquired	-	(1,404)	-	1,813
Proceeds from disposal of long term investments	6,090	-	6,090	-
Increase in other investments	-	(7,142)	-	(4,756)
Proceeds from maturity of bonds	-	-	6,848	-
Purchase of property, plant and equipment	(6,765)	(7,300)	(16,789)	(13,293)
Additions to intangible assets	(131)	-	(1,448)	-
Proceeds from disposal of property, plant and equipment	61	16	271	156
Investment income received	1	-	62	229
Dividends from associated companies	-	-	483	305
Net cashflows used in investing activities	(744)	(15,830)	(4,483)	(18,633)

(All figures in S\$'000)

	Group		Group	
	3Q09	3Q08	9M09	9M08
Financing activities:				
(Repayment of)/proceeds from bank loans and trade facilities, net	(324)	5,804	7,894	7,135
Redemption of Multicurrency Medium Term Note	-	(42,000)	-	(42,000)
Dividends paid:				
-by company	-	-	(13,060)	(13,060)
-by subsidiaries to minority shareholders	-	-	(2,000)	-
Increase in fixed deposits, pledged	-	-	-	(3)
Decrease in finance lease obligations	(79)	(77)	(163)	(81)
Net cashflows used in financing activities	(403)	(36,273)	(7,329)	(48,009)
Net increase/(decrease) in cash and cash equivalents	18,715	(34,123)	(11,738)	(52,108)
Cash and cash equivalents at beginning of period	126,897	136,385	157,350	154,370
Cash and cash equivalents at end of the period	145,612	102,262	145,612	102,262

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 equity holders of the Parent						Total	Minority Interest	Total Equity
	Share capital	Retained earnings	Capital reserve	Statutory reserve	Foreign currency translation reserve	Fair value adjustment reserve			
<u>1H09</u>									
At 1 January 2009	89,362	116,643	80	300	(956)	(946)	204,483	11,901	216,384
Total comprehensive income for the period	-	17,355	-	-	913	403	18,671	15	18,686
Dividends on ordinary shares	-	(13,060)	-	-	-	-	(13,060)	-	(13,060)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(2,000)	(2,000)
At 30 June 2009	89,362	120,938	80	300	(43)	(543)	210,094	9,916	220,010
<u>3Q09</u>									
Total comprehensive income for the period	-	10,726	-	-	(517)	1,294	11,503	66	11,569
At 30 September 2009	89,362	131,664	80	300	(560)	751	221,597	9,982	231,579
<u>1H08</u>									
At 1 January 2008	89,362	79,152	80	-	(383)	-	168,211	6,991	175,202
Total comprehensive income for the period	-	21,946	-	-	(1,702)	1,590	21,834	1,660	23,494
Acquisition of a subsidiary	-	-	-	-	-	-	-	1,588	1,588
Dividends on ordinary shares	-	(13,060)	-	-	-	-	(13,060)	-	(13,060)
At 30 June 2008	89,362	88,038	80	-	(2,085)	1,590	176,985	10,239	187,224
<u>3Q08</u>									
Total comprehensive income for the period	-	9,667	-	-	1,848	-	11,515	879	12,394
Dividends on ordinary shares	-	-	-	-	-	-	-	-	-
At 30 September 2008	89,362	97,705	80	-	(237)	1,590	188,500	11,118	199,618

	Share capital	Retained earnings	Fair value adjustment reserve	Total Equity
1H09				
At 1 January 2009	89,362	67,936	(1,280)	156,018
Total comprehensive income for the period	-	7,058	-	7,058
Dividends on ordinary shares	-	(13,060)	-	(13,060)
At 30 June 2009	89,362	61,934	(1,280)	150,016

3Q09

Total comprehensive income for the period	-	3,843	1,280	5,123
At 30 September 2009	89,362	65,777	-	155,139

1H08

At 1 January 2008	89,362	26,113	-	115,475
Total comprehensive income for the period	-	22,685	-	22,685
Dividends on ordinary shares	-	(13,060)	-	(13,060)
At 30 June 2008	89,362	35,738	-	125,100

3Q08

Total comprehensive income for the period	-	17,337	-	17,337
At 30 September 2008	89,362	53,075	-	142,437

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.

As at end of 30 September 2009, no options have been exercised. The unexercised options as at this date were 15,000 (31 December 2008: 15,000).

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.

	2009	2008
Issued & fully paid share capital		
Balance no. of shares at 1 Jan	567,839,000	567,839,000
Addition:		
Exercise of rights issues	-	-
Exercise of share options	-	-
Total no. of shares	567,839,000	567,839,000

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.

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. Singapore Standard on Auditing 910 (Engagements to Review Financial Statements or an equivalent standard))

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 standards 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 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	
	3Q09	3Q08	9M09	9M08
Earnings per ordinary share of the group for the year after deducting any provision for preference dividends:-				
Based on weighted average number of ordinary shares in issue (in cents)	1.9	1.7	4.9	5.6
On a fully diluted basis (in cents)	1.9	1.7	4.9	5.6
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	10,726	9,667	28,081	31,613
Weighted average number of ordinary shares on issue applicable to basic earning per share	567,839	567,839	567,839	567,839
Effect of dilutive securities:				
Share options	11	12	11	12
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	567,850	567,851	567,850	567,851

7. Net asset value (for the Issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30-Sep-09	31-Dec-08	30-Sep-09	31-Dec-08
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	39.0	36.0	27.3	27.5

The calculation of net asset value per ordinary share is based on 567,839,000 shares as at 30 September 2009 (31 December 2008: 567,839,000).

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on

2009 Third Quarter (3Q09) Review

The Group's revenue for 3Q09 was S\$109 million compared to S\$118 million for the same period in the last financial year as several large projects were completed and new contracts had yet to generate significant revenue. Gross profit was comparable to 3Q08 at S\$28 million, due to cost control and productivity gains from those projects completed.

Other revenue comprised mainly of a gain on disposal of investment and interest income which declined due to low interest rates.

Administrative costs for this quarter were overall lower than the corresponding quarter last year mainly because of larger provision for employee bonuses and higher training costs in 3Q08. Foreign exchange losses in 3Q09 related mainly to US dollar assets in Saudi Arabia.

Depreciation increased due to the Group's investment in its Saudi Arabian subsidiary last year.

Finance costs were lower due to the redemption of S\$42 million Multicurrency Medium Term Notes in 3Q08.

Share of losses from associates can mainly be attributed to provisions made for doubtful debts as well as pre-operating costs incurred by a waste-to-energy plant expected to be operational by the end of the year.

2009 Nine-Month (9M09) Review

The Group's 9M09 revenue increased by 9% to S\$405 million from S\$370 million in the previous corresponding period. Gross profit margin for 9M09 at 21% was in line with expectation.

The Group's profit before tax of S\$36 million for 9M09 included a provision made for a specific debt as detailed in the review of other operating costs below. Excluding the provision for this specific debt, profit before tax for the Group would have been S\$42 million compared to S\$44 million in 9M08.

Other revenue comprised mainly of a gain on disposal of investment and interest income which declined due to low interest rates.

Administrative costs were overall comparable to the corresponding period last year.

The increase in other operating costs was mainly due to provisions for doubtful debts including a specific debt of S\$5.7 million when the Australian parent company of the customer was placed under voluntary administration (as disclosed in the announcement for 1Q09); and depreciation of property, plant and equipment.

Finance costs were lower due to the redemption of S\$42 million Multicurrency Medium Term Notes in 3Q08.

Share of losses from associates in 9M09 can mainly be attributed to commissioning and pre-operating costs incurred by a waste-to-energy plant.

Balance Sheet Review

Non-current assets increased mainly due to additions of property, plant and equipment in Saudi Arabia, Singapore and Indonesia; and also intangible assets with the purchases of software licenses. Deferred tax assets increased due to unutilised tax losses from the provision for debts. Other investments decreased with the disposal of quoted shares.

Trade and other receivables as well as contract work in progress were lower due to the completion of projects. Downpayments from customers and to suppliers fell as work on significant new projects only commenced in 3Q09. Other investments decreased as government bonds held reached maturity.

The lower trade and other payables reflected the more labour intensive nature of construction work currently in progress. Loans and borrowings increased due to investments in Saudi Arabia and trade financing needs.

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

Not applicable.

10. A commentary at the date of announcement of the 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 recovery remains uneven with some economies showing positive signs while others are still weak. Competition remains stiff as difficult conditions are expected to continue to exert pressure on contract margins.

The Group continues to take steps to grow globally and is actively developing business opportunities in the ASEAN region including Singapore, Malaysia and Indonesia. The Group also seeks to capitalise on its recent S\$1.1 billion contract to build a refinery tank farm in Saudi Arabia, where more infrastructure projects are being contemplated in the oil and gas industry.

At the date of this announcement, the order book of the Group stands at S\$1.36 billion, more than 80% of which can be attributed to the projects outside of Singapore.

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

Nil.

(d) Books closure date

Not applicable.

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

Not applicable.

13. Confirmation

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company, which may render the third financial results to be false or misleading.

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

4 November 2009